Office of Inspector General

Report Prepared by Regis & Associates, PC
Audit of Grant Award To Tusculum College

Grant Number TN-18548

Appalachian Regional Commission

Office of Inspector General

Audit Report: 22-09 March 28, 2022

Appalachian Regional Commission

Office of Inspector General

March 28, 2022

TO: Brandon McBride, Executive Director

FROM: Philip M. Heneghan, Inspector General

SUBJECT: Audit Report 22-09 – Tusculum College

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number TN-18548, to Tusculum College 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 reasonable, supported, and fairly represented to the Commission.

Regis & Associates, PC, is responsible for the attached audit report and the conclusions expressed in this report. The auditors did not issue any recommendations in the report.

We do not express any opinion on the conclusions presented in Regis & Associates, PC's 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, as necessary;
- reviewed the draft and final audit reports; and
- coordinated issuance of the audit report.

The auditors issued six recommendations in the report. Within the next 30 days, please provide me with your management decisions describing the specific actions that you will take to implement the recommendation.

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

Report on Performance Audit
of
Appalachian Regional Commission
Grant Number TN-18548-16

Awarded to
Tusculum College

Prepared for the Appalachian Regional Commission -
Office of the Inspector General

Auditee: Tusculum College
As of Date: March 21, 2022

REGIS & ASSOCIATES, PC
MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS
1420 K Street, NW
Suite 910
Washington, DC 20005

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REGIS
ASSOCIATES, PC
MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS

EXECUTIVE SUMMARY

Appalachian Regional Commission,
Office of the Inspector General
1666 Connecticut Avenue, NW; Suite 700
Washington, DC 20009

We conducted a performance audit of Grant Agreement Number TN-18548-16, awarded by the Appalachian Regional Commission (ARC) to Tusculum College (the Grantee). We conducted this performance audit at the request of the ARC Office of Inspector General, to assist it in its oversight of ARC grant funds, for the grant performance period from September 1, 2016, to September 30, 2019.

The objectives of the performance audit were to determine whether: (1) grant 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 guidelines, including program (internal) controls, were adequate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with accounting principles generally accepted in the United States of America (or other applicable accounting and reporting requirements); (5) matching requirements were met; and (6) the reported performance measures were fair and reasonable.

We conducted planning and fieldwork during the period from September 8, 2021, through December 16, 2021. We determined that, except for the non-compliance related to the administrative procedures identified as Findings 2021-001, 2021-002, 2021-003, 2021-004, and 2021-005 in the accompanying Findings, Recommendations, and Grantee's Response section of this report; the Grantee's financial management and administrative procedures, and related internal controls, were adequate to manage the ARC grant funds.

We discussed the results of this performance audit with Tusculum College officials at the conclusion of our fieldwork. The Grantee's response has been included as Attachment 1 to this report.

Regis & Associates, PC appreciates the cooperation and assistance received from Tusculum College and ARC staff during this performance audit.

Regis + Associates, PC

Regis & Associates, PC
Washington, DC
March 21, 2022

1420 K Street, NW Suite 910, Washington, DC 20005; Tel 202-296-7101; Fax: 202-296-7284; www.regiscpa.com

Background

The Appalachian Regional Commission (ARC) is a regional economic development agency, representing a unique partnership of Federal, state, and local governments. ARC-funded programs are used to support education and job training, health care, water and sewer systems, housing, highway construction, and other essentials of comprehensive economic development. ARC's staff is responsible for program development, policy analysis and review, grant development, technical assistance to states, and management and oversight. ARC grants are made to a wide range of entities; including local development districts, State ARC Offices, state and local governments, educational establishments, nonprofit organizations, and for a variety of economic development projects.

On September 1, 2016, the Appalachian Regional Commission awarded Grant Number TN-18548-16, in the amount of $381,170, to Tusculum College. As a condition of this award, the Grantee was to contribute a matching amount of $163,359. The original period of performance for the grant was from September 1, 2016, to September 30, 2017.

On September 14, 2017, ARC approved an amendment Number TN-18548-R1-17, to increase the award by $250,000, for a total award of $631,170. The Grantee's matching contribution was also increased by $107,143, to a total matching amount of $270,502. The grant's period of performance was also extended to September 30, 2018.

