

Office of Inspector General

*Report Prepared by Regis & Associates, PC
Audit of Grant Award to the Three Rivers Planning & Development District
Grant Number MS-19778*



Appalachian
Regional
Commission

Office of Inspector General

Audit Report: 22-14

August 24, 2022



Office of Inspector General

Appalachian Regional Commission

August 24, 2022

TO: Brandon McBride, Executive Director

FROM: Philip M. Heneghan, Inspector General

SUBJECT: Audit Report 22-14 – Three Rivers Planning & Development District

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number MS-19778, to Three Rivers Planning & Development District per its agreement with the Appalachian Regional Commission. The objective of the audit was to determine if costs claimed were allowable, allocable, reasonable, and in conformity with the Commission's award terms and conditions and Federal financial assistance requirements. In addition, the audit determined whether the performance measures were reasonable, supported, and fairly represented to the Commission.

Regis & Associates, PC, is responsible for the attached audit report and the conclusions expressed in this report.

We do not express any opinion on the conclusions presented in Regis & Associate, PC's audit report. To fulfill our responsibilities, we:

- Reviewed the approach to and planning of the audit;
- Evaluated the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Coordinated periodic meetings, as necessary;
- Reviewed the draft and final audit reports; and
- Coordinated the issuance of the audit report.

The auditors issued two recommendations in the report. Within the next 30 days, please provide me with your management decisions describing the specific actions that you will take to implement the recommendations.

We thank your staff for the assistance that was extended to the auditors during this audit. Please contact me at 202-884-7675 if you have any questions regarding the report.

*Report on Performance Audit
of
Appalachian Regional Commission
Grant Number MS-19778-19
for the Period from September 30, 2019 to March 9, 2022*

*Awarded to
Three Rivers Planning & Development District*

*Prepared for the Appalachian Regional Commission -
Office of the Inspector General*

Auditee: Three Rivers Planning & Development District
As of Date: August 17, 2022

REGIS
ASSOCIATES, PC
MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS
1420 K Street, NW
Suite 910
Washington, DC 20005

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MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS

EXECUTIVE SUMMARY

Office of Inspector General
Appalachian Regional Commission
1666 Connecticut Avenue, NW; Suite 700
Washington, DC 20009

We conducted a performance audit of Grant Agreement Number MS-19778-19, awarded by the Appalachian Regional Commission (ARC) to Three Rivers Planning & Development District (the Grantee or Three Rivers) with a grant performance period of September 30, 2019 to September 30, 2022. We conducted this performance audit at the request of the ARC Office of Inspector General, to assist it in its oversight of ARC grant funds. This performance audit engagement covers the period from September 30, 2019, to March 9, 2022.

The objectives of the performance audit were to determine whether: (1) grant funds were managed in accordance with ARC and Federal grant requirements; (2) grant funds were expended, as provided for in the approved grant budget; (3) internal guidelines, including program (internal) controls, were adequate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with accounting principles generally accepted in the United States of America (or other applicable accounting and reporting requirements); (5) matching requirements were met; and (6) the reported performance measures were fair and reasonable.

We conducted planning and fieldwork during the period from April 8, 2022, through August 8, 2022. We determined that, except for the matters identified as Findings 2021-001 and 2021-002 in the accompanying Findings, Recommendations, and Grantee's Response section of this report; the Grantee's financial management and administrative procedures, and related internal controls, were adequate to manage the ARC grant funds.

We discussed the results of this performance audit with Three Rivers Planning & Development District's officials at the conclusion of our fieldwork. Three Rivers Planning & Development District's response has been included as Attachment 1 to this report.

Regis & Associates, PC appreciates the cooperation and assistance received from the Grantee and ARC staff during this performance audit.

Regis & Associates, PC

Regis & Associates, PC
Washington, DC
August 17, 2022

Background

The Appalachian Regional Commission (ARC) is a regional economic development agency, representing a unique partnership of Federal, state, and local governments. ARC-funded programs are used to support education and job training; health care; water and sewer systems; housing; highway construction; and other essentials of comprehensive economic development. ARC's staff is responsible for program development; policy analysis and review; grant development; technical assistance to states; and management and oversight. ARC grants are made to a wide range of entities; including local development districts, State ARC Offices, state and local governments, educational establishments, nonprofit organizations, and for a variety of economic development projects.

