
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF GRANT AWARD
Trenholm State Community College
Montgomery, Alabama**

**Final Report Number: 19-27
Grant Number: AL-18286**

May 2019

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



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May 24, 2019

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

Leon Snead & Company, P.C. completed an audit of grant number AL-18286 awarded by the Appalachian Regional Commission (ARC) Trenholm State Community College (TSCC). 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); (5) the matching requirements, and (6) the goals and objectives of the grant were met.

We determine that TSCC's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grant. Accounting transactions tested were properly recorded and grant matching fund requirements were met. We determined that TSCC had an adequate process in place for obtaining and recording data related to the overall goals of the grant. Also, TSCC had made significant progress toward meeting the planned performance outcomes.

TSCC's most current indirect cost rate agreement was dated January 26, 2006, and it had not been updated since that time. As a result, we questioned \$42,275 of indirect costs that were charged to grant AL-18286. This matter and the corresponding recommended corrective actions are discussed in the Finding and Recommendations section of this report. A draft report was provided to TSCC on April 18, 2019, for comments. TSCC provided a response to the report on May 13, 2019, which is included as an Appendix.

Leon Snead & Company appreciates the cooperation and assistance received from TSCC officials during the audit.

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 AL-18286 awarded by the Appalachian Regional Commission (ARC) to Trenholm State Community College (TSCC). 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.

TSCC, founded in 1966, is a multi-campus institution serving the River Region of Alabama with associate degrees and a wide range of certifications and workforce training programs. TSCC has small class sizes, hands-on learning, night classes, on-line classes, and financial aid.

Grant AL-18286 was awarded to provide skills training to improve the automotive supplier industry workforce. TSCC provides training in coordination with the Macon County Public School System Career and Technical Education Center (CTEC) at their facility in Tuskegee, Alabama and on-site at various supplier industry plants. TSCC is helping to expand CTEC's existing curricula in AgriConstruction and Automotive Services to incorporate automotive manufacturing modules, training in welding, machine tools, mechatronics, programmable logic controls, and industrial maintenance.

The period of performance for grant AL-18286 was initially October 1, 2015 through September 30, 2017, and was subsequently extended to September 30, 2019. The total estimated project cost is \$2,143,300. 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.

ARC funding of \$1,318,434 had been expended under grant AL-18286. We reviewed \$1,099,279 of these charges to determine whether they were properly supported and allowable. The total matching contributions charged to the project as of March 2019 was \$365,979. We reviewed \$235,979 of these charges to determine whether they were properly supported and allowable.

We reviewed documentation TSCC 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 evaluated grant results

discussed in the project progress reports to determine if the planned performance goals and objectives were met.

The on-site fieldwork was performed at the TSCC Montgomery, Alabama campus during the period of March 18 through March 22, 2019. The preliminary audit results were discussed with TSCC officials at the conclusion of the on-site visit. The grantee was in general agreement with the results.

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

Summary of Audit Results

TSCC's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grant. Grant matching cost requirements were being met. Financial and project performance reports were submitted to ARC timely and accurately. We determined TSCC had an adequate process in place for obtaining and recording data related to the overall goals of the grant.

Regarding performance measures, the expected outputs for the grant are to provide automotive manufacturing training to 300 incumbent workers of the automotive supply industry and to develop a pipeline for at least 70 high school students and at least 80 unemployed or underemployed adults to obtain entry-level jobs in automotive manufacturing through a dual-enrollment curriculum, Ready To Work training, and/or through apprenticeships with automotive suppliers.

The expected outcomes, upon completion of the grant, are for at least 85% of student/trainees to attain some form of industry recognized certification; at least 49 (or 70%) will enter postsecondary education or obtain unsubsidized employment in automotive manufacturing or a related career field; and at least 210 incumbent workers will earn additional certifications.

The performance measures reported by the grantee as of March 2019 were:

- 144 incumbent workers had enrolled in training programs, and 34 of these individuals had received certifications.
- 8 students had enrolled in dual-enrollment classes.
- 21 unemployed/underemployed individuals had enrolled in training programs, and 7 of these individuals had received certifications.

ARC funds of \$728,219 had been expended for equipment purchases. We determined that the items purchased were in place and being used in accordance with the grant agreement. The equipment was operational and being used at the CTEC in Tuskegee, Alabama. 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 TSCC did not have a current indirect cost rate, which resulted in the questioning of \$42,275 in indirect costs. This matter and the corresponding recommended corrective actions are discussed in the Finding and Recommendations section of this report.