On June 12, 2018, ARC approved a second amendment Number TN-18548-R2-19-17, to increase the award by $150,000, for total award of $781,170. The Grantee's matching contribution also increased by $77,491, to a total matching amount of $347,993. The total grant award and Grantee matching funds available for the period of performance amounted to $1,129,163. The grant's period of performance was also extended to September 30, 2019.

The grant was awarded to the Grantee, to fund the purchase of instructional equipment for biology, chemistry, physics, engineering, mathematics, and health sciences academic programs; for the purpose of enhancing these programs. These programs were housed in the new Center for Science and Math, at Tusculum College.

Objective, Scope, and Methodology

Objective

The Appalachian Regional Commission, Office of Inspector General, under Order Number ARC21P050, dated March 17, 2021; engaged Regis & Associates, PC to conduct a performance audit of Grant Number TN-18548-16, which was awarded to the Grantee. The grant was titled, Enhancing Academic Programs at Tusculum College. The term of the grant was from September 1, 2016 to September 30, 2019.

The budgeted amounts for the grant are presented below:

Exhibit – A: Schedule of Grant Budget

Object Class Category	Federal	Non-Federal	Total
Equipment	$ 781,170	$ 347,993	$ 1,129,163
Total Direct Charges	$ 781,170	$ 347,993	$ 1,129,163
Total	**$ 781,170**	**$ 347,993**	**$ 1,129,163**

The general objectives of the performance audit were to determine whether the Grantee expended grant funds, in accordance with applicable requirements; and to report any resulting findings and questioned cost, relating to internal controls, program performance, and compliance with provisions of the grant agreement and laws and regulations.

Scope and Methodology

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.

We conducted the performance audit, using the applicable requirements contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); the ARC Code; and the Grant Agreement.

Our audit procedures included:

- Obtaining an understanding of the Grantee's internal controls; assessing control risk; and determining the extent of testing needed, based on the control risk assessment.
- Reviewing written fiscal policies and administrative procedures for applicable grant activities.
- Assessing, on a test basis, evidence supporting the amounts, and the Grantee's data and records.
- Assessing the accounting principles and significant estimates made by the Grantee.
- Evaluating the overall evidence and presentation of the records.
- Assessing whether the program's reported performance measures were fair and reasonable.
- Conducting other test procedures deemed necessary, based on our professional judgment.

Results

Upon conclusion of our performance audit, we determined that:

1) The grant funds were managed in accordance with ARC and Federal grant requirements; except for the non-compliance related to administrative procedures, described as findings 2021-001, 2021-002, 2021-003, 2021-004, and 2021-005 in the accompanying Findings, Recommendations, and Grantee's Response section of this report.

2) The grant funds were expended, as provided for in the approved grant budget. Below, we have presented a Schedule of Claimed, Questioned, and Audit Recommended Cost; which reflects the results of our audit:

Exhibit – B: Schedule of Claimed and Audit Recommended Costs

	Claimed Costs		Questioned Costs		Audit Recommended		
Object Class Category	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Equipment	$ 781,170	$ 347,993	$ 26,264	$ 11,256	$ 754,906	$ 336,737	$ 1,091,643
Total Direct Charges	$ 781,170	$ 347,993	$ 26,264	$ 11,256	$ 754,906	$ 336,737	$ 1,091,643
Total	**$ 781,170**	**$ 347,993**	**$ 26,264**	**$ 11,256**	**$ 754,906**	**$ 336,737**	**$ 1,091,643**

3) Internal guidelines, including program (internal) controls, were adequate and operating effectively, except for the internal controls finding described in finding 2021-005. The Grantee had written policies and procedures for applicable grant activities, which we considered adequate for administering the grant; except for matters described in findings 2021-001, 2021-002, 2021-003, and 2021-004 in the accompanying Findings, Recommendations, and Grantee's Response section of this report.

4) Accounting and reporting requirements were implemented, in accordance with accounting principles generally accepted in the United States of America (or other applicable accounting and reporting requirements), including ARC requirements, except for the matters described in finding 2021-005. We questioned $26,262 of Federal grant expenditures and $ 11,256 of Non-Federal match, as a result of unsupported accounting transactions.

