
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF GRANT AWARD
Upper Cumberland Development District
Cookeville, Tennessee**

**Final Report Number: 13-12
Project Number: TN-710 A
April 2013**

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



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April 30, 2013

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

Leon Snead & Company, P.C. has completed an audit of grant number TN-710A awarded by the Appalachian Regional Commission (ARC) to the Upper Cumberland Development District. 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 if program funds were managed in accordance with the ARC and federal grant terms and requirements; grant funds were expended as provided for in the ARC approved budget; internal grant guidelines and internal controls were operating effectively; accounting and reporting requirements were implemented in accordance with generally accepted accounting principles and the goals and objectives of the grant were met.

Overall, the UDCC's financial management and administrative procedures and related internal controls were adequate to manage the ARC grant funds. The costs reviewed were reasonable and supported. In addition, the records indicated that the tasks required by the grant agreement were met. We reported one finding related to the internal controls over employee timekeeping at UDCC.

A draft report was provided to UDCC for comments on April 11, 2013. UDCC provided a response to the report addressing our audit recommendation on April 15, 2013. The response provided is sufficient to resolve the recommendation.

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 TN-710A awarded by the Appalachian Regional Commission (ARC) to the Upper Cumberland Development District (UCDD). The audit was made at the request of the ARC, Office of the Inspector General, to assist the office in its oversight of ARC grant funds.

The Tennessee General Assembly established the UCDD in 1968 to serve as an economic development resource for the Upper Cumberland region with an overall mission to improve the quality of life throughout the Upper Cumberland area. UCDD accomplishes its mission through myriad programs and projects designed to meet the needs of the region. UCDD operates housing programs for low-income and other underserved populations; helps local governments and communities plan and prioritize transportation projects; helps families rearing relative children; offers numerous services designed for older adults and adults with disabilities; and writes grants for infrastructure, environmental assistance, and parks and greenways. UCDD also works with the local arts community and administers programs and projects designed to protect, preserve and promote the unmatched cultural and natural resources of the region.

The ARC grant awards provide funding to assist UCDD in establishing and expanding economic development service in its service area that are deemed to be useful and pertinent to the accomplishment of the objectives and purposes of Section 302 of the Appalachian Regional Development Act of 1965. For each of the most recent three years, the annual grant award provided approximately \$125,257 in ARC funds and required non-federal matching contributions of \$125,257 in 2010, \$87,668 in 2011 and \$41,753 in 2012 to support UCDD in carrying out its planned economic development activities.

Objectives, Scope & Methodology

The review objectives were to determine whether: (1) program funds were managed in accordance with the ARC and federal grant terms and requirements; (2) grant funds were expended as provided for in the approved 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 goals and objectives of the grant were met.

We reviewed the documentation provided and interviewed UCDD personnel to obtain an overall understanding of the project activities, the accounting system, and the operating procedures. We reviewed financial and other required reports to determine whether they were properly supported and submitted in accordance with the requirements. We reviewed a sample of expenditures charged to the project to determine whether the charges were properly supported and allowable. In that regard, we focused the testing on the expenditures for the period January 1, 2010 to December 31, 2012. The recorded expenditures for grants TN-710A-C40, C41 and C42 during the period totaled \$635,834. We reviewed UCDD's administrative procedures and related internal controls to determine if they were adequate to administer the grant funds. In addition,

we reviewed the most recent financial statements audit report (including the related report on internal controls) to determine whether there were any issues that impacted the ARC grant

The primary criteria used in performing the audit were the specific grant terms and requirements, applicable Office of Management and Budget Circulars, and relevant parts of the ARC Code. The audit was performed in accordance with the *Government Auditing Standards*. The fieldwork was performed during the period of March 11-15, 2013, including on-site work at the UCDD office in Cookeville, Tennessee. The audit results were discussed with the UCDD finance director at the conclusion of the on-site visit.

Results of Audit

Overall, UCDD'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 considered reasonable and supported. In addition, the records and reports indicated that the tasks required by the grant agreement were met. However, we identified an issue regarding the reporting of employee time on timesheets that requires corrective action. This issue and our recommended corrective action are discussed in the Finding and Recommendation section of the report. UCDD officials agreed that all timesheets should show the project/program charge code and information that reflects an employee's work during the timesheet period.

FINDING AND RECOMMENDATION

Timesheets

UCDD did not have controls in place to ensure that employee timesheets identify the projects that the employee worked on during the reporting period. As a result, we identified nine instances where all of the time shown on the timesheets was charged to the ARC grant, but the records indicated that the employees also worked on other projects during the reporting period.

We were informed that UCDD follows the guidance provided by the State of Tennessee in managing its grants. The policies and procedures are contained in a document entitled, "Accounting and Financial Reporting for Not-For-Profit Recipients of Grant Funds in Tennessee". The guidance relating to employee timesheets states, "...The organization must maintain reliable time records for each employee for each pay period based on actual detailed time reports or other after-the-fact determination of the actual activity of the employee. Maintenance of detailed staff time records is essential for reliable financial reporting and a specific requirement of OMB Circular A-122 and the numerous GAAP for nonprofit organization...."

We reviewed 26 timesheets for five employees whose labor costs were charged to the ARC grant for the months of December 2010, December 2011 and July 2012, to determine if the timesheets were properly prepared, signed by the employee, and properly approved. Nine timesheets for two employees did not contain detail showing the project/program the employees were assigned. We determined from UCDD's Cost Allocation Plans that the two employees worked on two projects during fiscal years 2010 to 2013 and that their salaries were split between the ARC project and another project.

Recommendation

Prior to receipt of any additional federal funding, UCDD should implement procedures to ensure that all employee timesheets show the project/program charge code or sufficient detail to reflect the assignment the employee is working on during the timesheet period.

Grantee Comments

Concur. Management agrees with the recommendation provided and effective immediately employees will be required to provide detailed program descriptions to reflect work assignments. Timesheets will be reviewed by supervisors to ensure compliance.

Auditor's Comment

The grantee's response is sufficient to resolve the recommendation.

Appendix I

Grantee Response

Leon Snead Company

From: Ginger Stout [gstout@ucdd.org]
Sent: Thursday, April 25, 2013 5:00 PM
To: Leon Snead & Company
Subject: ARC Report
Attachments: ARC - Draft Report - Upper Cumberland Development District Cookeville TN.doc

Mr. Snead,

I have attached the ARC draft report that you sent me, and I have included our response. It is highlighted in yellow. Please let me know if there is anything else that you need.

Sincerely,
Ginger Stout
Finance Director
Upper Cumberland Development District
1225 South Willow Avenue
Cookeville, TN 38506
(931) 476-4100

Finding and Recommendation

Timesheets

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At the exit conference, UCDD staff agreed that all timesheets should show the project/program charge code and information that reflects an employee's work during the timesheet period.

Recommendation

Prior to receipt of any additional federal funding, UCDD should implement procedures to ensure that all employee timesheets show the project/program charge code or sufficient detail to reflect the assignment the employee is working on during the timesheet period.

Response

Concur. Management agrees with the recommendation provided and effective immediately employees will be required to provide detailed program descriptions to reflect work assignments. Timesheets will be reviewed by supervisors to ensure compliance.