

Office of Inspector General

Report Prepared by Leon Snead & Company, P.C.

Audit of Grant Award – Marshall County Board of Supervisors

Grant Number – MS-18554



**Appalachian
Regional
Commission**

Office of Inspector General

Audit Report: 21-01

October 2, 2020



Appalachian
Regional
Commission

Office of Inspector General

October 2, 2020

TO: Charles Howard, Interim Executive Director

FROM: Philip M. Heneghan, Inspector General

A handwritten signature in blue ink that reads 'Philip Heneghan'.

SUBJECT: Audit of Grant Award – Marshall County Board of Supervisors
Report Number 21-01

This memorandum transmits the Leon Snead & Company, P.C. report for the audit of costs charged by Marshall County Board of Supervisors per its agreement with the Appalachian Regional Commission for Grant Number MS-18554. 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

Leon Snead & Company, P.C. 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 Leon Snead & Company, P.C.'s audit report. To fulfill our responsibilities, we:

- Reviewed Leon Snead & Company, P.C. 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 Leon Snead & Company, P.C., as necessary, to discuss audit progress, findings, and recommendations;
- Reviewed the audit report prepared by Leon Snead & Company, P.C.; 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 28, 2020

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 MS-18554 awarded by the Appalachian Regional Commission (ARC) to the Marshall County Board of Supervisors (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); (5) the matching requirements and (6) the goals and objectives of the grant were met.

The expenditures charged to ARC funds were supported and allowable and the grantee's match contributions exceeded the grant requirements by \$70,275. Financial and performance reports were submitted to ARC in a timely manner. However, the audit noted two areas that require management attention. The County's policies and procedures should be updated to incorporate several provisions of 2 CFR 200 that deal with financial management and internal controls. Also, to ensure compliance with the "Guide to ARC Project Performance Measures," the County should continue monitoring, tracking and reporting actual project performance outputs and outcomes. These matters and the corresponding recommended corrective actions are discussed in the Findings and Recommendations section of this report.

Leon Snead & Company appreciates the cooperation and assistance received from County officials during the audit.

Sincerely,

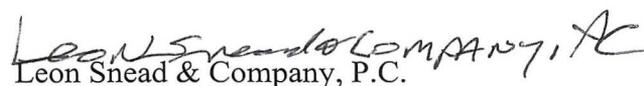

Leon Snead & Company, P.C.

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Background

Leon Snead & Company, P.C. completed an audit of grant number MS-18554 awarded by the Appalachian Regional Commission (ARC) to the Marshall County Board of Supervisors (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 grant awarded \$3,163,440 to the County and required a matching contribution of \$790,860 for an estimated project cost of \$3,954,300. The initial period of performance under the grant was September 1, 2016 to September 1, 2018. The grant agreement was amended on two occasions to extend the project end date. The first amendment extended the end date to February 1, 2020. However, this extension was granted on November 28, 2018, about two months after the performance period had expired. The second amendment changed the end date to October 31, 2019.

The grant provided ARC funding for the construction of a 30,000 square foot Workforce Training Center. The Training Center has administrative and support spaces; classrooms and a computer lab; and high-bay education spaces for industry certification testing and other workforce-related training activities. In partnership with the Northwest Community College and the Mississippi Department of Employment, the Training Center will offer workforce training and reemployment programs as a part of a larger goal to develop a talent pipeline of skilled workers for the advanced manufacturing and automotive industry in Marshall County and the surrounding area. The Training Center will serve the needs of existing industries and offer access to workforce training for the region's current and future workforce. At time of our audit, the construction project had been completed and the grant was closed.

The Mississippi Development Authority served as the basic agency for the project in accordance with its agreement with ARC. The Northeast Mississippi Planning and Development District (NMPDD), under a contract with the County, performed the grant administration functions and activities required under the 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 (6) the established performance goals were met.

The County expended \$3,124,888 in ARC funding and the County's actual matching contribution was \$861,135. We reviewed \$788,310 of the expenditures and \$468,745 of the matching contributions to determine if they were properly supported and allowable. Our audit tests indicated that the expense transactions were documented and it did not identify any questioned costs.

