
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**Sevier County
Sevierville, Tennessee**

**Final Report Number: 20-05
Grant Number: CO-18951**

December 2019

Prepared by:

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Leon Snead & Company, P.C. completed an audit of grant number CO-18951 awarded by the Appalachian Regional Commission (ARC) to Sevier County, Tennessee (the County). 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 (6) the established performance measures were met.

The County's administrative policies, procedures, and related internal controls were adequate to manage the funds provided under the ARC grant. The ARC expenditures of \$431,636 and the match of \$719,408 tested were properly supported and allowable. The County was on track to fully meet the required matching contribution. Financial and project performance reports were submitted to ARC timely and accurately. We determined that the County had an adequate process in place for obtaining and recording data related to the construction of the water lines. The project was physically completed but the grant was not formally closed-out at the time of the audit.

Leon Snead & Company appreciates the cooperation and assistance received from the Utility 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 CO-18951 awarded by the Appalachian Regional Commission (ARC) to Sevier County, Tennessee (the County). 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 \$600,000 to the County and required a matching contribution of \$1,727,660 for a total estimated project cost of \$2,327,660. The grant was subsequently amended to change the matching contribution to \$1,000,000, reducing the estimated project cost to \$1,600,000. The amendment increased the ARC cost share from 26% to 38% of project expenses. The period of performance is May 1, 2017 through April 30, 2020. The project was physically completed but the grant was not formally closed out.

The grant, Sevier County Imminent Threat, was awarded to extend 21,300 linear feet of water line in two project areas. The water line extensions will provide greater interconnectivity and comprehensive coverage within the Sevier County water system for the areas of Gatlinburg and Pittman Center. Gatlinburg will include the installation of 8,000 linear feet of 8-inch water line and a pump station for the Birds Creek area connection and the Pittman Center area connection will include 12,300 linear feet of 8 and 6-inch water line.

ARC funds were made available through the Tennessee Department of Economic & Community Development (TDECD). As the fiscal agent for Sevier County, TDECD administrated the grant in accordance with a Memorandum of Understanding (MOU) between TDECD and 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 (6) the established performance measures were met.

ARC funding of \$593,100 had been expended and total matching contributions were \$1,000,000. We reviewed \$431,636 of the ARC expenditures and \$719,408 of the matching contributions to determine whether they were properly supported and allowable.

We reviewed documentation provided by the County 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 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 County's office in Sevierville, Tennessee during the period of December 9 through December 13, 2019. The audit results were discussed with County officials at the conclusion of the on-site visit.

The primary criteria used in performing the audit were 2 CFR 200, the ARC Code, the grant agreement, and the MOU between ARC and TDECD. The audit was performed in accordance with the Generally Accepted Government Auditing Standards.

Summary of Audit Results

The County's administrative policies, procedures, and related internal controls were adequate to manage the funds provided under the ARC grant. The ARC expenditures of \$431,636 and the match of \$719,408 tested were properly supported and allowable. The County was on track to fully meet the required matching contribution. Financial and project performance reports were submitted to ARC timely and accurately.

We determined that the County had an adequate process in place for obtaining and recording data related to the construction of the water lines. We compared the planned performance outputs and outcomes with the actual performance outputs and outcomes, which were confirmed by the Project Manager. This comparison is shown below.

Performance Measure	Planned Outputs	Actual Outputs	Planned Outcomes	Actual Outcomes
Linear Feet of Water Pipe Installed	21,300	18,917	0	0
Households Served	682	682	0	0
Businesses Served	140	140	0	0
Households Improved	0	0	682	682
Businesses Improved	0	0	140	140

Regarding the output of linear feet of water pipe installed, the County explained that the contractors did not need as much pipe as initially planned, particularly on the Pittman Center part of the project. The preliminary engineering report had the water line going to the creek bank. The water line was stopped short of that point adjacent to Pittman School and saved some footage by not going down the Pittman Center Road to its end versus crossing the creek earlier and not running along the roadway.