
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**Town of St. Paul
St. Paul, Virginia**

**Final Report Number: 18-28
Grant Number: VA-17821
August 2018**

Prepared by:

Leon Snead & Company, P.C.



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August 14, 2018

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 VA-17821 awarded by the Appalachian Regional Commission (ARC) to the Town of St. Paul, Virginia. 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 the goals and objectives of the grant were met.

Overall, the Town of St. Paul's financial management and administrative procedures and internal controls were adequate to effectively manage and account for the funds provided under the ARC grant. The Town of St. Paul had established adequate processes and procedures to account for ARC funds and record data related to the overall goals of the grant. Performance measures to date were either met or on track. However, we noted that the final performance report for the grant was not prepared and provided to ARC within the required timeframe. This matter and the corresponding recommended corrective actions are discussed in the Findings and Recommendations section of this report.

A draft report was provided to the Town of St. Paul on July 23, 2018, for comments. The Town of St. Paul provided a response to the report on August 02, 2018 which is included in Appendix I.

Leon Snead & Company appreciates the cooperation and assistance received from Town of St. Paul 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 VA-17821 awarded by the Appalachian Regional Commission (ARC) to the Town of St. Paul, Virginia. 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 funds to support the renovation of the vacant Willis Building in downtown St. Paul. The project was designed to help revitalize downtown St. Paul. The renovated building will be used to attract tourism-oriented business and short-stay accommodations. Specifically, the project will provide retail spaces for tourism and downtown related businesses; invigorate the town through increased investment and improved property values; and to support regional initiatives. The Willis Building will be able to house approximately five new tourism-related businesses that are expected to create 25 new jobs, the largest of which is the Western Front Hotel.

The Virginia Department of Housing and Community Development (DHCD) was responsible for administering and monitoring the ARC grant funds provided for the project. DHCD's responsibilities were specified in a Memorandum of Understanding (MOU) between DHCD and ARC. This MOU was incorporated into the ARC grant agreement.

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.

The period of performance for grant VA-17821 was July 1, 2014 through February 24, 2018. ARC provided \$500,000 for the project and DHCD provided \$600,000 for the project. The Town of St. Paul's matching contribution for the project was \$3,125,000. Total projected costs were \$4,225,000. The percentage break-out of funding for the overall project was 12% ARC; 14% DHCD; and 74% for the Town of St. Paul.

ARC grant funds of \$500,000 were expended during the project. The Town of St. Paul's matching contribution exceeded the required match of \$3,125,000. We reviewed all of the \$500,000 of ARC grant funds that were expended and reimbursed and \$2,023,237 of the matching funds provided by the Town of St. Paul.

We reviewed documentation provided by the Town of St. Paul 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 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 grant and the grant audit. We reviewed matching funds documentation to determine if requirements were met. We evaluated grant results discussed in the project performance reports to determine if the planned performance goals and objectives were met.

The on-site fieldwork was performed at the St. Paul, Virginia Town Hall during the period of June 4 through June 8, 2018. The preliminary audit results were discussed with Town of St. Paul officials at the conclusion of the on-site visit. The Town of St. Paul officials were in general agreement with the preliminary audit results.

The primary criteria used in performing the audit were 2 CFR 200 (formerly OMB Circulars A-87 and A-102), the ARC Code, the grant agreement, and the MOU between ARC and DHCD. The audit was performed in accordance with the *Government Auditing Standards*.

Summary of Audit Result

Overall, the Town of St. Paul's financial management and administrative procedures and internal controls were adequate to effectively manage and account for the funds provided under the ARC grant. We found that the Town of St. Paul had implemented adequate processes and procedures to account for ARC funds and record data related to the overall goals of the grant. The costs tested were properly supported and allowable. Grant matching fund requirements were fully met. Performance measures to date were either met or on track. The renovation is complete and the building is open and functioning. There are four new businesses in the facility resulting in the creation of 22 full-time equivalent jobs. Also, it was estimated that an additional 20 full-time equivalent jobs were created as a result of the newly renovated facility.

Finding and Recommendations

A. Final Performance Report

The building renovation project was fully completed. However, a final project performance report for the project had not been provided to ARC.

Grant agreement VA-17821 required the submission of a final project performance report. The grant agreement stated that:

1. Within one month after the end of the period of performance, a final performance report must be prepared and submitted to the ARC Project Coordinator for approval.
2. The report should include all work accomplished under the grant agreement, including recommendations and conclusions based on the experience and results obtained.

The period of performance for the project was July 1, 2014 through February 24, 2018. Consequently, the final project performance report was required to be submitted to ARC by March 26, 2018.

We discussed this matter with Town of St. Paul officials and the DHCD representative for the project. The DHCD representative explained that DHCD was responsible for providing the final performance report to ARC after receiving input from the Town of St. Paul. DHCD performed a final compliance review of grant VA-17821 on February 27, 2018 and requested the Town of St. Paul to respond to the report by June 1, 2018. The Town of St. Paul responded to DHCD's report on May 31, 2018. The DHCD representative stated that the final performance report had been drafted and it was in the DHCD review and approval process. However, as of June 8, 2018, the report had not been submitted to ARC.

Recommendations

DHCD, in association with The Town of St. Paul, should ensure: (1) If not already submitted, the final project performance report for grant VA-17821 is provided to ARC; and (2) any future final project performance reports are submitted to ARC in accordance with the requirements of the grant agreement.

Grantee's Response

After reviewing the draft audit report, we do concur with the report. I received a copy of an email to ARC from DHCD stating that the final project performance report (BAMR) was filed with ARC for our project number VA-17821. The email also stated that the ASAP Account Recovery Amount was \$0.00.

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.

Leon Snead Company

From: Debora Baca [treasurer@stpaulva.org]
Sent: Thursday, August 02, 2018 5:50 PM
To: Leon Snead & Company
Subject: RE: Audit of ARC Grant No. VA-17821

After reviewing the draft audit report, we do concur with the report. I received a copy of an email to ARC from DHCD stating that the final project performance report (BAMR) was filed with ARC for our project number VA-17821. The email also stated that the ASAP Account Recovery Amount was \$0.00.

Please advise if you need anything formal from my office or if you have any more questions or concerns.

Thank you,

Debora S. Baca
Town Treasurer
Town of St. Paul
276-762-5297

From: Leon Snead & Company [<mailto:leonsnead.companypc@erols.com>]
Sent: Monday, July 30, 2018 2:12 PM
To: Debora Baca <treasurer@stpaulva.org>
Subject: FW: Audit of ARC Grant No. VA-17821

From: Leon Snead & Company [<mailto:leonsnead.companypc@erols.com>]
Sent: Monday, July 23, 2018 11:11 AM
To: 'sptreasdb@gmail.com'
Cc: 'tamarah.holmes@dhcd.virginia.gov'; 'treasurer@stpaulva.org'
Subject: Audit of ARC Grant No. VA-17821

Good Morning Mr. Fletcher,

Attached is a copy of the draft report on the above referenced audit for your review and comments. Please provide your comments by August 10, 2018. 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. If you have any questions, please call or e-mail me.

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

Leon Snead
(301) 738-8190