Finding and Recommendations

A. Indirect Costs.

TSCC charged \$42,275 in indirect costs to the ARC grant and obtained reimbursement for those costs without having an approved indirect cost rate during the period of October 1, 2017 through January 31, 2019. We have questioned the \$42,275 in indirect costs as not being adequately supported under federal cost principles.

TSCC's most recent indirect cost rate agreement, approved by the Department of Health and Human Services (DHHS), was dated January 26, 2006, and had not been updated since that time. 2 CFR 200, Section D, Appendix VII, Submission and Documentation of Proposals, states that grantees that receive less than \$35 million in direct federal funding must develop an indirect cost rate proposal and maintain it and the supporting documentation for audit. The proposal and supporting documentation must be provided to the cognizant federal agency upon request.

The transmittal letter from DHHS to TSCC regarding the approved indirect cost rate agreement states that "an indirect cost proposal, together with the supporting information, are required to substantiate your claim for indirect costs. Thus, your next proposal based on actual costs for the fiscal year ending September 30, 2006 is due in our office by March 31, 2007." The agreement specified a provisional rate of 8% for the period of October 1, 2005 to September 30, 2006. It also specified a provisional rate of 8% for the period of October 1, 2006 to "until amended."

TSCC proposed an 8% indirect cost rate for ARC grant AL-18286, and the approved budget for the project specified an 8% indirect cost rate. The reimbursement request worksheet for the period ending January 31, 2019 (the most current reimbursement request) showed a total of \$42,275 of indirect cost charges versus total direct costs of \$1,276,159 (an indirect rate of 3.3%).

We discussed this matter with TSCC officials. They stated that they were not aware of any indirect costs rate proposals that were submitted to DHHS and they were not aware of any updates to the 2006 rate agreement. They further stated that, due to delays in the project, staff turnover, problems hiring instructors and TSCC's desire to ensure meeting the cost matching requirement, indirect costs have been less than initially anticipated.

Recommendations

TSCC should:

1. Obtain an updated and approved indirect cost rate from the cognizant agency.
2. Upon the approval of an indirect cost rate, submit a revised SF-270 financial report for grant AL-18286 to ARC to adjust indirect costs to the approved and supported amount.
3. If no indirect rate is obtained from the cognizant agency by the end of the grant on September 30, 2019, refund the \$42,275 in unsupported indirect costs to ARC.

Grantee's Response

The college does concur with the recommendations in the report, and we have contacted HHS regarding the submission of an Indirect Cost Proposal. The college is working on the proposal and will submit the report in the coming weeks and will do everything possible to get an approved rate before the grant end date.

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: Shemedrea Johnson [sjohnson@trenholmstate.edu]
Sent: Monday, May 13, 2019 5:46 PM
To: Leon Snead & Company
Cc: Don Greer; Danny Perry
Subject: RE: Audit of ARC Grant No. AL-18286

Hello Mr. Snead,

The college does concur with the recommendations in the report, and we have contacted HHS regarding the submission of an Indirect Cost Proposal. The college is working on the proposal and will submit the report in the coming weeks and will do everything possible to get an approved rate before the grant end date.

Thanks,
 Shemedrea Johnson
 Director of Restricted Programs & Fiscal Affairs



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From: Leon Snead & Company <leonsnead.companypc@erols.com>
Sent: Thursday, April 18, 2019 10:39 AM
To: Shemedrea Johnson <sjohnson@trenholmstate.edu>
Cc: Don Greer <dgreer@trenholmstate.edu>; Dave Felton <dfelton@trenholmstate.edu>
Subject: Audit of ARC Grant No. AL-18286

Good Morning Ms. Johnson,

Attached is a copy of the draft report on the above referenced audit for your review and comments. Please provide your comments by May 15, 2019. Please indicate whether you concur or nonconcur with the recommendations in the report and state what actions have been taken or are contemplated to implement the recommendations.

We would also like to reconfirm two items that have been discussed in our office:

- (1) 2 CFR 200, Appendix 7 applies to your college vs. Appendix 3; and
- (2) Your cognizant agency for rate determinations is DHHS vs. Department of Education

If you have any questions, please call or e-mail me.

Please confirm your receipt of the attached report and request for comments. Thanks very much for your assistance.