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

**Jobs for Mississippi Graduates, Inc.
Jackson, Mississippi**

**Final Report Number: 19-26
Project Number: MS-17883-C1-16
September 9, 2019**

Prepared By:

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September 9, 2019

Appalachian Regional Commission
Office of Inspector General
1666 Connecticut Avenue, N.W.
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Bonadio & Co., LLP completed an audit of grant number MS-17883-C1-16 awarded by the Appalachian Regional Commission (ARC) to Jobs for Mississippi Graduates, Inc. (grantee) for the Dropout Prevention Program. The audit was performed to assist the Office of Inspector General in carrying out 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 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 were adequate to manage the funds provided under the ARC grant with the exception of the matter noted below. The overall grant performance measures were adequately met.

We identified issues with the grantee's system of internal controls that require management's attention. We determined that the last two requests for reimbursement were based on budgeted figures, and not actual expenditures, mostly due to issues with a loss of electronic accounting information in the grantee's automated accounting system. These matters are described in detail in the Findings and Recommendations section of the report.

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

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TABLE OF CONTENTS

	Page
BACKGROUND	1
OBJECTIVE, SCOPE AND METHODOLOGY	1
SUMMARY OF AUDIT RESULTS	2
FINDINGS AND RECOMMENDATIONS	2-3

BACKGROUND

Bonadio & Co., LLP completed an audit of grant number MS-17883-C1-16 awarded by the Appalachian Regional Commission (ARC) to Jobs for Mississippi Graduates, Inc. (grantee). 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 provided a total of \$1,212,285 including \$600,000 of ARC funds and required a match of \$612,825 in non-ARC funds. The grant was awarded to cover the period August 22, 2016 to July 31, 2018 but was amended to change the starting date to July 1, 2016. It provided support for the Dropout Prevention Program of Jobs for Mississippi Graduates, which is designed to increase the on-time completion rate of high school students and preparation for both postsecondary education and the workforce. Major components of the program include group and individual instruction in employability skills, monitoring of attendance and behavior, guidance on career and life decisions, summer employment training, community service projects, and field trips to businesses and conferences. The majority of the approved total budget was for staff salaries and benefits.

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 obtained 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. We examined financial and other required reports to determine if they were supported and submitted in accordance with the grant requirements. We also obtained the June 30, 2017 and 2018 Single Audit reports to determine whether there were any reported issues that affected the ARC grant.

General ledger data could not be provided by the grantee for the period from January 9, 2018 through April 11, 2018 due to issues with the grantee's computer system. We selected a sample of \$302,304 in expenditures from the reporting periods prior to the data loss in the accounting system to determine whether the charges were properly supported and allowable. We also reviewed the grantee's procedures for allocating administrative costs to the grant.

The criteria used in performing the audit were ARC grant documents, the grant approval, the grant agreement, the ARC code, other ARC requirements, and 2 CFR Part 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards". The audit was performed in accordance with the *Government Auditing Standards*. The fieldwork was completed during the period of August 13, 2018 through August 15, 2018, which included on-site work at the grantee's office in Jackson, Mississippi. The audit results were discussed with grantee representatives at the conclusion of the on-site visit.

SUMMARY OF AUDIT RESULTS

Total expenditures amounted to \$1,285,236 including ARC funds of \$599,054 and non-ARC of \$686,182. Based on test results, we determined questioned costs existed due to a lack of supporting documentation. 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 generally accomplished.

Per the grant agreement, the anticipated outputs included working with a total of 540 high school students. Per the grantee's progress report, 617 students participated. The grantee tracked actual outcomes and student progress through the schools' reporting system from the specialists employed at each school. Students are tracked while enrolled in the program and for one year after exiting the school.

We reviewed tracking reports provided and determined the following outcomes for students that were tracked during the years 2016-17 and 2017-18:

- a. High School graduates: 257
- b. Students still enrolled in High School: 245
- c. Graduates attending post-secondary education: 260
- d. Graduates employed: 102

FINDING AND RECOMMENDATIONS

A. Internal Controls

Finding

Due to the failure of the grantee to establish adequate backup systems to protect its automated accounting system the grantee lost a large portion of the electronic information for managing the program and providing financial reporting. In addition, we also found issues relating to management reports and source documents that were incorrect or did not provide supporting documentation nor contain proper approvals. As a result, we determined \$123,124 were questionable.

All grant expenses should be appropriately approved, documented, recorded and reported. Our review disclosed that due to computer tampering, all electronic accounting records up to April 11, 2018 were lost. However, only two reporting periods were affected. As a result estimated expenditures, instead of actual expenditures, were reported on the SF-270 Request for Reimbursement for the periods of November 1, 2017 – February 28, 2018 and March 1, 2018 – June 30, 2018. The grantee did not recreate records from hard copies before submitting the requests for reimbursement.