We reviewed documentation provided by the County and NMPDD; visited the completed Training Center; and interviewed County and NMPDD officials to obtain an overall understanding of the grant activities, the accounting system, and general operating procedures and controls. We also interviewed County and NMPDD personnel in order to obtain an overall understanding of grant activities. We reviewed project progress, performance, and financial reports to determine if they were submitted to ARC in accordance with requirements. We reviewed the recipient's most recent annual financial statement audit report to identify any issues impacting the ARC grant and our audit.

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

The on-site fieldwork was performed at the County office in Holly Springs, Mississippi during July 13 through 17, 2020. The preliminary results were discussed with County and NMPDD officials at the conclusion of the on-site visit.

Summary of Audit Results

The expenditures of ARC and match funds tested were supported and allowable. The County's matching contribution was fully met. The actual match contributions exceeded the grant requirements by \$70,275. Financial and project performance reports were submitted to ARC timely. We determined that the County's policies and procedures should be updated to incorporate several provisions of 2 CFR 200 that deal with financial management and internal controls. Also, to ensure compliance with the "Guide to ARC Project Performance Measures", the County should continue monitoring, tracking and reporting actual project performance outputs and outcomes. These matters and the corresponding recommended corrective actions are discussed in the Findings and Recommendations section of this report.

Findings and Recommendations

A. Financial Management and Internal Control Policies and Procedures

The County was following and adhering to the guidance for financial management and internal controls presented in the Mississippi County Financial Accounting Manual developed by the Mississippi State Auditor's Office. However, the Manual needs to be revised and updated to address the financial management and internal control requirements specified in 2 CFR 200.

For example, two sections of 2 CFR 200 have specific requirements that should be incorporated in financial and internal control procedures of grant recipients to strengthen their overall financial management system.

2 CFR 200.302, Financial Management, requires that the financial management systems must provide for:

1. Identifying all federal awards received and expended and the federal programs under which they were received.
2. Accurate, current and complete disclosure of the financial results of each federal award.
3. Records that adequately identify the source and application of funds for federally-funded activities.
4. Effective control over and accountability for all funds, property, and other assets.
5. Comparisons of expenditures with budgeted amounts for each federal award.
6. Procedures for making payments.
7. Procedures for ensuring the allowability of costs.

2 CFR 200.303, Internal Controls, indicates that non-Federal entities must:

1. Establish and maintain effective internal controls over federal awards.
2. Comply with federal statutes, regulations and the terms and conditions of federal awards.
3. Evaluate and monitor compliance with federal statutes, regulations and the terms and conditions of federal awards.
4. Take prompt action when conditions of non-compliance are identified.
5. Take reasonable measures to safeguard protected information.

We discussed this matter with County officials. They informed us that the County did not have its own financial management and internal control policies and procedures. They also informed us that they discussed this matter with the Mississippi State Auditor's Office. The State Auditor's Office stated that the Mississippi County Financial Accounting Manual did not include the financial management and internal control requirements specified in 2 CFR 200. The State Auditor's Office also stated that it expected local organizations to comply with the established regulations for activities and projects performed for non-state agencies, such as the federal government.

Recommendation to Grantee

The County should update its financial management policies and procedures to ensure compliance with the requirements of 2 CFR 200.

Grantee's Response

Marshall County updated our financial policies and procedures by passing a Resolution concerning 2 CFR 200 per the recommendation of the auditor. We concur with this recommendation.

Auditor's Comments

The grant recipient indicated that a resolution was adopted concerning 2 CFR 200 in response to the auditor's recommendation. This is a good first step in making the changes that are required. However, the policies and procedures documenting the financial management system need to be updated to include the requirements of 2 CFR 200.

Recommendation to ARC

We recommend that ARC follow up with the grantee to ensure that its policies and procedures are updated to include the requirements of 2 CFR 200.

B. Performance Measures

The performance outputs and outcomes reported in the final Basic Agency Monitoring Report (BAMR) were inaccurate and the county had not fully met the planned performance outputs and outcomes as of July 2020. Consequently, the County, must continue monitoring, tracking and reporting actual performance outputs and outcomes.

