

Office of Inspector General

*Report Prepared by Leon Snead & Co., PC
Audit of Grant Award - To the City of Cumberland,
Maryland*

Grant Number MD-17537



**Appalachian
Regional
Commission**

Office of Inspector General

Audit Report: 21-16

August 19, 2021



Office of Inspector General

August 19, 2021

TO: Brandon McBride, Executive Director

FROM: Philip M. Heneghan, Inspector General

A handwritten signature in blue ink, reading "Philip M. Heneghan", is placed to the right of the "FROM:" line.

SUBJECT: Audit Report 21-16 – City of Cumberland, Maryland

This memorandum transmits the Leon Snead & Co. PC, report for the audit of costs charged to Grant Number MD-17537, to the City of Cumberland, Maryland project per its agreement with the Appalachian Regional Commission. 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.

Leon Snead & Co. PC, is responsible for the attached audit report and the conclusions expressed in this report. The auditors issued three recommendations in this report.

We do not express any opinion on the conclusions presented in Leon Snead & Co., PC audit report. To fulfill our responsibilities, we:

- Reviewed 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 & Co., PC as necessary;
- Reviewed the audit report prepared by Leon Snead & Co., PC; and
- Coordinated issuance of the audit report.

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



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*Certified Public Accountants
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August 17, 2021

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 MD-17357 awarded by the Appalachian Regional Commission (ARC) to the City of Cumberland, Maryland. 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 established performance measures were met.

The recipient (City of Cumberland) served as a Pass-Through agency to its sub-recipient, Allegany County Human Resources Development Commission, Inc. (HRDC). HRDC was responsible for completing the project. The administrative procedures and related internal controls at the recipient and sub-recipient were adequate to manage its ARC grant funds. The non-ARC match funding amounts tested were considered allowable and adequately supported. There were no questioned costs.

We noted that the reporting process for the grant did not function as required by ARC. Also, the sub-recipient needed to place an appropriate sign at the property to comply with the ARC agreement. These two issues are discussed in the findings and recommendations section of the report.

Performance measures for the grant were to renovate 5,000 square feet of space in an abandoned city building, enroll 47 children in the Head Start program, and create 12 FTA positions. The three performance goals were met or exceeded. The data provided to us for review showed that the full space was renovated, 52 children were enrolled in the program, and there were 14 full-time positions at the Head Start facility as of July 2020.

The recipient's response to our draft report indicates concurrence with the findings and that City officials will proceed with implementing the recommendations.

Sincerely,


Leon Snead & Company, P.C.

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Background

Leon Snead & Company, P.C. completed an audit of grant number MD-17357 awarded by the Appalachian Regional Commission (ARC) to the City of Cumberland, Maryland (City) on behalf of the sub-recipient, Allegany County Human Resources Development Commission, Inc. (HRDC). 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 \$110,000 to assist HRDC with the renovation cost of an abandoned building in the city that will serve as the Head Start/Early Head Start Center for families with low incomes and create new jobs. The Department of Housing and Urban Development (HUD) served as the Federal Basic Agency for administering the ARC funds and grant project. The City was the primary grant recipient but served as a Pass-Through agency in providing funds and direction to HRDC, which was responsible for the project work.

ARC transferred the funds and administration to HUD on August 15, 2013. A formal, written grant agreement was never fully executed between HUD and the City, so an official grant period of performance was never established. The City's application reflected estimated start and ending dates of May 1, 2013 to August 31, 2013 respectively, and requested \$110,000 of ARC funds to combine with \$450,000 of non-ARC recipient matching funds to meet a total estimated project cost of \$560,000. The renovation project was completed on September 30, 2013 at a total cost of \$615,448 that was paid for with the \$110,000 ARC funding, \$250,000 Maryland State funding, and remainder with HRDC funds. HRDC requested payment of the ARC funds on June 15, 2014 and was reimbursed by the City on November 7, 2014 after it obtained funds from HUD. Although the grant had been completed, it had not been administratively closed by ARC at the time of the audit.

Objectives, Scope, and Methodology

The audit objectives were to determine if: (1) program funds were managed in accordance with the applicable federal 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 working 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.

We reviewed documentation provided by the City and HRDC and interviewed personnel to obtain an overall understanding of the grant activities, the accounting systems, and general operating procedures and controls. We discussed reporting requirements and reports to determine if they were met. We reviewed the most recent financial statements and A-133 reports to identify any issues that significantly impacted the ARC grant and our audit.