5) The Grantee substantially met its matching requirement; except for the $11,256 that was questioned, as described in finding 2021-005 in the accompanying Findings, Recommendations, and Grantee's Response section of this report. These matching funds were properly supported and allowable under both Federal and ARC requirements, except for the questioned costs.

6) The Grantee's reported performance measures were fair and reasonable.

Findings, Recommendations, and Grantee's Response

2021-001- Lack of Compliant Procurement Practices

Condition:

We selected 60 vendor transactions using a non-statistical sampling approach for procurement testing. During our testing, we noted that for all 27 vendor transactions that exceeded the prevailing small purchases thresholds (purchases over $3,501 for 2016, 2017, and 2018 contracts; and over $10,001 for 2019 contracts); there was no documented evidence that the Grantee performed the required procurement procedures, in accordance with the Uniform Guidance requirements of 2 CFR § 200.320.

Criteria:

Article 5 of ARC's grant agreement with the Grantee, states: "In contracting for services and/or purchasing equipment under this Agreement, the Grantee shall assure that (1) all contracting shall be at prices and on terms most advantageous to the Grantee and to the project; and (2) all interested parties shall have a full and fair chance at doing business with the Grantee. The Grantee shall arrange for all contracting through competitive bidding, or, if permitted by state law, other negotiating and contracting procedures that will assure compliance with (1) and (2) above."

During the grant performance period of September 1, 2016, to September 30, 2019; according to 2 CFR § 200.320, the following procurement thresholds were applicable.

- For calendar year 2018: (1) $3,500 or less = Micro-Purchases, (2) between $3,501 & $150,000 = Small Purchases, (3) more than $150,001 = Sealed Bids, Competitive Proposals.
- For calendar year 2019: (1) $10,000 or less = Micro-Purchases, (2) between $10,001 & $250,000 = Small Purchases, (3) more than $250,000 = Sealed Bids, Competitive Proposals.

According to 2 CFR § 200.320, Small Purchases requires rate quotations from an adequate number of qualified sources as determined appropriate by the non-Federal entity.

Questioned costs:

None.

Cause:

The condition noted above was the result of the Grantee not having policies and procedures in place, for ensuring compliance with the procurement provisions of 2 CFR § 200.320.

Effect:

As a result of the condition noted above, the Grantee may have not received the most advantageous pricing for the goods that were purchased.

Recommendation # 2021-001:

We recommend that the Grantee monitors the implementation of policies and procedures for managing purchases made under Federal assistance awards.

Grantee's Response:

According to management, almost all personnel involved with the application and implementation of the grant project are no longer employed by Tusculum University. The current management team, however, acknowledged prior weaknesses in internal control and deficiencies with federal compliance. Management noted that a procurement policy is now in place. Additionally, changes are underway that would correct the weaknesses identified, and compliant policies and procedures will be established going forward. See the Grantee's full response in Attachment 1 to this report.

Auditor's Response:

Since the Grantee concurred with the finding, no additional comment is necessary.

2021-002- No Policy or Procedure for Verifying the Suspension or Debarment Status of Vendors

Condition:

Using a non-statistical sampling approach, we tested six transactions that exceeded the $25,000 threshold for covered transactions, as is specified by 2 CFR section 180.220. We observed that for all six transactions tested, there was no documentation maintained that supports the grantee's verification of whether or not vendors were suspended or debarred.

Criteria:

The Code of Federal Regulations (CFR) Title 2, part 180.220, states: "non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred." "Covered transactions" include those procurement contracts for goods and services awarded under a non-procurement transaction that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR section 180.220.

The ARC grant manual states: "All recipients and subrecipients of ARC funds are subject to suspension and debarment regulations at 2 CFR Part 180, which restrict awards, subawards, and contracts with parties that are debarred, suspended, or otherwise excluded from participation in federal assistance programs or activities. All recipients and subrecipients of ARC funds must be registered on GSA's System for Award Management (SAM), which contains the electronic roster of suspended and debarred entities that are ineligible from receiving federal assistance and benefits. Grantees are responsible for ensuring that subgrantees and/or contractors have not been suspended, debarred, or disqualified by checking https://www.sam.gov/SAM/ for SAM Exclusions. Grantees must check this information not only before a subaward, contract, or loan is made, but also during the performance period."

