
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**Cumberland Plateau Planning District Commission
Lebanon, Virginia**

**Final Report Number: 14-13
Project Number: VA-711B
March 2014**

**Prepared by
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Leon Snead & Company, P.C. has completed an audit of grant numbers VA-711B-C41 and VA-711B-C42 awarded by the Appalachian Regional Commission (ARC) to the Cumberland Plateau Planning District Commission (CPPDC). The audit was performed to assist the Office of the Inspector General in carrying out its oversight of ARC grant activities.

The primary objectives of the audit were to determine whether: (1) program funds were managed in accordance with the ARC and federal grant terms and requirements; (2) grant funds were expended as provided for in the approved grant budgets; (3) internal grant guidelines and best practices, 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); and (5) the matching requirements and the goals and objectives of the grants were met.

Overall, CPPDC's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grants reviewed. The costs tested were supported and considered reasonable. We found that CPPDC had an adequate process in place for obtaining and recording data related to the goals and objectives of the grants. In addition, the records and reports indicated that the tasks required by the grant agreements were being accomplished. At the conclusion of the on-site visit, the results of the audit were discussed with the grantee.

Leon Snead & Company appreciates the cooperation and assistance received from the CPPDC and ARC staff during the audit.

Sincerely,


Leon Snead & Company, P.C.

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Background

Leon Snead & Company, P.C. completed an audit of grant numbers VA-711B-C41 and VA-711B-C42 awarded by the Appalachian Regional Commission (ARC) to the Cumberland Plateau Planning District Commission (CPPDC). The audit was conducted at the request of the ARC, Office of the Inspector General, to assist the office in its oversight of ARC grant funds.

The Cumberland Plateau Planning District Commission (CPPDC), founded in 1968, is one of 21 planning districts in the State of Virginia established by the Virginia Area Development Act, and includes the counties of Buchanan, Dickenson, Russell and Tazewell. Its mission is to promote regional cooperation, coordinate regional activities and policies of member local governments, and provide planning assistance to local governments in all their planning and development activities. In addition to coordinating some government services, CPPDC cooperates with the private sector and with community-based non-governmental organizations. It is a Local Development District (LDD) under the ARC Program and uses LDD administrative grant funding to assist in its efforts to provide technical assistance to its four counties in the areas of economic and community development. A Board of Directors made up of 32 members governs CPPDC. An executive director selected by the Board manages the day-to-day operations and programs.

ARC grant VA-711B-C41 covered the period January 1, 2012 through December 31, 2012, provided \$91,280 in ARC funds and required \$30,427 in non-ARC matching funds. ARC grant VA-711B-C42 covered the period January 1, 2013 through December 31, 2013, provided \$86,650 in ARC funds and required \$30,426 in non-ARC matching funds. The ARC funds were primarily for salary-related costs for the staff to manage the LDD activities, but also included funds for travel and indirect costs. The grant activities had been completed and the final reports submitted at the time of the audit. The total project cost reported under the two grants was \$239,342 (\$121,852 for VA-711B-C41 and \$117,490 for VA-711B-C42).

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) internal grant guidelines, including program (internal) controls, were adequate and operating effectively; (3) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); and (4) the matching requirements and the goals and objectives of the grant were met.

We reviewed the documentation provided and interviewed CPPDC personnel to obtain an overall understanding of the grant activities, the accounting system, and the operating procedures. We reviewed CPPDC's administrative procedures and related internal controls to determine if they were adequate to administer the grant funds. We reviewed financial and other required reports to determine whether they were properly supported and submitted in accordance with the requirements. We also reviewed the most recent agency Single Audit report to determine whether there were any issues that impacted the ARC grants.

Of the \$177,930 in expenditures charged to the two grants and claimed for reimbursement during the grant periods, we selected a sample of \$138,774 of the expenditures for testing (\$72,439 for VA-711B-C41 and \$66,335 for VA-711B-C42) to determine whether the charges were properly supported and allowable. In addition, we verified the documentation used to support the \$61,412 in expenditures that were charged to the grants and used for matching costs.