The \$110,000 of ARC funds reimbursed to HRDC by the City were included in the overall costs for the project. Also, we tested \$280,000 in non-ARC recipient funds applied to the project to determine whether the charges were properly supported and allowable.

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

The on-site fieldwork was performed at the City and HRDC offices in Cumberland, Maryland during June 28-July 1, 2021. The preliminary results were discussed with City and HRDC staff at the conclusion of the on-site visit and they were in general agreement with the information presented.

Summary of Audit Results

The City as primary grantee had written fiscal policies and procedures for applicable grant activities that were, overall, considered adequate for administering the grant reviewed. Also, the applicable policies and procedures of the sub-recipient HRDC were adequate.

The three performance measures tracked by ARC--5,000 square feet of space renovated, 47 children enrolled in the program, and 12 FTE positions created were all achieved or exceeded. Based on data we verified, the full space was renovated, 52 children were enrolled as of July 2020, and there were 14 full-time positions at the Head Start facility as of July 2020. Thus, the project seems to have been sustainable since receiving the ARC funding.

There were no questioned costs and the non-ARC match funding amounts tested were considered allowable and adequately supported.

There were weaknesses in the grant reporting process throughout the grant period. Also, while touring the completed facility, we noted that there was no plaque displayed recognizing that the project was completed with Federal ARC funding support, as required in the grant terms. The details of these two issues are discussed in the Findings and Recommendations section of this report.

In its response to our draft report, the recipient indicated their concurrence with the findings and that they would proceed to implement the recommendations.

Findings and Recommendations

A. Reporting Requirements

For construction-related grant projects, ARC relies on the Basic Agency that is administering the grant to establish requirements and ensure that financial and performance data are reported to ARC during the project. The information is provided through the Basic Agency Management Reporting (BAMR) system maintained by ARC. ARC generally requires information to be updated in the BAMR at least annually, and uses it to monitor and close out the grants and related funds.

HUD was the Basic Agency administering this grant. There did not appear to be any reporting on the financial and project status to either HUD or ARC on the project until well after the project was completed, and HRDC was reimbursed the \$110,000 grant funds in November 2014.

According to documentation reviewed, initial steps to obtain status information began in October 2015 with an email notice from ARC regarding the need for annual Basic Agency Management Reporting (BAMR) on the project. ARC program staff again followed up in May 2016 seeking information stating it was working to close out some older grants. These ARC emails and efforts continued without success at various times in 2016 and 2017. Several factors seemed to impact the process and ability to close the grant out. They included turnover in City staff, new staff not having BAMR knowledge or system access, incorrect individuals being designated as contacts in ARC's records, and apparent lack of involvement or action by HUD. During 2017 a different City staff person, not previously involved with the grant, began to collect and directly enter data into the BAMR system rather than provide it to HUD for entry. Those efforts seemed to be effective because ARC staff notified HUD and the City in February 2018 that the grant was still open and "only one click" by the HUD certifying official was needed that would allow grant closure. Apparently that final action was not taken, and there was no additional follow-up, because the grant was still shown as open on ARC's system when this audit began.

The apparent breakdown in the reporting process should not remain an obstacle to closing out the grant. The project was completed in September 2013.

The performance measures were met or exceeded. The performance results information provided in this report was verified and it can be used to close out that portion of the grant. Also, ARC funds were used on the project and there were no questioned costs.

Recommendations

1. City officials should coordinate with the ARC Program Director to determine what additional information, if any, is needed to close out the grant.
2. City officials should also coordinate with HRDC as needed to obtain any information requested by ARC, and promptly provide all requested information to ARC.

B. Project Plaque

The Memorandum of Understanding dated March 7, 2013 between HUD and the HRDC Executive Director, which is a standard document used on ARC grants, contained a provision that any facility constructed in whole or part by ARDA funds include a cornerstone or plaque acknowledging the assistance provided through the ARC program. In touring the Head Start facility during the audit, we did not observe any such plaque or marker and staff were not aware of any. We consider it appropriate to have one and comply with that grant requirement.

Recommendation

City officials should coordinate with HRDC to erect an appropriate plaque or other marker at the facility consistent with the requirement and be reasonably visible to visitors and the public.