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

**City of Pickens  
Pickens, South Carolina**

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**Final Report Number: 17-12  
Project Number: SC-17316-302-12  
April 14, 2017**

**Prepared By:**

**Bonadio & Co., LLP**  
Certified Public Accountants

April 14, 2017

Appalachian Regional Commission  
Office of Inspector General  
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Bonadio & Co., LLP completed an audit of grant number SC-17316-302-12 awarded by the Appalachian Regional Commission (ARC) to the City of Pickens (the City). The audit was performed to assist the Office of Inspector General in carrying out its oversight of ARC grant funds.

The 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 expensed as provided for in the approved grant budget; (3) internal grant guidelines, 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 City'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. The grant performance measures, with respect to anticipated outcomes, were not adequately monitored; therefore we were unable to verify that project outcomes were met.

Bonadio & Co., LLP appreciated the cooperation and assistance received from the City and the ARC staff during the audit.

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## TABLE OF CONTENTS

	Page
BACKGROUND	1
OBJECTIVE, SCOPE AND METHODOLOGY	1
SUMMARY OF AUDIT RESULTS	2
FINDINGS AND RECOMMENDATIONS	2 - 3

## **BACKGROUND**

Bonadio & Co., LLP completed an audit of grant number SC-17316-302-12 awarded by the Appalachian Regional Commission (ARC) to the City of Pickens (the City). The audit was conducted at the request of the ARC, Office of Inspector General, to assist the office in its oversight of the ARC grant funds.

The grant was approved on September 24, 2012 and was administered through the State of South Carolina Department of Commerce. It provided \$400,000 in ARC funds and \$410,000 in non-ARC funds. The entire approved budget was for construction costs. The initial approved grant period was October 1, 2012 through September 30, 2014. The grant period was extended to August 31, 2018 as part of an ARC memo, which extended several open state-administered construction projects.

The major component of the City's plan was to develop and enhance recreational trail facilities at Town Creek Park within the City of Pickens. The purpose of the plan was to improve connectivity, wellness and contribute to local and regional economic growth. The project was to include a bridge over a tributary of Town Creek, 4,000 linear feet of trail and six trail gardens to provide bike riders with an enhanced trail experience.

The initial grant budget was \$810,000 in construction costs; however the final reported expenditures were \$798,863 in construction costs and \$48,164 in engineering costs, due to construction costs being less than anticipated and engineering costs being greater than anticipated. The final expenditures totaled \$847,027 and included \$400,000 in ARC funding with the remaining amount funded by non-ARC funds.

The project and grant were completed and the grant had been administratively closed by the ARC 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 expensed as provided for in the approved grant budget; (3) internal grant guidelines, including program (internal) controls, where appropriate 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, objectives and performance measures of the grant were met.

We reviewed the documentation provided and interviewed City personnel to obtain an overall understanding of the grant activities, the accounting system, and operating procedures. We reviewed City administrative procedures and related internal controls to determine whether they were adequate to administer the grant funds. We also reviewed the most recent Single Audit report to determine whether there were any issues that impacted the ARC grant.

The primary criteria used in performing the audit were ARC grant documents, the grant approval, the ARC code, other ARC requirements, federal cost principles, and audit requirements for federal awards. The audit was performed in accordance with the *Government Auditing Standards*. The fieldwork was performed on January 30, 2017 through January 31, 2017, including on-site work at the City of Pickens administrative office. The preliminary audit results were discussed with City representatives at the conclusion of the on-site visit.

## **SUMMARY OF AUDIT RESULTS**

Overall, the City's administrative procedures were adequate to manage the grant and funds reviewed. However, procedures were needed to help ensure that the grant was being adequately monitored to help ensure costs did not occur during an expired grant period, ensuring progress reports are being properly submitted and also procedures necessary to monitor project outcomes appropriately.

The expenditures tested, including matching funds, were supported and considered reasonable, and we did not question any incurred costs. Records and reports produced during the audit process indicated that the tasks required by the grant agreement were accomplished. The overall grant performance measures, with respect to anticipated outputs and outcomes, were not being adequately monitored.

The issues regarding monitoring of the grant activities and the project outcomes noted during the audit, as well as our recommendations, are discussed in detail in the Findings and Recommendations section below.

## **FINDINGS AND RECOMMENDATIONS**

### **1. GRANT ACTIVITIES**

Per the ARC Grant Administration Manual, if a project cannot be completed within the approved period of performance, an extension request may be made prior to the end date. We noted that the grant was originally approved on September 24, 2012 for the period of October 1, 2012 through September 30, 2014. On November 10, 2014 the ARC approved the extension of the performance period to December 31, 2014. From the time of October 1, 2014 through November 10, 2014, the grant period had expired. When reviewing the City's documentation, it was noted that some of the construction occurred during the period of expiration. Approximately \$34,000 in expenditures occurred during the expired time period. We noted that total project cost exceeded the budgeted amount by approximately \$37,000. We noted that the excess costs were funded by the City.

We also noted that on April 22, 2015 the ARC approved the extension of the performance period to March 11, 2015. From the time of January 1, 2015 through April 22, 2015, the grant period had expired. When reviewing the City's documentation we did not note any project construction occurring during this time period.

#### **Recommendation**

For future grants, the City should determine whether an amendment is necessary to extend the period of performance and, if so, submit the amendment to the ARC or the basic agency before the end of the grant period to prevent ineligible costs from occurring outside of authorized grant periods.

## **2. MONITORING PROJECT OUTCOMES**

The grant requires that performance measures outlined in the application were being adequately monitored and completed. The original grant application and agreement indicated that the performance measures were (1) outputs of 4,000 linear feet of bike trail, 6 trail gardens and one bridge and (2) outcomes of 39,000 users of the trail annually and generation of \$585,000 in additional revenue.

While it was noted that the appropriate outputs were complete; trails, gardens and bridge were constructed, we noted that the outcomes (users and revenue) of the project were not being adequately monitored. Per discussion with the City management, it was noted that while staff on site at the Town Creek Park view individuals using the bike park on a regular basis, they are unable to determine an estimated figure of the actual number and indicated that it was probably less than the 39,000 originally estimated. City management also stated that the additional revenue generated from the project was not monitored nor would they be able to determine an estimated amount. City personnel stated that both the users and revenue generated most likely are below the amounts initially projected due to the lack of advertisement by the City for the Town Creek Park and small amount of City organized events held at the park during the period subsequent to its completion. A total of 2,838 individuals were reported on Pickens final report as served by the newly constructed Town Creek Park bike trails. Per our discussion with Pickens personnel, there was no documentation to support this figure and the figure was an estimate based on the population of the City.

We noted that at the time of our audit there were no formal procedures in place to monitor project outcomes; however new City personnel employed since the initial start of the grant period indicated their intent to implement more policies and procedures going forward.

### **Recommendation**

The City should ensure that they are appropriately estimating performance measures when applying for future grants and that they have an adequate system in place to monitor such performance measures. As part of monitoring the grant performance measures, the City should determine whether this information is being appropriately documented and provided to the ARC.