
APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL
AUDIT OF GRANT AWARD

Marion County Regional Center for Higher Education Phase II & III

Final Report Number: 19-14
Project Number: PW-18612-IM-2016
January 23, 2019

Prepared By:

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January 23, 2019

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Office of Inspector General
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Bonadio & Co., LLP completed an audit of grant number PW-18612-IM-302-16 awarded by the Appalachian Regional Commission (ARC) to Marion County, Tennessee for the construction of the Marion County Regional Center for Higher Education, with the Tennessee Department of Economic and Community Development (TNECD) acting as the fiscal agent for the project. 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. However, the overall grant performance measures have not been met due to the delays in construction.

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 PW-18612-IM-302-16 awarded by the Appalachian Regional Commission (ARC) to Marion County, Tennessee (grantee) to construct phases II and III Marion County Regional Center for Higher Education (Center). ARC funds were made available for the project through the Tennessee Department of Economic Development (TNECD). 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 provided \$1,501,499 in ARC funds and required a match of \$1,800,000 in non-ARC funds totaling \$3,301,499 to construct a 30,000 square foot training facility to expand and diversify regional training programs in technology, welding, and industrial maintenance. The original period of performance was October 1, 2016 to September 30, 2019. The grant was amended several times modifying the period of performance with the final end date being December 15, 2018. The project is separated into two phases: construction of the exterior of the building, and the buildout of 17,500 square feet of classroom and support spaces including offices and computer labs. There is a direct marketing effort to reach displaced workers from the former TVA Widow's Creek power plant. The students will benefit by receiving training needed to obtain a high quality, high-paying job in the manufacturing and information technology sectors.

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 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.

We tested approximately \$2,900,000 of expenditures related to the grant 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 grant agreement, 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 10, 2018 to October 12, 2018, which included on-site work at the grantee's office in Jasper, Tennessee. 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

Overall, the grantee's administrative procedures were adequate to manage the grant funds reviewed. Total expenditures amounted to \$3,278,686, including the non-federal share of \$1,907,155 and based on test work results, we did not question any costs incurred. The expenses tested were supported and considered reasonable. We found that the grantee had an adequate process in place for obtaining and recording data related to the goals of the grant. We noted that the records and reports indicated that the tasks required by the grant agreement were in progress at the time of the audit. As of December 17, 2018, all funds had been expended.

The grant includes expected outputs of serving 20 businesses with access to a ready trained workforce and 140 workers with access to career training. The expected outcomes are 120 workers are anticipated to receive a national certification, an additional 20 students will graduate with an Associate's Degree and 20 businesses will be improved. Although the grant period of performance began in October of 2016, the building was not completed until August of 2018. Due to the construction delays, no individual had completed a program by the period of review and no businesses were improved. However, there are currently 63 students enrolled. The grantee believes the program objectives will be accomplished now that the building is completed and serving students and businesses.