Questioned costs:

None.

Cause:

The condition noted above was the result of the Grantee not having a policy or procedures in place for verifying whether vendors have been suspended, debarred, disqualified, or otherwise excluded from participation in Federal assistance programs or activities. The Grantee also did not obtain and maintain documentation that would substantiate whether vendors were suspended, debarred, or otherwise excluded from participating in Federal assistance programs.

Effect:

As a result of the condition mentioned above, there is the possibility that ineligible subgrantees and/or contractors or vendors may receive sub-awards, contracts, or loans.

Recommendation # 2021-002:

We recommend that the Grantee monitors the implementation of policies and procedures for verifying whether vendors have been suspended, debarred, disqualified, or otherwise excluded from participation in Federal assistance programs or activities; prior to award.

Grantee's Response:

According to management, a Procurement Policy was developed on June 30, 2021; and the procedures outlined above have been included in the new policy. See the Grantee's full response in Attachment 1 to this report.

Auditor's Response:

Since the Grantee concurred with the finding, no additional comment is necessary.

2021-003 - Lack of Written Policies and Procedures for Federal Awards

Condition:

The Grantee did not have written policies, procedures, and standards of conduct relative to Federal Awards; as required by Uniform Guidance Subparts D and E.

Criteria:

The provisions of 2 CFR 200 Subparts D (Post Federal Award Requirements) and E (Cost Principles) require that non-Federal entities have certain written policies, procedures, and standards of conduct surrounding the management of Federal awards. Per 2 CFR 200.302 (b) (6), non-federal entities must have "written procedures to implement the requirements of §200.305 Payment." Additionally, the provisions of 2 CFR 200.302 (b) (7) require that non-federal entities must have "written procedures for determining the allowability of costs in accordance with Subpart E—Cost Principles of this part and the terms and conditions of the Federal award".

Questioned Costs:

None

Cause:

The Grantee did not have formal documented written policies, procedures, and standards of conduct for the management of Federal awards and payments.

Effect:

As a result of the condition noted above, there are risks of noncompliance with Federal Grant regulations, related to Uniform Administrative Requirements, which may have adverse performance, financial, and compliance outcomes for the intended objectives of the grant award.

Recommendation # 2021-003:

We recommend that the Grantee develop written policies and procedures surrounding the management of Federal awards, in accordance with the Uniform Guidance.

Grantee's Response:

According to management, the current administration recognizes that there is a lack of written policies and procedures covering the areas addressed above. Management further stated that a Federal policies and procedures manual will be established and its requirements implemented immediately. See the Grantee's full response in Attachment 1 to this report.

Auditor's Response:

Since the Grantee concurred with the finding, no additional comment is necessary.

2021–004 - Lack of Proper Equipment Records

Condition:

We selected 60 equipment records for testing, using a non-statistical sampling approach. During our testing of these sampled records, we noted the following:

(1) The Grantee did not maintain proper equipment records, including a description of the property; serial numbers or other identification numbers; the sources of funding for the property (including the Federal Award Identifier Number (FAIN)); who holds title; the acquisition dates and cost of the property; percentage of Federal participation in the project costs for the Federal award under which the property was acquired; the location, use, and condition of the property; and any ultimate disposition data, including the date of disposal and sales price of the property.
(2) There was no evidence that a physical inventory of the property was taken; and the results reconciled with the property records at least once every two years.
(3) There was no evidence that a proper control system was present, which ensured adequate safeguards to prevent loss, damage, or theft of the property.
(4) There was no evidence provided, to show that the Grantee developed maintenance procedures to keep the equipment in good condition.

Criteria:

Pursuant to the provisions of 2 CFR section 200.313 (d)(1), for equipment acquired with Federal awards, the following requirements apply:

1) "Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
4) Adequate maintenance procedures must be developed to keep the property in good condition.
5) If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return".

