
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL
AUDIT OF GRANT AWARD**

**Tri-County Council for Western Maryland
Frostburg, Maryland**

**Final Report No.: 16-30
Project Number: MD-703A
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**Prepared by:
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Leon Snead & Company, P.C. completed an audit of grant numbers MD-703A-C46 and MD-703A-C47 awarded by the Appalachian Regional Commission (ARC) to the Tri-County Council for Western Maryland (TCC). 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.

The grant funds were managed and expended in accordance with the grant and applicable requirements. The expenditures sampled and reviewed had adequate supporting documentation and were considered reasonable. The TCC's financial and administrative policies and procedures were reasonably compliant with applicable requirements and considered adequate to administer the grant. The planned grant goals and required match funding were sufficiently met. However, the TCC could improve some aspects of how the grant performance goals were being developed and reported. We have included our suggestions for improvement in the observation section of the report.

Leon Snead & Company appreciates the cooperation and assistance received from the TCC 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 MD-703A awarded by the Appalachian Regional Commission (ARC) to the Tri-County Council for Western Maryland (TCC) that includes the only three Maryland counties designated within the Appalachian region. 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 TCC was incorporated in 1971 and is an independent state agency under Maryland laws. It is comprised of 29 members including local elected officials, county staff, Western Maryland state delegates, and private sector individuals. An Executive Board oversees the TCC programs and activities and the operations and programs are managed by an Executive Director appointed by the Board and a current supporting staff of four people from offices in Frostburg, Maryland. The TCC's programs and activities involve a number of different areas including community development, education, transit, broadband, and financial lending through revolving loan funds.

Grant MD-703A is a continuing, annual grant awarded by ARC under Section 302 of the Appalachian Regional Development Act of 1965 (ARDA) to provide the TCC funding for administrative costs necessary for conducting its LDD program. Grant MD-703A-C46 covered the annual period January 1 to December 31, 2015 and provided \$160,000 in ARC funding and required the TCC to provide \$160,000 of matching funding from other non-ARC sources to meet the total \$320,000 estimated annual costs. The majority of the approved total ARC funding was intended for staff salaries and benefits and indirect costs, but there were also some lesser amounts budgeted for travel, contractual, and other costs. The grant had ended and had been closed out administratively by ARC at the time of our review. Grant MD-703A-C47 covered the January 1 to December 31, 2016 and also provided \$160,000 in ARC funding and required \$160,000 in non-ARC matching funding. The grant was still in progress at the time of our review, and the TCC had received \$80,000 in ARC funding and recorded \$72,146 in costs.

Objectives, Scope, and Methodology

The primary objectives of this performance audit were to determine if: (1) program funds were managed in accordance with the applicable federal requirements; (2) grant funds were expended as provided for in the approved grant budget; (3) internal controls were adequate and working 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 grant goals and objectives were met.

The audit was performed using procedures in the ARC Audit Program and other agreed-upon procedures provided by the ARC Office of Inspector General. The primary review criteria used were the specific grant terms and requirements, applicable Office of Management and Budget Circulars, and relevant parts of the ARC Code. The audit was performed in general accordance with the *Government Auditing Standards* particularly for evidence and reporting. The fieldwork was performed during August 1-8, 2016, including on-site work at the TCC offices in Frostburg, Maryland. The preliminary results and possible corrective actions were discussed with the TCC staff during the on-site visit.

We reviewed documentation provided and interviewed grantee personnel to obtain an overall understanding of the grant activities, the accounting system, and administrative procedures. We reviewed financial and project status reports to determine if they were submitted in accordance with requirements. We sampled and tested \$90,508 of the total \$240,000 expenditures that ARC had reimbursed to determine if they were adequately supported and allowable. We reviewed applicable TCC administrative procedures and related internal controls to determine if they were adequate to administer the grant and funds. We reviewed the most recent Single Audit report to identify any significant issues relevant to the ARC grant and review. In addition to the planned review steps, we also interviewed TCC staff to obtain information and comments on the LDD program that may be used by the ARC OIG to plan future reviews and help improve the ARC's administration of the program.

Summary of Audit Results

The grant funds were managed and expended in accordance with the grant and applicable requirements. The expenditures sampled and reviewed had adequate supporting documentation and were considered reasonable. The TCC financial and administrative policies and procedures were reasonably compliant with applicable requirements and considered adequate to administer the grant. The planned grant goals and required match funding were sufficiently met. However, the TCC could improve some aspects of how the grant performance goals were being developed and reported. We have included our suggestions for improvement in the observation section of the report.

Observation

Grant Goals and Performance

The goals in the approved application for completed grant C46 were reasonably met. However, we believe the TCC could quantify more of the goals in the application plan than was currently being done. Grant performance measures are an important means, for both the federal programs providing the funds and organizations receiving the funds, to demonstrate the supported project's value and the effective use of the funds.

TCC's application on the LDD grants included some quantified planned outputs, but many of the planned goals were very general and not quantified. While we recognize not every goal can be quantified and measured, we believe the TCC could improve this area when developing the plan. For example, under Project Administration, there was a general goal established to simply monitor ongoing project progress. That goal could be more specific as to the number of projects to be monitored and the purpose of the monitoring visits, such as ensuring adequate progress and completion. Establishing the goal that way would provide a more meaningful measure of performance on that activity when actual results were collected and reported. Similarly, there was a goal established as "monthly reports from project points of contacts." It could be alternatively worded and quantified as "collect and review all 36 of the monthly reports from the 3 local points of contact." There were other goals in the plan submitted and approved that could have likewise been worded differently and improved.

Second, the TCC could better distinguish between planned output goals and planned outcome goals in the plan and final reports to ARC. The grant applications we reviewed did not contain any performance goals labeled as outcomes. Rather, all of the measures were presented as outputs when, in fact, some of them are actually outcomes and should be established and reported in that manner. For example, create at least 24 new jobs, and leverage \$1.1 million. It would be more consistent with the guidance and also provide a better metric to demonstrate the TCC's performance.

Although the narrative presented in the grants we reviewed was well organized and provided much information, we believe it would improve the presentation if the quantifiable goals were shown in a table or summary form separate from the narrative and general goals.