For the period of November 1, 2017 – February 28, 2018, the grantee reported \$318,584.02 in current period program outlays based on budgeted figures on the SF-270 Request for Advance or Reimbursement which is supported by the reimbursement request worksheet. General ledger expenses for the period only totaled \$219,365.98 resulting in questioned costs of \$99,218.04. For the period of March 1, 2018 through June 30, 2018, the grantee reported program outlays on the reimbursement request worksheet of \$324,350.29 whereas the general ledger totaled only \$305,773.08 resulting in questioned costs of \$18,577.21. Total questioned costs for the two periods were \$117,795.25. Based on the grantee's response and our conversation with the external auditor, the general ledger data has been subsequently reconstructed with assistance from the external audit firm.

FINDING AND RECOMMENDATIONS (Continued)

Based on our review of records, we determined that a total of 9 out of 20 disbursements tested totaling \$31,158 did not contain evidence of an authorized official's approval of the invoice or other supporting document prior to the executive director signing checks. These expenditures were made between July of 2016 and October of 2017 for contractual and travel expenses. We also determined that a total of \$5,329 in credit card payments were charged to ARC during October - November of 2016 and August of 2017, however supporting receipts did not contain evidence of prior approval.

Internal controls appear to be missing or improperly designed as evidenced by: missing general ledger entries, mathematical errors in the request for reimbursements and a lack of documentation of management review. This could be the result existing procedures not being followed. We were informed that the grantee experienced turnover in their accounting department which could have led to some of the errors.

Recommendations provided in the draft report to the grantee have been adjusted based on the grantee's response and follow up actions related to the findings.

Recommendations

1. We recommend that the grantee ensure that the grantee's IT contractor has added desktop, cloud and external hard drive backups, as stated in the IT contractor's status report on IT system. The backups should be tested periodically to ensure the accounting system could be restored in the event of data loss.
2. We recommend a risk assessment plan be created and implemented to identify system vulnerabilities to prevent a reoccurrence of the loss of data.
3. We recommend that the grantee resubmit the SF-270 based on the reconstructed general ledger for the impacted reporting periods and discuss with ARC any over or under payments resulting from the reconstruction of records.
4. We recommend that in the future, all invoices reflect pre-approval by an authorized official prior to payments being made.
5. We recommend that policies and procedures be reviewed to ensure that internal controls are designed to prevent irregularities and errors

Grantee response

See attached letter

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May 29, 2019

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Greetings James,

Thank you for conducting an audit of Jobs for Mississippi Graduates, Incorporated, and its usage of the Appalachian Regional Commission's Grant. The noted recommendations you provided in the audit report will be taken under advisement. We, graciously, acknowledge that the noted areas of improvement, do, in fact, warrant improvement. We, fully accept responsibility for the findings and gladly offer an improvement plan.

In response to the findings, I would like to convey the following:

1. The questionable costs that total \$117,795.25 can be explained in that if you were to look at the costs in the subsequent quarter of the grant for the months of March to June, 2018, one would see that the general ledger shows expenditures that total \$130,826.59. But for the computer crash that resulted in a loss of the data for November, 2017, to February, 2018 time frame, similar expenditures would have been captured in the ledger. The personnel cost (which is the greatest expenditure under the grant) would have remained constant throughout the grant period. This logic would result in a drastic reduction of the stated "questioned costs of \$117,795.25.
2. Relative to the "supporting documentation that totaled \$31,158 that did not contain evidence of my approval," and as noted in a text message to you-The approval was evident in that all the checks are signed by both signatories (the board treasurer and me). As executive director, I approve all expenditures as evident in my signature on the checks, and no signature is made by either of us without sufficient, supportive documentation.
3. Regarding the supportive receipts for the credit card purchases, such receipts are retained with the credit card statements. However, you failed to ask for this documentation.

Page 2

Response from JMG re ARC Audit

Corrective action measures taken to date include the following:

1. We have gone back and re-constructed the general ledger for the period of November, 2017, through June 30, 2018, using the hard copies of expenditure documentation.
2. We have purchased the deluxe package of Quickbooks for Nonprofits.
3. We have a contract with an Information Technology person who handles our

IT

problems.

Thank you for your time and attention in this matter. Should you have any questions or concerns regarding this matter, I can be reached at the numbers in the letterhead.

Sincerely,

/s/

Ramona Williams, Executive Director
Jobs for Mississippi Graduates, Inc.