The primary criteria used in performing the audit were the provisions of the grant agreements, applicable Office of Management and Budget Circulars, and relevant parts of the ARC Code. The audit was performed in accordance with the *Government Auditing Standards*. The fieldwork was performed during the period of January 28 to February 10, 2014, including on-site work at CPPDC's office in Lebanon, Virginia. The audit results were discussed with the CPPDC representatives at the conclusion of the on-site visit.

Summary of Audit Results

Overall, CPPDC's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grants reviewed. The costs tested were supported and considered reasonable. We found that CPPDC had an adequate process in place for obtaining and recording data related to the goals of the grants. Also, the records and reports indicated that the tasks required by the grant agreements were being accomplished.

Based on the final project report, the following are some of the accomplishments CPPDC highlighted in its report for grant VA-711B-C41.

- The staff worked on a new regional initiative aimed at developing a plan for outdoor recreation and community revitalization along the Clinch River with the development of a new state park as a focal activity. This asset-based development initiative is focused on economic and community development opportunities along the Clinch River, as well as on environmental education and water quality.
- The PDC worked with its local governments and the Virginia Department of Transportation (VDOT) to complete Phase 5 of the Regional Long-Range Transportation Plan. This is a multi-year effort focused on safety and GIS based planning for a long range, multi-modal regional transportation plan to support VDOT's statewide planning efforts.
- The CPPDC joined with its four sister PDC's in Southwest Virginia and the Southwest Virginia Cultural Heritage Foundation to support an application from Friends of Southwest Virginia for a Rural Jobs and Innovation Accelerator Challenge grant to promote the region's outdoor recreation and natural resource assets.
- The PDC staff continued its numerous business development activities, including marketing of industries and shell buildings as well as administering a regional RLF. The PDC staff also worked with three towns in 2012 on a phase of a downtown revitalization construction effort.
- A primary focus of the CPPDC has been to assist its localities in providing the necessary water and sewer services as well as industrial sites and buildings to enable the recruitment of new industry and to improve the quality of life of its citizens. CPPDC prepares

practically all of required grant applications and does the necessary work to bring such projects to reality. Several major projects were worked on during the grant period.

- The CPPDC provided technical assistance services on a regular basis to local governments, industrial development authorities, local planning commissions, and public service authorities in the District in 2012.

The following are some of the accomplishments CPPDC highlighted in its final report for grant VA-711B-C42.

- The staff continued work on a regional initiative aimed at developing a plan for outdoor recreation and community revitalization along the Clinch River with the development of a new state park as a focal activity.
- The PDC worked with its local governments and VDOT to complete Phase 6 of the Regional Long-Range Transportation Plan.
- The PDC staff continued its numerous business development activities, including administering a regional RLF. The PDC staff also worked with four towns in 2013 on a phase of a downtown revitalization construction effort.
- In addition to preparing the Annual ARC Investment Package for the District, the CPPDC staff offered project development assistance to all four counties and twelve towns in the district in 2013.
- The CPPDC staff provided technical assistance services on a regular basis to local governments, industrial development authorities, local planning commissions, and public service authorities in the district in 2013. Also, CPPDC provided technical assistance services for several regional organizations.

General Comments

An additional objective of the audit was to determine the level of CPPDC involvement in procurement operations during grant administration and project development. Based on our review of the grants records and interviews with CPPDC officials, we determined that CPPDC personnel are not authorized to perform contracting procedures such as issuing proposals, reviewing bids, and selecting contractors, and that CPPDC procurement assistance to other entities during grant administration and project development is limited to advisement. Additionally, the CPPDC executive director stated that procurement issues identified in the Grand Jury report with respect to actions of the former CPPDC Deputy Director who had administered a housing grant for the Cumberland Plateau Regional Housing Authority were never authorized by CPPDC. He also stated that no one at the organization had ever performed those duties; the CPPDC no longer administers the housing grant for the Cumberland Plateau Regional Housing Authority which required the use of several small contracts; and that currently all grants administered by CPPDC require large procurements that are advertised to the public.