On September 19, 2019, the Appalachian Regional Commission awarded Grant Number MS-19778-19 to Three Rivers Planning & Development District, in the amount of \$1,900,000. As a condition of this award, the Grantee was required to contribute a matching amount of \$814,286; resulting in a total grant budget of \$2,714,286. The matching contribution was to be made in the form of cash, contributed services, or in-kind contributions as approved by ARC.

This performance audit engagement covers the period from September 30, 2019, to March 9, 2022, when the grant ended. The original period of performance for the grant was from September 30, 2019, to September 30, 2022. Upon closeout, the unexpended amount of \$81,568 was de-obligated; and the matching amount was adjusted downwards, by \$32,288. This resulted in a total unexpended grant amount of \$113,856. The total grant and matching amount expended was \$2,600,430.

The grant was awarded to Three Rivers & Planning and Development District, to aid in a program project titled "Mississippi Partnership SkillPath Apprenticeship and In School Program". This program provided funding to train high school students entering the workforce, in areas of strategic and high demand sectors that already exist in the region. This program was also used to purchase and supply equipment for a two-year, non-registered apprenticeship and training program in local community colleges. The aim of this program was to train and provide employment opportunities to participants, upon completion of the program.

Objective, Scope, and Methodology

Objective

The Appalachian Regional Commission, Office of Inspector General, under Order Number ARC21P050, dated February 25, 2022; engaged Regis & Associates, PC to conduct a performance audit of Grant Number MS-19778-19, titled "Three Rivers Planning & Development District", which was awarded to the Grantee.

The term of the grant was from September 30, 2019, to September 30, 2022. However, the grant ended early on March 9, 2022.

**Three Rivers Planning & Development District
Performance Audit of ARC Grant Number MS-19778-19**

The budgeted amounts for the grant are presented below:

Exhibit – A: Schedule of Grant Budget

Object Class Category	Federal	Non-Federal	Total
Equipment	\$1,857,280	\$14,582	\$1,871,862
Other	42,720	799,704	842,424
Total Direct Charges	\$1,900,000	\$814,286	\$2,714,286
Total	\$1,900,000	\$814,286	\$2,714,286

The general objectives of the performance audit were to determine whether the Grantee expended grant funds in accordance with applicable requirements; and to report any resulting findings and questioned cost relating to internal controls, program performance, and compliance with provisions of the grant agreement and laws and regulations.

Scope and Methodology

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. 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.

The audit was conducted, using the applicable requirements contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, *Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); the ARC Code; and the Grant Agreement.

Our audit procedures included:

- Obtaining an understanding of the Grantee's internal controls; assessing control risk; and determining the extent of testing needed, based on the control risk assessment.
- Reviewing written fiscal policies and administrative procedures for applicable grant activities.
- Assessing, on a test basis, evidence supporting the amounts; and the Grantee's data and records.
- Assessing the accounting principles and significant estimates made by the Grantee.
- Evaluating the overall evidence and presentation of the records.
- Assessing whether the grant's reported performance measures were fair and reasonable.
- Conducting other test procedures deemed necessary, based on our professional judgment.

**Three Rivers Planning & Development District
Performance Audit of ARC Grant Number MS-19778-19**

Results

Based on the results of our testing and analysis on this performance audit, we determined that:

- 1) The grant funds were managed in accordance with ARC and Federal grant requirements, except for the matters described in findings 2021-001 and 2021-002 in the accompanying Findings, Recommendations, and Grantee's Response section of this report.
- 2) The grant funds were expended, as provided for in the approved grant budget. Below, we have presented a Schedule of Claimed, and Audit Recommended Cost as of March 9, 2022, which reflects the results of our audit.

