
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**Anderson County South Carolina
Anderson, South Carolina**

**Final Report
Report Number: 16-06
Project Number: SC-16985
December 2015**

**Prepared by:
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December 9, 2015

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Leon Snead & Company, P.C. completed an audit of Basic Agency grant SC-16985 awarded by the Appalachian Regional Commission (ARC) to support a project proposed by Anderson County, South Carolina. 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.

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.

The County, as sub-grantee, had written policies and procedures that were adequate for managing grant activities. However, procedures were needed to help ensure ARC match funding requirements were fully complied with. The grant expenditures sampled and tested, including match funding reported at grant closeout, were adequately supported and allowable. The award and oversight of the construction contract and costs were considered adequate. The overall purpose and primary performance measures for the project and grant were considered to have been fully met. The issue on match funding noted during the audit and our recommended corrective actions are discussed in detail in the Finding and Recommendation section of the report.

Leon Snead & Company appreciates the cooperation and assistance received from Anderson County 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 SC-16985 awarded by the Appalachian Regional Commission (ARC) to support a project proposed by Anderson County, South Carolina. 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.

ARC awarded the grant to the South Carolina Department of Commerce (DOC) who was responsible for administering the grant under the South Carolina State Basic Agency Administrative Procedures for ARC Construction Projects. The DOC subsequently awarded sub-grant ARC 4-G-11-001 to Anderson County that provided the specific terms and conditions required to be met. The grant and sub-grant provided \$500,000 in ARC funding and required an initial estimated \$710,492 in non-ARC funding from the sub-grantee to meet total estimated project costs of \$1,210,492. The initial approved grant period was August 1, 2011 to August 31, 2013. The grant period was extended to December 31, 2014 because of weather delays affecting construction and contract disputes between the county and construction contractor.

The project supported by the grant involved constructing a 5,720 square foot workforce training facility--referred to as the Anderson County Quick Jobs Training Center--located on the campus of the Tri-County Technical College (TCTC). The facility was intended to be used to provide certificate-level training in courses such as Computer Aided Design, Mechanical and Industrial Maintenance, and Manufacturing Technology to support training needs of local businesses as well as the public in general. The project was expected to provide training to 250 students during the first year and an additional 25 students in each of the subsequent three years, reaching a maximum capacity of 325 students per year.

The project and grant were completed and the grant had been administratively closed by ARC at the time of the audit. The final reported total project cost was \$1,288,903, which included the \$500,000 ARC funding and the remaining amount funded with non-ARC funds. A total of 1,180 students were reported to have been trained during the first year of the center's operation.

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.

The audit focused on the procedures, records and actions taken by Anderson County as the sub-grantee and did not include evaluating DOC procedures and administration as the Basic Agency. We reviewed the documentation provided and interviewed County and DOC staff to obtain an overall understanding of the grant requirements and activities, the accounting system, and the operating procedures. We reviewed County procedures and internal controls for administering

the project, including the construction contract and ARC funds. We reviewed financial and other required reports, including those related to project performance and results. We also reviewed the most recent Independent Auditor's Report to determine whether there were any issues that impacted the ARC grant.

We selected \$409,554 of the expenditures charged to the grant and claimed for reimbursement during the grant period, and \$ 462,659 in non-ARC match costs, for testing to determine whether they were properly supported and allowable. We reviewed financial reports, invoices, and other supporting documents related to these expenditures.

The primary criteria used in performing the audit were the provisions of the grant and sub-grant agreements, applicable Office of Management and Budget (OMB) Circulars, and relevant parts of the ARC Code. The audit was performed in general accordance with the *Government Auditing Standards*. The fieldwork was performed during the period of October 19-23, 2015, including on-site work at County offices in Anderson, South Carolina. The preliminary results were discussed with County representatives at the conclusion of the on-site visit.

Summary of Audit Results

The County, as sub-grantee, had written policies and procedures that were adequate for managing grant activities. However, procedures were needed to help ensure ARC match funding requirements are fully complied with. The grant expenditures sampled and tested, including match funding reported at grant closeout, were adequately supported and allowable. The award and oversight of the construction contract and costs were considered adequate. The overall purpose and primary performance measures for the project and grant were considered to have been fully met.

The issue on match funding noted during the audit and our recommended corrective actions are discussed in detail in the Finding and Recommendation section of the report.

Finding and Recommendation

Match Funding Requirements

The County did not expend ARC and non-ARC match funds on a pro rata basis to meet project construction costs during the project. This occurred primarily because the County's written policies and procedures for administering the grant did not include language or provisions necessary to meet the sub-grant terms for match funding. As a result, the County requested and received reimbursement of ARC funds during the grant period in excess of what was otherwise allowable.

The sub-grant agreement established between DOC and the County contained several special conditions. One required the County to take appropriate actions to ensure that the local matching funds required under the approved ARC grant budget were documented as expended prior to or pro rata with the drawdown or reimbursement of ARC funds, unless otherwise approved by DOC. In reviewing the expenditures recorded by the County, and the requests for reimbursement submitted to the DOC, we determined that the County paid the first \$273,198 in costs billed by the construction contractor entirely with ARC funds, without any non-ARC match funds being used, and was reimbursed by DOC for these amounts. We confirmed with DOC staff that they did not waive the special condition on pro rata match that was included in the agreement. Therefore, recording costs against ARC funds and obtaining reimbursement prior to recording or expending match funds was not compliant with the requirements of the sub-grant.

The primary reason this occurred, in our opinion, was that the County had not established any procedures to adequately address either the special condition in the sub-grant agreement or match requirements in general. The County did have two written policies that governed the financial and administrative activities on this grant. One was a special internal control memo prepared specifically for the Quick Jobs Center grant discussing various areas such as allowable activities and costs, cash management, and matching. Another was Procedure N, in the Finance Department's Accounting Manual, that discussed overall grant policy and responsibilities. Although both of these documents appeared to be very beneficial for overall grant administration, neither contained provisions that would effectively ensure specific grant match requirements were identified and complied with.

Recommendation

The County should revise its Accounting Manual, and establish written procedures elsewhere as appropriate (such as the internal control memo), that will ensure match funding requirements for each grant are complied with, including meeting the pro rata requirements prior to requesting reimbursement.

Grantee's Response

The corrective action Anderson County will implement is to modify the Internal Control Memo for all future ARC grants, to include written procedures that document specific policies and

procedures to ensure the match is documented and funds are requested under the appropriate ARC guidelines.

Auditor'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.



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Dear Mr. Snead:

Please accept this letter as Anderson County's response to the monitoring report for the Appalachian Regional Commission (ARC) Basic Agency Grant for the Tri-County Quick-Jobs Center, Project Number SC-16985. The discussions and suggestions made during the visit will be very beneficial to our efforts as we move forward with other ARC grants that Anderson County have been awarded.

As noted during the visit and in the Findings and Recommendations in the Audit Report for this grant, there is one finding concerning match funding requirements. The finding identifies the need to establish written procedures that ensures ARC match funding requirements are discussed and complied with, including meeting the prorata requirements prior to requesting reimbursement. The corrective action Anderson County will implement is to modify the Internal Control Memo for all future ARC grants, to include written procedures that document specific policies and procedures to ensure the match is documented and funds are requested under the appropriate ARC guidelines.

It is Anderson County's hope that these measures will satisfy the requirements and will ensure that this issue does not arise again as we move forward. If you have any additional concerns or require additional corrective actions please feel free to contact Rita Davis at 864-260-4351.

Sincerely,

Rusty Burns
Administrator

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