
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**Mississippi State University
Starkville, Mississippi**

**Final Report Number: 16-09
Project Number: MS-16375
March 2016**

Prepared by:

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March 16, 2016

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Leon Snead & Company, P.C. completed an audit of grant number MS-16375 awarded by the Appalachian Regional Commission (ARC) to Mississippi State University (MSU). The audit was performed to assist the Office of the Inspector General in carrying out its oversight of ARC grant activities.

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 the goals and objectives of the grant were met.

Overall, MSU's financial and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grant audited. The costs tested were supported and considered reasonable. The performance goals on the grant were considered to have been adequately met or explained based on the final reported results.

However, in evaluating MSU's role in collecting and reporting grant performance to ARC, we identified some content areas that could be improved. This issue and the corresponding recommended corrective actions are discussed in the Finding and Recommendation section of this report.

A draft report was provided to MSU on February 19, 2016, for comments. MSU provided a response to the report on March 11, 2016. These comments are included in their entirety in Appendix I.

Leon Snead & Company appreciates the cooperation and assistance received from the MSU and ARC staffs 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 MS-16375 awarded by the Appalachian Regional Commission (ARC) to Mississippi State University (MSU). 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.

ARC awarded the grant to support MSU's efforts in delivering the High Performance Leadership Institute (HPLI), a program designed to help educators and administrators within Appalachian Mississippi dramatically improve their schools. MSU's Research and Curriculum Unit and the Mississippi Department of Education collaborated to bring this program to Mississippi. The program is delivered over a two-year period in a cohort group so that participants have a chance to learn, apply their learning, evaluate their programs, make adjustments, and learn more. Along the way, MSU provides training sessions for the participating schools, field trips to high performing schools, and on-site technical support visits by project staff.

The grant covered the period October 1, 2009 to September 30, 2015 and provided \$697,051 in ARC funds and required \$200,814 in non-ARC recipient match funding. The majority (\$584,683) of ARC funds were budgeted for salaries (including fringe benefits), travel, and contractual costs, with smaller amounts for other categories including supplies and indirect costs. The grant had been completed and was administratively closed by ARC with a total of \$593,440 in grant funds being expended and reimbursed by ARC.

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 the goals and objectives of the grant were met.

Of the \$593,440 in expenditures charged to the grant and claimed for reimbursement, we selected a sample of \$183,101 in expenditures for testing to determine whether the charges were properly supported and allowable. We tested matching costs in the amount of \$91,346 and found the costs to be allowable and properly supported.

We reviewed documentation provided by MSU and interviewed personnel to obtain an overall understanding of the grant activities, the accounting system, and general operating procedures and controls. We reviewed financial and project progress reports to determine if they were submitted in accordance with requirements. We reviewed the written policies and administrative procedures to determine if they were compliant with federal requirements and adequate to administer the grant. We reviewed the most recent A-133 report to identify any issues that significantly impacted the ARC grant and the grant audit. The on-site fieldwork was performed

at Mississippi State University, Starkville, Mississippi during January 19-21, 2016. The preliminary results were discussed with MSU staff at the conclusion of the visit.

The primary criteria used in performing the audit were the grant agreement, applicable Office of Management and Budget (OMB) Circulars, and the ARC Code. The audit was performed in accordance with *Government Auditing Standards*.

Summary of Audit Results

Overall, MSU's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grants audited. The costs tested were supported and considered reasonable.

The performance goals on the grant were considered to have been adequately met or explained based on the final reported results. However, in evaluating MSU's role in collecting and reporting grant performance to ARC, we identified some content areas that could be improved.

These issues and the corresponding recommended corrective actions are discussed in the Finding and Recommendation section of this report.

Finding and Recommendation

Performance Measures

The performance measures reported by MSU to ARC in the ARC Final Payment Closeout Summary showed that MSU's actual outcomes exceeded their projected outcomes for both programs implemented and workers/trainees served. MSU projected 22 schools to participate in the HPLI and ended up with 41 schools participating. In addition, they projected that 160 individuals would participate in the program and the final total for participants was 194. However, we noted a couple of areas where the performance measures were not in compliance with ARC requirements.

The Approval Memo signed by the Executive Director of ARC and the ARC Federal Co-Chair noted under outcomes that at least half the counties served will be classified as distressed by ARC and at least 60% of the participants in the training will be from distressed counties. Of the 194 individuals that received training, we noted that 100 of the participants came from at-risk counties and 94 were from distressed counties. The resulting percentage of participants from distressed counties was 48%, less than the 60% required by ARC.

The Approval Memo also indicated as an outcome that at least 12 participants would become certified by the HPLI as "turnaround specialists" in the first year. The progress reports submitted to ARC did not mention whether this outcome was achieved.

The ARC Grant Administration Manual states that grantees are to discuss progress made toward project outcomes and document any problems encountered, which would include discussions of any deviations from the ARC requirements and the action(s) that were taken or planned to address these issues. For all outcomes listed in the ARC Approval Memo and Grant Agreement, MSU should have reported whether the outcomes were achieved and the reasons why any outcomes were not achieved.

Recommendation

When reporting performance measures to ARC, MSU should review the metrics agreed to by ARC and document any areas where the actual results deviate from the expected or planned results, provide the reason(s) for the deviation, and explain what actions were taken or planned to be taken to address the issue.

Grantee Response

The grantee stated they reviewed the contract with the ARC and did their best to report on the performance metrics identified in the scope of work approved in the contract. Further, they ensured they will follow the recommendation for all future project work with the ARC.

Auditor's Comments

ARC will determine whether the actions identified in the grantee's response are adequate to resolve the finding and close the recommendation.

Appendix I
Grantee Response



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March 9, 2016
Mr. Leon Snead
Leon Snead & Company, PC
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Dear Mr. Snead:

I would first like to acknowledge receipt of the Audit Report for ARC Grant No MS-16375 dated February 2016. I appreciate the very gracious and professional approach in which you handled the audit from the pre-work through the site visit and follow-up.

The RCU reviewed the contract with the ARC and did our best to report on the performance metrics identified in our scope of work approved in the contract. The audit report acknowledges that we exceeded projected outcomes for programs implemented and participants served. Additionally, I want to recognize the diligent review of all memos and documents related to the project and the recommendation regarding reporting. I ensure you that I will follow the recommendation for all future project work with the ARC.

Sincerely,

Julie Jordan, Ph.D.
Director
Research and Curriculum Unit
Mississippi State University