

Office of Inspector General

Report Prepared by Bonadio & Co., LLP

Audit of Grant Award – Gaffney City Park & Amphitheater

Grant Number - SC-18421-302-16



**Appalachian
Regional
Commission**

Office of Inspector General

Audit Report: 20-22

September 28, 2020



Appalachian
Regional
Commission

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September 28, 2020

TO: Charles Howard, Interim Executive Director

FROM: Philip M. Heneghan, Inspector General

SUBJECT: Audit of Grant Award – Gaffney City Park & Amphitheater
Report Number 20-22

This memorandum transmits the Bonadio & Co., LLP report for the audit of costs charged by Hocking College per its agreement with the Appalachian Regional Commission for Grant Number SC-18421-302-16. The objective of the audit was to determine if costs claimed were allowable, allocable, reasonable, and in conformity with the Commission's award terms and conditions and Federal financial assistance requirements. In addition, the audit determined whether the performance measures were met, not met, or not likely to be met.

OIG Oversight of the Audit

Bonadio & Co., LLP is responsible for the attached audit report and the conclusions expressed in this report. We do not express any opinion on the conclusions presented in Bonadio & Co., LLP's audit report. To fulfill our responsibilities, we:

- Reviewed Bonadio & Co., LLP approach to and planning of the audit;
- Evaluated the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Coordinated periodic meetings with Bonadio & Co., LLP, as necessary, to discuss audit progress, findings, and recommendations;
- Reviewed the audit report prepared by Bonadio & Co., LLP; and
- Coordinated issuance of the audit report.

We thank your staff for the assistance that was extended to the auditors during this audit. If you have any questions regarding this report, please contact me at 202-884-7675.

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September 23, 2020

Appalachian Regional Commission
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Bonadio & Co., LLP completed an audit of grant number SC-18421-302-16 awarded by the Appalachian Regional Commission (ARC) to the City of Gaffney (grantee) for the Gaffney City Park & Amphitheater grant. The grant is being administered by the South Carolina Department of Commerce (SCDOC). 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. The overall grant performance measures were adequately met.

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

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BACKGROUND

Bonadio & Co., LLP completed an audit of grant SC-18421-302-16 awarded by the Appalachian Regional Commission (ARC) to the City of Gaffney (grantee). The grant is being administered by the South Carolina Department of Commerce (SCDOC), as the basic agency. 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 \$350,000 in ARC funds and required a match of \$1,016,171 of non-ARC funds, for a total of \$1,366,171, to construct a 3.5-acre recreational city park and amphitheater on the site of a former mill village near downtown Gaffney to increase tourism based economic development. The period of performance was July 1, 2016 to June 30, 2019. The park will provide a central location for several local festivals, increasing tourism capacity and easing security and logistics difficulties.

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 performance measures, 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 meet the performance measures. We examined financial and other required reports to determine if they were supported and submitted in accordance with the grant requirements.

We reviewed expenditures of the grant from February 8, 2017 to February 6, 2019. We selected a sample of \$144,071 in ARC expenditures and \$867,864.51 in non-ARC expenditures totaling \$1,011,935.51 in total project expenditures for testing 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*. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The fieldwork was completed during the period of November 18, 2019 to November 20, 2019 at the grantee's office in Gaffney, South Carolina. The audit results were discussed with grantee representatives at the conclusion of the on-site visit.

SUMMARY OF AUDIT RESULTS

The administrative procedures of the grantee and the basic agency were adequate to manage the grant funds reviewed. Total expenditures amounted to \$1,640,488, which consisted of the ARC share of \$350,000 and the non-ARC share of \$1,290,488 (approximately \$274,000 higher than original budget). Based on audit procedures performed, we did not question any costs incurred. The expenses tested were supported and considered reasonable. We found that the grantee and the basic agency had an adequate process in place for obtaining and recording data related to the goals of the grant. Progress reports were completed by SCDOC using the Basic Agency Monitoring Report. As of April 30, 2019, all funds had been expended. The grant was closed by ARC on July 9, 2019.

The grant included expected outputs of construction of one 3.5-acre park and amphitheater, an increase of annual visitors by 5,000 and 50 businesses served. The expected outcomes are 50 businesses improved through greater foot traffic related to local events. Although the grant period of performance began in July of 2016, the park & amphitheater was not completed until April of 2019, prior to the end of grant on June 30, 2019. Due to the completion of construction being so close to the end of the performance period, there is insufficient data to determine whether all performance measures were met. Accompanied by the City Administrator, we verified the construction of the 3.5-acre park and amphitheater through a visit to the location. The park features an entertainment complex (amphitheater) with capacity to seat over 900 plus overflow natural seating. The eight-foot wide recreation trail links 13 different exercise stations along the park's perimeter. Accessible entrances and restroom facilities are included in the park design, as well as areas for recreational use, such as picnicking and Frisbee. We verified the projected increase in annual visitors by 5,000 through the estimated attendance listing provided by the City Administrator. Total estimated attendance at the park and amphitheater was 7,685 for 2019 with concerts, light shows, and festivals sponsored by the City and other events sponsored by religious groups and charitable organizations.

We were unable to verify the total businesses served due to an insufficient amount of time since the completion of construction. However, the City Administrator provided a listing of 50 businesses, along with their Business License Revenue for 2019. The revenue for these 50 businesses will be compared to the 2019 numbers when the 2020 Business License Revenue information is available. This will be used as the measurement of businesses improved since Business License Revenue is based on gross revenues of the business. Due to the pandemic, SCDOC was not able to file the final performance reports that were due to ARC July 9, 2020. They anticipate completing the reports when they are able to return to their offices.