
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**Lincoln Memorial University
Harrogate, Tennessee**

**Final Report Number: 19-19
Grant Numbers: TN-18892 & VA-18188
March 2019**

Prepared by:

Leon Snead & Company, P.C.



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March 14, 2019

Appalachian Regional Commission
Office of the Inspector General
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Leon Snead & Company, P.C. completed an audit of grant numbers TN-18892 and VA-18188 awarded by the Appalachian Regional Commission (ARC) to Lincoln Memorial University (LMU). The audit was conducted at the request of the ARC Office of Inspector General to assist the office in its oversight of ARC grant funds.

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 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 (6) the established performance measures were met.

LMU's administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grants audited. The costs tested for the grants were properly supported and allowable. Grant matching cost requirements were fully met. Financial and project performance reports were submitted to ARC timely and accurately. We determined LMU had an adequate process in place for obtaining and recording data related to the overall goals of the grant. Performance measures were met or on track for the projects.

However, we identified one area that requires management attention. We determined that LMU was not fully complying with 2 CFR 200 requirements for financial management. This matter and the corresponding recommended corrective action is discussed in the Finding and Recommendation section of this report.

A draft report was provided to LMU on February 27, 2019 for comments. LMU provided a response to the report on March 11, 2019, which is included in Appendix I.

Leon Snead & Company appreciates the cooperation and assistance received from the LMU and ARC staffs during the audit.

Sincerely,

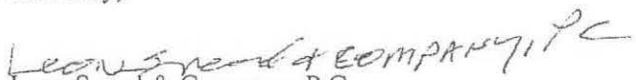

Leon Snead & Company, P.C.

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Background

Leon Snead & Company, P.C. completed an audit of grant numbers TN-18892 and VA-18188 awarded by the Appalachian Regional Commission (ARC) to the Lincoln Memorial University (LMU). The audit was conducted at the request of the ARC Office of Inspector General to assist the office in its oversight of ARC grant funds.

Grant VA-18188 was awarded to purchase state-of-the-art equipment for the LMU College of Veterinary Medicine located at LMU's Ewing, Virginia campus. The equipment included life-size simulated farm animals and diagnostic machines, laboratory supplies, and supplies veterinarians will need in the field.

Grant TN-18892 was awarded to purchase equipment for the new Veterinary Medical Education building on LMU's Harrogate, Tennessee campus. LMU equipped the new facility with state-of-the-art instructional technology, including digital video media, video conferencing capabilities, and an electronic simulation control system.

The period of performance for grant VA-18188 was May 1, 2015 through April 30, 2016. The total projected cost was \$715,000. The percentage funding break-out for the overall project was 70% ARC and 30% local. For grant TN-18892, the period of performance was April 1, 2017 through August 31, 2018. The total projected cost was \$1,250,000. The percentage funding break-out for the overall project was 80% ARC and 20% local.

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 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 (6) the established performance measures were met.

For grant VA-18188, all \$500,000 of ARC funding had been expended. We reviewed \$455,697 of these charges to determine whether they were properly supported and allowable. LMU's total matching contributions were \$215,000. We also reviewed \$196,614 of these charges to determine whether they were properly supported and allowable.

For grant TN-18892, all \$1,000,000 of ARC funding had been expended. We reviewed \$846,136 of these charges to determine whether they were properly supported and allowable. LMU's total matching contributions were \$250,000. We also reviewed \$202,998 of these charges to determine whether they were properly supported and allowable.

We reviewed documentation that LMU provided and interviewed personnel to obtain an overall understanding of the grant activities, the accounting system, and general operating procedures and controls. We reviewed written policies and administrative procedures, including the grantee's purchasing procedures, to determine if they complied with federal requirements and were adequate to administer the grant. We reviewed financial and project performance reports to

determine if they were submitted in accordance with requirements. We reviewed the most recent financial statement audits to identify any issues that significantly impacted the ARC grants and the grant audit. We reviewed matching funds documentation to determine if requirements were met. We evaluated grant results discussed in the final project progress reports to determine if the planned performance goals and objectives were met.

The on-site fieldwork was performed at LMU's Harrogate, Tennessee campus during the period of January 28 through February 1, 2019. The preliminary audit results were discussed with LMU officials at the conclusion of the on-site visit. The grantee was in general agreement with the preliminary audit results.

The primary criteria used in performing the audit were 2 CFR 200, the ARC Code, and the grant agreements. The audit was performed in accordance with the Government Auditing Standards.

