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

**Summers County Commission
Hinton, West Virginia**

**Final Report Number: 19-22
Project Number: WV-17702
March 29, 2019**

Prepared By:

Bonadio & Co., LLP
Certified Public Accountants

March 29, 2019

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

Bonadio & Co., LLP completed an audit of grant number WV-17702-214-13 awarded by the Appalachian Regional Commission (ARC) to the Summers County Commission (grantee) for the Meadow Creek Public Service District wastewater treatment plant improvements. The audit was performed to assist the Office of Inspector General in carrying out its oversight of ARC grant funds.

The primary objectives of the audit 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 appropriate 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 performance measures were met or likely to be met; and (6) matching requirements of the grant were satisfied.

Overall, the grantee's financial management and administrative procedures, including related internal controls, were adequate to manage the funds provided under the ARC grant reviewed. The expenditures tested were supported and considered reasonable. In addition, the records and reports indicated that the tasks required by the grant agreement were accomplished or are likely to be accomplished before the end of the grant.

Bonadio & Co., LLP appreciated the cooperation and assistance received from the grantee and the ARC staff during the audit.

Bonadio & Co., LLP

432 North Franklin Street, #60
Syracuse, New York 13204
p (315) 476-4004
f (315) 254-2384

www.bonadio.com

TABLE OF CONTENTS

	Page
BACKGROUND	1
OBJECTIVE, SCOPE AND METHODOLOGY	1
SUMMARY OF AUDIT RESULTS	2

BACKGROUND

Bonadio & Co., LLP completed an audit of grant number WV-17702-214-13 awarded by the Appalachian Regional Commission (ARC) to the Summers County Commission (grantee) for the Meadow Creek Public Service District wastewater treatment plant improvements. The audit was conducted at the request of the ARC, Office of Inspector General, to assist the office in its oversight of the ARC grant funds.

The grant awarded ARC funds to the grantee of \$1,578,112 and required a match of \$612,825 in non-ARC funds. The grant's main objective is to support improvements to the Meadow Creek and Sandstone systems. The grant period was October 23, 2013 to June 30, 2016 and was subsequently extended to June 30, 2019. The major goals of the project are to prevent a public health, safety, and environmental disaster, underpin the regional West Virginia tourism economy, support long-term community development needs in a distressed area, and invest in future economic opportunities. The project will provide access to dependable sewer sanitation service to 84 households and three businesses representing approximately 300 people, as well as the Meadow Creek Campground. A subsequent amendment increased the projected households served to 91 and businesses served to seven. The project would supplement other efforts to promote private investment in tourism and economic development.

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 appropriate 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 performance measures were met or likely to be met; and (6) matching requirements of the grant were satisfied.

We reviewed the documentation provided and interviewed grantee personnel to obtain an overall understanding of the grant activities, the accounting system, and operating procedures. We evaluated grantee administrative procedures and related internal controls to determine whether they were adequate to administer the grant funds and program activities. We examined financial and progress reports to determine if they were supported and submitted in accordance with the grant requirements. We also obtained the most recent Single Audit report to determine whether there were any reported issues that affected the ARC grant.

Of the \$2,169,065 in expenditures charged to the grant, we selected a sample of 25 expenditures amounting to \$326,982 for testing to determine whether the charges were properly supported and allowable.

The criteria used in performing the audit were 2 CFR Part 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards", the ARC code, and the grant agreement. The audit was performed in accordance with the *Government Auditing Standards*. The fieldwork was completed during the period of August 20, 2018 through August 22, 2018, which included on-site work at the grantee third-party administrator's office in Princeton, West Virginia. The audit results were discussed with grantee representatives at the conclusion of the on-site visit. The grantee's representative agreed with the audit results.

SUMMARY OF AUDIT RESULTS

Overall, the grantee's administrative procedures were adequate to manage the grant funds and performance measures. Total project expenditures at July 31, 2018 amounted to \$2,169,065 including \$1,532,382 of ARC funds and \$635,438 of non-ARC funds. Based on test work results, we not question any costs incurred. The expenses tested were supported and considered reasonable. We found that the grantee had an adequate process in place for obtaining and recording data related to the goals of the grant. In addition, the records and reports indicated that the tasks required by the grant agreement were accomplished or will likely be accomplished by the end of the grant.

The projects outcomes of 91 households and 7 businesses improved were met. In addition, the output goal of 5,700 linear feet of wastewater lines installed was exceeded with the grantee installing 9,612 linear feet of lines. A payment dispute between a contractor and a subcontractor has created delays resulting in the need for an extension of the grant period to June 30, 2019. The increase in system capacity of .02 million gallons per day per day is expected to be achieved by the end of the grant period. In addition, the grantee had a projected output of an addition 2,288 overnight visitors at the Meadow Creek Campground. Since the campground is operated by the National Park Service who has not been able to secure enough funding to open the campground, this output has not been achieved. Therefore, this output objective is outside of the control of the grantee.