**Exhibit – B: Schedule of Claimed and Audit Recommended Cost
as of March 9, 2022**

Category	Claimed Cost		Questioned Cost		Audit Recommended		
	Federal	Non-Federal	Federal	Federal	Federal	Non-Federal	Total
Equipment	\$ 1,818,432	\$ 12,800	\$ -	\$ -	\$ 1,818,432	\$ 12,800	\$ 1,831,232
Other	\$ -	\$ 769,198	\$ -	\$ -	\$ -	\$ 769,198	\$ 769,198
Total Direct Charges	\$ 1,818,432	\$ 781,998	\$ -	\$ -	\$ 1,818,432	\$ 781,998	\$ 2,600,430
Total	\$ 1,818,432	\$ 781,998	\$ -	\$ -	\$ 1,818,432	\$ 781,998	\$ 2,600,430

- 3) Internal guidelines, including program (internal) controls, were adequate and operating effectively. The Grantee had written policies and procedures for applicable grant activities, which we considered adequate for administering the grant; except for the matters described in findings 2021-001 and 2021-002 in the accompanying Findings, Recommendations, and Grantee's Response section of this report.
- 4) Accounting and reporting requirements were implemented in accordance with accounting principles generally accepted in the United States of America (or other applicable accounting and reporting requirements), including ARC requirements.
- 5) We determined that the Grantee met required match of \$781,998 as of March 9, 2022. These matching funds were properly supported and allowable under both Federal and ARC requirements.
- 6) We determined that the Grantee implemented effective policies and procedures to accurately capture, record, and report grant performance measures (i.e., the number of students served and trained). Based on our review of the Grantee's procedures, the performance results reported to ARC, were fair and reasonable.

**Three Rivers Planning & Development District
Performance Audit of ARC Grant Number MS-19778-19**

Findings, Recommendations, and Grantee's Response

2022-001 – Untimely Submission of Progress and Financial Reports

Condition:

During our testing, we observed that three of the five ARC Performance progress reports (Progress Reports) and the Form 270 - *Request for Advance or Reimbursements* (Financial Reports) were submitted late to ARC, as summarized below:

Progress and Financial Reports Summary - Date Due and Date Submitted

Period	Date Due	Date Submitted
9/5/20-12/31/20	1/31/2021	3/31/2021
1/01/21- 5/30/21	6/30/2021	8/20/2021
5/30/21 – 9/30/21	10/31/2021	2/8/2022

Criteria:

The Progress and Financial Reports provide critical grant financial and progress information to ARC. They are used to measure and monitor the progress of the ongoing program or grant. According to the grant agreement between ARC and Three Rivers, the Grantee was required to submit these required reports in a timely manner. Also, the ARC grant manual requires that these reports be prepared every 120 days or every four months, and a final report at the end the project's period of performance. The reporting period begins with the start date of the grant agreement; and these reports are due no later than 30 days after the close of the reporting period.

Questioned costs:

None

Cause:

The condition noted above was the result of the Grantee not having effective controls in place, to implement policies and procedures to ensure that the required reports are completed and filed in a timely manner.

Effect:

Without the timely preparation and submission of the Progress and Financial reports, the Grantee has no assurance that it is in compliance with the grant agreement; and will not have the information necessary to adjust its activities in a timely manner. Delayed reporting might also, potentially, lead to delays in funding from ARC; or suspension of funds needed for program operations.

Recommendation:

We recommend that Three Rivers Planning & Development District establish controls related to reporting; and develop policies and procedures for ensuring that progress and financial reports are prepared and submitted to ARC, on a timely basis.

**Three Rivers Planning & Development District
Performance Audit of ARC Grant Number MS-19778-19**

Grantee's Response:

See attachment 1 for Grantee's responses to finding 2022-001.

Auditor's Response:

Since the Grantee concurred with the finding, no additional comment is necessary.