Summary of Audit Results

LMU's administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grants audited. The costs tested for the grants were properly supported and allowable. Grant matching cost requirements were fully met. Financial and project performance reports were submitted to ARC timely and accurately. We determined that LMU had an adequate process in place for obtaining and recording data related to the overall goals of the grant.

Performance measures were met or on track for the projects. Specific performance measures as of February 2019 for grant TN-18892 were 470 students served (465 projected) and 455 students improved (445 projected). For grant VA-18188, the specific performance measures were 192 students served out of a projected 193, and 175 students improved out of a projected 176.

The LMU College of Veterinary Medicine is one of only 30 veterinary schools in the United States, six of which are in Appalachia. They graduated their first class of veterinarians in the Spring of 2018, which included 87 students in total. Of these 87 graduates, 30% have accepted positions within the region, helping alleviate the shortage of veterinarians in Appalachia.

The ARC funds awarded to the grantee were for equipment purchases made for the College of Veterinary Medicine. We determined that the items purchased were in place and being used in accordance with the grant agreements. The equipment was operational and being used at LMU's Harrogate, Tennessee and Ewing, Virginia campuses. We also determined that the grantee's related purchasing policies and procedures were generally adequate for use on federal grants.

However, we identified one area that requires management attention. We determined that LMU was not fully complying with 2 CFR 200 requirements for financial management. This matter and the corresponding recommended corrective action is discussed in the Finding and Recommendation section of this report.

Finding and Recommendation

A. Financial Management

Although LMU had met the financial requirements for the grant, they had not established written procedures for making payments and determining the allowability of costs. Consequently, LMU was not in full compliance with federal requirements for financial management.

2 CFR 200 requires grantees to comply with all applicable federal regulations, including financial management. Specifically, 2 CFR 200.302, Financial Management, requires grantees to have written procedures:

1. to implement 2 CFR 200.305 requirements for payments; and
2. for determining the allowability of costs in accordance with 2 CFR 200, Subpart E, Cost Principles for Federal Awards.

We determined that neither LMU's current Financial Policies nor its Post-Award Guidelines included specific guidance for making payments and ensuring the allowability of costs were in accordance with 2 CFR 200, Subpart E. We discussed this matter with LMU management officials. They agreed that LMU's current policies and procedures should be revised to address 2 CFR 200 requirements regarding payments and the allowability of costs. They stated that the internal process for revising LMU's Financial Policies and its Employee Handbook had been initiated and the revisions would be completed in the very near future.

Recommendation

LMU should establish guidance in accordance with the 2 CFR 200.302 requirements for making payments and determining the allowability of costs.

Grantee's Response

The LMU Office of Research, Grants and Sponsored Programs has added guidance in the ORGSP Handbook posted on the website to include "All Federally Funded Equipment and Supply purchases must follow guidelines set forth by OMB 2CFR 200" and "LMU's Financial Policies and Procedures for expenditures and reimbursements utilize methods to ensure compliance with OMB 2 CFR 200".

The LMU Finance office has added similar guidance to ensure compliance with OMB 2 CFR 200 to their policies in the faculty/staff manual which will be approved at the next board of trustees meeting scheduled for May 3, 2019.

Auditor's Comments

ARC will determine whether the information provided in the grantee's response is adequate to resolve the finding and close the recommendation.

Leon Snead Company

From: Gulley, Carolyn [Carolyn.Gulley@lmunet.edu]
Sent: Monday, March 11, 2019 1:57 PM
To: leonsnead.companypc@erols.com
Cc: Johnson, Jason; Graham, Christina
Subject: Lincoln Memorial University Comments in Response to Recommendation

Mr. Snead:

Below are the comments in response to the recommendation from Lincoln Memorial University's recent audit.

Recommendation

LMU should establish guidance in accordance with the 2 CFR 200.302 requirements for making payments and determining the allowability of costs

The LMU Office of Research, Grants and Sponsored Programs has added guidance in the ORGSP Handbook posted on the website to include "All Federally Funded Equipment and Supply purchases must follow guidelines set forth by OMB 2CFR 200" and "LMU's Financial Policies and Procedures for expenditures and reimbursements utilize methods to ensure compliance with OMB 2 CFR 200".

The LMU Finance office has added similar guidance to ensure compliance with OMB 2 CFR 200 to their policies in the faculty/staff manual which will be approved at the next board of trustees meeting scheduled for May 3, 2019.

Thank you,

Carolyn Gulley



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Good Morning Dr. Johnson,

Attached is a copy of the draft report on the above referenced audit for your review and comments. Please provide your comments by March 15, 2019. Please indicate whether you concur or nonconcur with the recommendation in the report and state what actions have been taken or are contemplated to implement the recommendation. If you have any questions, please call or e-mail me.