

PERFORMANCE AUDIT
OF THE

**South Carolina Appalachian
Council of Governments**

LDD Administrative Grants

Grant: SC-0709-C45

OIG Report Number: 13-27

GRANT PERIOD: JANUARY 1 – DECEMBER 31, 2012

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Appalachian Regional Commission
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Mr. Hubert N. Sparks
Inspector General

Transmitted herewith is a report of Watkins Meegan LLC, a Performance Audit of the South Carolina Appalachian Council of Governments LDD Administrative Grant SC-0709-C45. The report is in response to Contract No. BPA 11-01-B.

A handwritten signature in black ink that reads "Watkins Meegan LLC". The script is cursive and fluid, with the letters "W", "M", and "L" being particularly prominent.

Tysons, Virginia
June 6, 2013

Background

The Appalachian Regional Commission (ARC) is a regional economic development agency that represents a partnership of federal, state and local governments. Established by an act of Congress in 1965, ARC is composed of the governors of the 13 Appalachian states and a federal co-chair, who is appointed by the President. Local participation is provided through multi-county local development districts (LDDs). Each year, ARC provides funding for several hundred projects in the Appalachian Region, in areas such as business development, education and job training, telecommunications, infrastructure, community development, housing, and transportation. These projects are intended to create new jobs; improve local water and sewer systems; increase school readiness; expand access to health care; assist local communities with strategic planning; and provide technical and managerial assistance to emerging businesses.

The South Carolina Appalachian Council of Governments (the LDD) was formed by the Generally Assembly of the State of South Carolina in 1971. The purpose of the entity is to increase the capacity of local governments in the Appalachian region of South Carolina to guide and promote the development of the region to optimize the quality of life in the six counties of Anderson, Cherokee, Greenville, Oconee, Pickens and Spartanburg.

ARC awarded the LDD Administrative Grant, project number SC-0709-C45, to the LDD for the period from January 1, 2012 to December 31, 2012. The Grant provided \$179,000 of ARC (federal) funding and required \$179,000 of local (non-federal) matching funds for total funding of \$358,000.

The Grant provides funding to help the LDD establish and expand economic development in the six-county ARC region in South Carolina and to provide services that are deemed to be useful and pertinent to the accomplishment of the objectives and purposes of the Appalachian Regional Development Act of 1965 (ARDA). Funding covers personnel costs plus travel, equipment, supplies, contractual and other indirect type expenses.

Objective

Watkins Meegan LLC has been engaged to conduct a performance audit on the LDD Administrative Grant for the period from January 1, 2012 to December 31, 2012. The purpose of our performance audit was to determine that:

- Funds expended and claimed for reimbursement from ARC were valid program expenses and in accordance with the ARC grant requirements;
- Internal controls were in place to ensure compliance with the grant requirements; and
- Goals and objectives of the grant had been achieved.

Executive Summary

Grant funds were used to fund the payroll and benefits of seven staff members who assisted with the administration and support of the LDD ARC programs, and to pay related administrative and program expenses. Staffing consisted of an Executive Director, Deputy Director Government Services Manager, Training Coordinator, Grant Services Director, Senior Planner, Director of Information Services and an Economic Information Analyst. Non-personnel costs included travel, meeting expenses and indirect expenses. The staff supported the program in various areas including preparing and reviewing grant applications, program oversight including field visits to ARC projects, attending regional meetings, providing training classes to local government entities, and working with community agencies to expand economic development services in its service area.

Executive Summary (Continued)

ARC reimbursed \$179,000 of expenses. Matching funds provided from non-federal sources totaled \$180,219. In general, based on our review of expenses, interviews with personnel, and review of selected documentation supporting grant activities, the performance objectives of the grant were met.

Scope

We conducted a performance audit of the LDD Administrative Grant SC-0709-C45 at the LDD office from March 25, 2013 through March 27, 2013, as described under this section and the audit methodology section. Our review was based on the terms of the Grant agreement and on the application of procedures in the modified ARC Audit Program.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Methodology

Our procedures were based on Audit Program guidelines provided by the ARC Office of Inspector General and included suggested procedures over the LDD's accounting and internal control systems affecting the grant. We met with the LDD Executive Director to discuss the overall structure of the LDD and processes around Grant administration and monitoring. We also discussed and reviewed other financial and operational elements related to the conduct of the project.

Our review of background material included ARC's Grant agreement and related documentation, ARC Grant approval, the Grant application and the LDD Audited Financial Statements for the Fiscal Year Ended June 30, 2012.

Our procedures included a review of controls in place for recording, accumulating, and reporting costs under the Grant. We discussed with Management and certain staff whether the goals and objectives of the project funded with ARC monies had been met. This included meeting with the Executive Director and other staff to understand how their daily activities and responsibilities supported the administration of South Carolina's ARC program. We reviewed documentation related to Grant activities included in the LDD's final report for consistency with applicable performance measures.

Finally, we examined a sample of timesheets, payroll detail and related records for the staff whose employment was supported by the ARC funds. We also inquired of key staff and reviewed supporting documentation (invoices, vouchers, cost allocation reports, etc.) regarding the travel, equipment, supplies and indirect expenses that were paid for by ARC funds to determine whether they were allowable costs, i.e., the expenses supported ARC staff and project coordination. We evaluated payments and other activities for compliance with applicable Grant requirements and federal regulations.

Results

Compliance with Grant Provisions

The ARC (federal) share and matching (non-federal) share of actual expenditures incurred, reported and supported were \$179,000 and \$180,219, respectively, during the period under review. Total actual expenditures were \$359,219, approximately \$1,219 more than the total ARC and matching budget of \$358,000. We examined supporting documentation for a sample of the costs incurred, and determined that in general the funds had been expended in compliance with the Grant agreement.

The Grant funded the work of seven LDD personnel supporting Grant activities. Services included conducting retreats and strategic planning sessions for government and community agencies; soliciting and assisting local businesses and agencies with completion of ARC grant applications; and providing management and training programs and other business development support within the South Carolina Appalachian counties. Based on our interviews with LDD personnel, review of the LDD's final report on Grant activities, and examination of selected supporting documentation, the performance measures of the Grant were met.

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