Questioned Costs:

None

Cause:

The Grantee did not develop and implement policies or procedures to properly manage the equipment purchased under Federal grant awards, in accordance with the Uniform Guidance.

Effect:

The lack of proper policies and procedures over management of equipment purchased under Federal grant programs may result in increased risk of inappropriate use and disposition of these assets. Also, without the completion of a physical inventory every two years, management is unable to ascertain the existence of this equipment and their condition.

Recommendation # 2021-004:

We recommend that the Grantee develop and implement written policies and procedures to manage the lifecycle of equipment purchased under the grant agreement.

Grantee's Response:

According to management, the current administration acknowledges weaknesses and deficiencies in the accounting for fixed assets. The lack of accounting goes beyond Federal grant assets; it applies to all assets of the University. The institution is taking several measures to correct the accounting for fixed assets that includes establishing a Fixed Asset Policies and Procedures Manual, immediately. See the Grantee's full response in Attachment 1 to this report.

Auditor's Response:

Since the Grantee concurred with the finding, no additional comment is necessary.

2021-005 – Discrepancies on the Request for Reimbursement Reports

Condition:

We selected eight requests for reimbursement (Form SF 270) for testing, using a non-statistical sampling approach. During our testing of the reports for completeness and accuracy, we observed that for six of the eight reports tested, there were reconciliation discrepancies between the SF 270 form and the Grantee's general ledger (GL). These discrepancies are as follows:

SF 270 - Report Number	SF 270 -Report Period	SF 270 -Report Amount	GL Amount	Reconciling Differences
#2	Jan 17 - Apr 17	$ 354,026	$ 352,696	$ (1,330)
#3	May 17 - Aug 17	208,458	198,312	(10,146)
#4	Sept 17 - Jan 18	285,051	283,438	(1,613)
#5	Feb 18 - Aug 18	92,810	61,740	(31,070)
#7	Sept 19 - May 19	96,152	96,730	578
#8	June19 - Dec 19	78,117	84,178	6,061
Total		$ 1,114,614	$ 1,077,094	$ (37,520)

Criteria:

Per 2 CFR section 200.303(a), "a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)".

Questioned Costs:

We noted a net difference of $37,520, which represents costs that we were unable to account for. ARC's portion of that amount was limited to 70%; while the Grantee's portion, which was attributable to the matching requirements of the grant, was 30%. This resulted in questioned costs of $26,264 and $11,256; allocated to ARC and the Grantee, respectively.

Cause:

The condition noted above was the result of the Grantee not having effective internal controls and financial management processes in place, to ensure that the amounts requested for reimbursement were complete, accurate, and reconciled to its general ledger.

Effect:

The failure to ensure that financial records that are used to prepare reimbursement requests are complete, accurate, and updated in a timely manner may result in inaccurate reporting to the Federal awarding agency; and may result in inaccurate payments to the Grantee.

Recommendation # 2021-005

We recommend that Grantee updates its financial management practices to include quarterly reconciliation of all required financial reports to the Grantee's general ledger.

Recommendation # 2021-006

We recommend that Grantee work with ARC management to determine how to resolve the questioned costs.
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Grantee's Response:

According to management, they were unable to find all of the necessary records due to limited time. However, with more time, they believe that more records may have been found. Management noted that while the accounting records were not completed appropriately, there was no indication that any purchases were made outside the requirement of the grant and/or did not meet the objectives of the project. Management further stated that going forward, all reconciliations will be performed by the accounting department on a regular basis. Also, the accounting personnel were not involved with the detailed record keeping and/or reporting. See the Grantee's full response in Attachment 1 to this report.

Auditor's Response:

Since the Grantee concurred with the finding, no additional comment is necessary.

Attachment 1: Grantee's Response

TUSCULUM
UNIVERSITY
ESTABLISHED 1794

To: Regis & Associates, PC
Washington, D.C.