2022-002 – Incomplete Subrecipient Award Agreement

Condition:

Three Rivers Planning & Development District is responsible for the preparation of subrecipient grant award agreements, and communication of all required grant information and conditions, to the sub-recipient. During our testing of subrecipients, for five out of five subrecipients from a population of ten that we reviewed, we observed that all required communications and grant elements were not included in the grant agreements with sub-recipients, as per Uniform Guidance requirements. Specifically, we noted that the following were not included in the subrecipients' contracts:

- All requirements imposed by the Grantee on the subrecipients, that the Federal award be used in accordance with Federal statutes, regulations, and the terms and conditions of the Federal award.
- Any additional requirements that the Grantee imposes on the subrecipients to enable the pass-through entity to meet its own responsibility to the Federal awarding agency, including identification of any required financial and performance reports.
- A requirement that the subrecipients permit the Grantee and auditors to have access to the subrecipient's records and financial statements, as necessary, for the Grantee entity to meet the requirements of subrecipient monitoring.
- Appropriate terms and conditions concerning closeout of the subaward.

Criteria:

2 CFR 200.332(a) requires that a pass-through entity; “Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

- (1) Federal award identification.
 - (i) Subrecipient name (which must match the name associated with its unique entity identifier);
 - (ii) Subrecipient's unique entity identifier;
 - (iii) Federal Award Identification Number (FAIN);
 - (iv) Federal Award Date (see the definition of *Federal award date* in § 200.1 of this part) of award to the recipient by the Federal agency;
 - (v) Subaward Period of Performance Start and End Date;
 - (vi) Subaward Budget Period Start and End Date;

**Three Rivers Planning & Development District
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- (vii) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
 - (viii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current financial obligation;
 - (ix) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
 - (x) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
 - (xi) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
 - (xii) Assistance Listings number and Title; the pass-through entity must identify the dollar amount made available under each Federal award and the Assistance Listings Number at time of disbursement;
 - (xiii) Identification of whether the award is R&D; and
 - (xiv) Indirect cost rate for the Federal award (including if the de minimis rate is charged) per § 200.414.
- (2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;
- (3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
- (4) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
- (5) Appropriate terms and conditions concerning closeout of the subaward."

Cause:

The Grantee did not have policies and procedures in place, to ensure that awards and agreements with subrecipients were complete, accurate, and in accordance with Federal regulations.

Effect:

There is an increased risk that subrecipients may not use, account for, and report ARC expenditures in accordance with ARC requirements and other Federal guidelines. There is also an increased risk that the Grantee may not be in compliance with the grant agreement and Federal requirements.

**Three Rivers Planning & Development District
Performance Audit of ARC Grant Number MS-19778-19**

Recommendation: We recommend that the management of Three Rivers Planning & Development District develop and implement policies and procedures to ensure that award agreements with subrecipients are complete, accurate, and contain all of the provisions required by Federal regulations.

Grantee's Response:

See attachment 1 for Grantee's responses to finding 2022-002.

Auditor's Response:

Since the Grantee concurred with the finding, no additional comment is necessary.

**Three Rivers Planning & Development District
Performance Audit of ARC Grant Number MS-19778-19**

Attachment 1: Grantee's Response



P.O. Box 690 | 75 S. Main St. | Pontotoc, MS 38863
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August 17, 2022

Regis & Associates, PC
1420 K St NW Ste 910
Washington, DC 20005

Re: MS-19778-19 Findings and Recommendations

To Whom it May Concern,

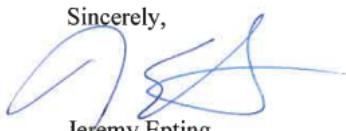
Please find this letter as our response to the report dated August 17, 2022, regarding the review conducted by Regis & Associates on grant number MS-19778-19.

For the finding related to “Untimely Submission of Progress and Financial Reports”, 2022-001, we will review our controls, as well as current policies and procedures, to ensure that we comply with all rules and regulations as related to 2 CFR 200 going forward, as well as any guidelines required by the Appalachian Regional Commission on current and future grants.

For the finding related to “Incomplete Subrecipient Award Agreement”, 2022-002, we will review our controls, as well as current policies and procedures, to ensure that we comply with all rules and regulations as related to 2 CFR 200 going forward. We will also make sure that we adhere to any additional guidance from the Appalachian Regional Commission on current and future grant agreements.

Please don't hesitate to contact us should you need additional information.

Sincerely,



Jeremy Epting
Fiscal Director