The Guide to ARC Performance Measures states that all ARC projects must have documented performance outputs and outcomes. Estimated measures must be included in the project application and actual measures must be reported in the project closeout reports. The project report for the grant recipient included estimates for performance outputs and outcomes, not actual.

We determined that the Mississippi Development Authority (MDA) prepared and submitted the final BAMR to ARC. The project performance outputs and outcomes were being monitored and tracked. The Marshall County Industrial Development Authority, the Northeast Mississippi Planning & Development District (NMPDD), and Northwest Community College were involved in monitoring performance outputs and outcomes. In addition, employees of the "Workforce Investment Network" (WIN), a state initiative for workforce improvement and training, are physically located at the Training Center. WIN employees assist potential students with acquiring training classes at the Training Center and they were tracking and monitoring the number of businesses, students, workers/trainees served and improved.

The planned performance outputs and outcomes for the project per the grant award documents were as follows.

Performance Outputs

1. 30,000 square feet of instructional space constructed
2. 10 businesses served
3. 2,524 workers/trainees served
4. 620 students served.

Performance Outcomes

1. 10 businesses improved
2. 2,525 workers/trainees improved
3. 620 students improved

We compared the planned performance outputs and outcomes shown above with the actual outputs and outcomes reported in the final BAMR. Our comparison determined that the planned and actual outputs and outcomes were the same. The Training Center did not begin conducting classes until the beginning of calendar year 2020. Consequently, it appeared highly unlikely that 10 businesses, 620 students and 2,525 workers/trainees had been served and improved.

We discussed the matter with County and NMPDD officials. They stated that the actual outputs and outcomes shown in the final BAMR did not accurately reflect the actual outputs and outcomes as of July 2020. The actual outputs and outcomes for businesses, students and

workers/trainees served and improved were much less than what was reported in the final BAMR report and the Closeout Summary. They also stated that the actual square footage of construction completed was more than 30,000 square feet.

Recommendation to Grantee

The County should continue monitoring, tracking and reporting actual performance outputs and outcomes in accordance with the Guide to ARC Project Performance Measures.

Grantee's Response

The County will continue monitoring, tracking, and reporting actual performance outputs and outcomes per ARC requirements with required BAMR reports on a quarterly basis.

Corrected BAMR reports will be submitted on 9/30/2020 to correctly reflect actual output and outcomes in earlier reports. We agree to continue the monitoring of this project until outputs and outcomes are met.

Auditor's Comments

ARC will determine whether the information provided in the grantee's response is adequate to resolve the finding and close the recommendation.

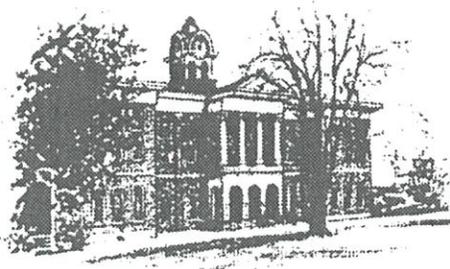
Recommendation to ARC

We recommend that ARC monitor the reporting process and ensure that the grantee's corrected reports are received by September 30, 2020.

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September 17, 2020

Leon Sneed & Company, P. C.
416 Hungerford Drive, Suite 400
Rockville, Maryland 20850

Re: Marshall County/Workforce Training Center
ARC#MS-18554-2016 Grant

Dear Mr. Sneed:

Marshall County received the ARC draft report on September 11, 2020 concerning the Workforce Training Center project requesting written comments for the above referenced project.

Objectives, Scope, and Methodology

Audit tests indicated that the expense transactions were documented and it did not identify any questioned cost. We concur with this response.

Recommendation

Marshall County updated our financial policies and procedures by passing a Resolution concerning 2 CFR 200 per the recommendation of the auditor. We concur with this recommendation.

Performance Measures

The County will continue monitoring, tracking, and reporting actual performance outputs and outcomes per ARC requirements with required BAMR reports on a quarterly basis.

Corrected BAMR reports will be submitted on 9/30/2020 to correctly reflect actual output and outcomes in earlier reports. We agree to continue the monitoring of this project until outputs and outcomes are met.

Sincerely,

Keith Taylor
President/BOS