RE: Response to the audit report covering ARC Grant #TN-18548-16 to Tusculum University

Fidel,

On behalf of Tusculum University, we appreciate the time and effort spent by your staff reviewing the ARC grant awarded to the University in 2016. Your comments and recommendations have been taken seriously. All areas of concern have been addressed in ways we believe to be appropriate. The current administration has put into place policies and procedures to address internal control concerns, improved the accounting process, and has brought the University into compliance with federal guidelines. Following you will find specific outlines of the measures taken to address each recommendation.

Sincerely,

Benita K Bare

Benita K. Bare, VP of Finance & CFO

Scott Hummel, Ph.D., President

Recommendation # 2021-001:

We recommend that the Grantee monitors the implementation of policies and procedures for managing purchases made under Federal assistance awards.

Institution Response: *As previously noted, a policy is in place to ensure compliance with Federal guidelines. The policy was in place before the audit was initiated and completed. The University currently has other Federal grants, and the policies and procedures have been reviewed with associated personnel to ensure compliance with all requirements. See excerpt from the current policy below:*

This Policy supplements the University's standard purchasing policy and should be followed for any purchase made with Federal funds. The Federal government imposes a set of standards for the acquisition of supplies, equipment and real property purchased with Federal funds. Procurement procedures must comply with the standards imposed by the Office of Management

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and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR-200).

Recommendation # 2021-002:

We recommend that the Grantee monitors the implementation of policies and procedures for verifying whether vendors have been suspended, debarred, disqualified, or otherwise excluded from participation in Federal assistance programs or activities; prior to award.

Institution Response: *The University policy and procedures outline the requirement to verify that the vendors have not been suspended, debarred, disqualified, or otherwise excluded from participation. And, while there is no evidence that a search was made during the grant period, a recent search of the debarred list found no entry for any of the primary vendors paid by the grant. An excerpt from the policy is as follows:*

Selecting Contractors
TU will maintain oversight of all contractors to ensure performance in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

Factors that should be considered when selecting a contractor are:
□ Contractor integrity;
□ Compliance with public policy;
□ Record of past performance;
□ Financial and technical resources;
□ Responsive bid;
□ ***Excluded Parties Listing (Debarred Contractors https://www.dol.gov/agencies/ofccp/debarred-list)***

Recommendation # 2021-003:

We recommend that the Grantee develop written policies and procedures surrounding the management of Federal awards, in accordance with the Uniform Guidance.

Institution Response: *Policies and procedures have been established for the management of Federal awards, and the expectations are clearly outlined. An excerpt from the policy is as follows:*

Compliance Requirements of the University

All Federal grant applications and implementations must be coordinated with the Business Office and the President's Office to ensure compliance with all Federal guidelines. Training by the Business Office will be required of all personnel working with any Federal grant to ensure the understanding of the requirements and the importance of compliance with all guidelines. All financial reports will be prepared and/or reviewed by the Business Office before submission to the granting agency, and will be completely reconciled to the official financial records of the Institution on a periodic basis in compliance with the grant documents, but no less than on a quarterly basis. Periodic reviews will be completed by the Business Office to ensure continued compliance throughout the award period.

Any departure by any employee from following the established policies and procedures will be a ground for dismissal. Any questions should be forwarded to the VP of Finance & CFO at (423) 636-7342.

Recommendation # 2021-004:

We recommend that the Grantee develop written policies and procedures to manage the lifecycle of equipment purchased under the grant agreement.

Institution Response: *Policies and procedures have been established for the management of Fixed Assets, and Fixed Asset tagging is underway. A sample of University and ARC tags are attached. The policy is as follows:*

CAPTIALIZATION POLICY – For purposes of appropriate control and orderly replacement, the University maintains an inventory of all of its capital property. Any department which acquires property that by its nature and value, classifies as capital property, must report the acquisition to the Business Office.

Tusculum University will capitalize the following:

- All purchases or donations of land.
- All building additions/improvements and land improvements, but not repairs, maintenance, or alterations below $1,000. The normal source document will be construction contracts.
- Individual furniture and equipment items with a cost of $1,000 or more, or furniture or equipment-like items with an aggregate cost of $1,000 or more, with a useful life exceeding one year.
- Individual computer items with a cost of $1,000 or more, or a computer or software like items with an aggregate cost of $1,000 or more, with useful life exceeding one year.

