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

**Crum Public Service District  
Crum, West Virginia**

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**Final Report Number: 19-06  
Project Number: WV-17972-214-14  
November 28, 2018**

**Prepared By:**

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

November 28, 2018

Appalachian Regional Commission  
Office of Inspector General  
1666 Connecticut Avenue, N.W.  
Washington, D.C. 20009

Bonadio & Co., LLP completed an audit of grant number WV-17972-214-14 awarded by the Appalachian Regional Commission (ARC) to the Crum Public Service District (grantee) for the Partnership for Route 152 Phase II (Quaker/Ferguson) Water Main Extension program. The audit was performed to assist the Office of Inspector General in carrying out its oversight of ARC grant funds.

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, 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); (5) the performance measures were met or likely to be met; and (6) matching requirements of the grant were satisfied.

Overall, the grantee's financial management and administrative procedures, including related internal controls, were adequate to manage the funds provided under the ARC grant reviewed. The expenditures tested were supported and considered reasonable. The overall grant performance measures were adequately met.

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

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## **BACKGROUND**

Bonadio & Co., LLP completed an audit of grant number WV-17972-214-14 awarded by the Appalachian Regional Commission (ARC) to the Crum Public Service District (grantee). 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 ARC provided \$1,500,000 in ARC funds to cover the period September 1, 2013 to June 30, 2018. Additional funding was provided by the United States Department of Agriculture (USDA) in the amount of \$2,300,000, and from the state and local funds in the amount of \$500,000. Major components of the Route 152 Phase II Water Main Extension program include the construction of approximately 83,175 linear feet of waterlines in order to provide 165 households (413 people) with safe, dependable sources of potable water and fire protection. The project service area does not have access to adequate water, as ground sources are not suitable for drinking or other household uses due to high iron content and sulfuric odor. The project will provide access to the last elementary school in Wayne County without access to public water.

## **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 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); (5) the performance measures were met or likely to be met; and (6) matching requirements of the grant were satisfied.

We reviewed the documentation provided and interviewed grantee personnel to obtain an overall understanding of the grant activities, the accounting system, and operating procedures. We evaluated grantee administrative procedures and related internal controls to determine whether they were adequate to administer the grant funds. We examined financial and other required reports to determine if they were supported and submitted in accordance with the grant requirements. We also obtained the most recent Single Audit report to determine whether there were any reported issues that affected the ARC grant.

Of the \$3,865,400 in total project expenditures, we selected a sample of \$2,634,273 for testing to determine whether the charges were properly supported and allowable. We also reviewed the grantee's procedures for allocating administrative costs to the grant.

The criteria used in performing the audit were ARC grant documents, the grant approval, the ARC code, other ARC requirements, and 2 CFR Part 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards". The audit was performed in accordance with the *Government Auditing Standards*. The fieldwork was completed during the period of October 15, 2018 through October 17, 2018, which included on-site work at the grantee's office in Crum, West Virginia. The audit results were discussed with grantee representatives at the conclusion of the on-site visit. The grantee's representative agreed with the audit results.

## **SUMMARY OF AUDIT RESULTS**

We reviewed the grantee's most recent Single Audit report to determine whether administrative procedures were adequate to manage the grant funds reviewed. We noted that the report cites segregation of duties as a significant deficiency at Crum PSD due to the only having a staff count of five people. This is a common problem among small organizations. The Board of Directors has attempted to mitigate the situation by being actively involved in the financial affairs of the District to provide oversight and independent review, therefore, we considers this reasonable. Based on test work results, the expenses tested were supported and considered reasonable and we did not question any costs. We found that the grantee 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 generally accomplished.

## **PERFORMANCE MEASURES**

The grantee was able to meet the projected outputs of the Route 152 Phase II Water Main Extension project by providing water service to 165 households, two (2) businesses, one (1) post office, and one (1) elementary school.

Project results were examined for reasonableness through reviewing the Engineer's Aerial Maps indicating construction of waterlines to 165 residents and installation of 28 hydrants to the specified distressed area. Initial water bills were reviewed for the two (2) businesses, one (1) post office, and one (1) elementary school. Through our review of the water bills, we also noted that only 139 residents have currently signed up for service, but all residents have access to waterlines.

The outputs and outcomes of the grant were tested by reviewing financial information, internal reports, service records and other supporting documentation.