Property and equipment is recorded at cost when purchased and is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	80 years
Building Improvements	20 years
Real Property improvements	10 - 20 years
Furniture, Equipment and Vehicles	5 - 10 years

It is the University's policy to expense plant assets with initial cost of less than $1,000.

Any questions regarding the appropriate classification of any item should be directed to the Business Office.

It is University policy to record and inventory all capital equipment with a useful-life of more than one year and a unit value of over $1000. The Business Office will record the acquisition of any such equipment, so that an inventory tag can be applied and the location of the equipment recorded. In the event that any capitalized equipment or property is moved to another building, is damaged, stolen, or missing, the Business Office must be notified immediately in order to adjust or remove the item from the Fixed Asset records. In addition to departmental budgets, a Capital Budget Pool is available for spending on an annual basis. All capital purchase requests from the Capital Budget Pool must be made on a Capital Budget Request and Justification Form. Capital purchases generally include classroom and office equipment, furniture, machinery, vehicles, and other fixtures with a cost per item or component of $1000 or more. All such requests require the approval of the CFO. As soon as the Division Head and/or Supervisor of the requesting Department are notified of the purchase approval by the CFO, appropriate arrangements may be made to complete the purchase. All invoices for the purchase are to be remitted to the CFO for payment. The Business Office will complete the payment process. The building and room location in which the item(s) will be housed must be noted on the invoice(s), as well as complete descriptions including serial numbers. Invoices without complete information will be returned to the department for completion before payment will be made.

A representative of the Business Office will notify the appropriate person(s) to arrange for the tagging process after purchase is completed.

DISPOSAL OF ASSETS - It is prudent financial management that the University maintains adequate control over its fixed assets and that all associated activity is recorded and accounted for accurately and completely. The Senior Accountant in the Business Office is responsible for changing the status of records when the disposition of assets occurs. In general, surplus or obsolete equipment may be disposed of by transferring to another department, discarding/scrapping, trading-in, donating, or selling. When contemplating the completion of these options, the custodial department of the asset must complete the ***Request to Dispose College Property*** form. This form should be sent to the Business Office for review and approval before any disposal arrangements are finalized. The Business Office will provide the approvals necessary to proceed with the disposition of the asset by sending an email stating approval along with a copy of the form to the requesting department with the appropriate signatures. If the disposal of assets occurs before the appropriate approvals have been obtained, associated individuals will be required to reimburse the University for the asset value deemed appropriate by the CFO. If reimbursement is not received, a payroll deduction will be implemented to cover the value of the asset. Individuals will be held personally liable for the unauthorized disposal of University property. Fixed assets purchased with federal funds may be subject to additional requirements. Please refer to the governing grant documents and 2CFR Part 200 for additional requirements.

Each fiscal year, the Business Office will perform inventory reviews periodically to validate the fixed asset listing on the general ledger. The review will verify that the assets still exist, are in good condition, and are still located in the appropriate place.

Recommendation # 2021-005

We recommend that Grantee updates its financial management practices to include quarterly reconciliation of all required financial reports to the Grantee's general ledger.

Institution Response: *The policy has been updated to include a requirement for reconciliation to the general ledger as follows:*

"All financial reports will be prepared and/or reviewed by the Business Office before submission to the granting agency, and will be completely reconciled to the official financial records of the Institution on a periodic basis in compliance with the grant documents, but no less than on a quarterly basis."

Recommendation # 2021-006

We recommend that Grantee work with ARC management to determine how to resolve the questioned costs.

Institution Response: *After additional research, Item #2 for $1329.10 has been identified. The documentation supporting the expense is attached. Item #3 for $10,145.97 has also been identified. The documentation supporting the expense is attached. Thus, with the elimination of $11,475.07 as questioned, the net result is now $26,045. While there remains a difference that is unidentified, the difference is at a level that normally would be considered as immaterial. The University has been able to document 98% of all purchases, and that as previously noted, there is no reason to believe any purchase was made outside the scope of the project, and that all were qualified expenses. It is regretful that the other invoices cannot be identified at this time, but the University is willing to work with ARC to resolve the remaining difference to the satisfaction of ARC.*