
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**South Carolina Department of Commerce
Columbia, South Carolina**

**Final Report Number: 14-21
Project Number: SC-17044
May 2014**

**Prepared by
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Leon Snead & Company, P.C. has completed an audit of grant number SC-17044 awarded by the Appalachian Regional Commission (ARC) to Cherokee County, South Carolina through the South Carolina Department of Commerce (SCDOC). 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, Cherokee County'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 Cherokee County 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 Cherokee County, SCDOC, and ARC staff during the audit.

Sincerely,

Leon Snead & Company, P.C.
Leon Snead & Company, P. C.

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Background

Leon Snead & Company, P.C. completed an audit of grant number SC-17044 awarded by the Appalachian Regional Commission (ARC) to the South Carolina Department of Commerce (SCDC). Although the ARC grant was awarded to SCDC, Cherokee County, South Carolina was the sub-recipient of the funds. 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.

Cherokee County is located in the western part of South Carolina and serves a population of approximately 55,662 residents. The County operates under the council-administrator form of government. Policymaking and legislative authority is vested in the county council, which consists of seven district council members. The county council is responsible for hiring the county administrator, who is responsible for carrying out the policies and ordinances of the county council and overseeing the day-to-day operations of the County.

ARC grant SC-17044 was initially awarded to cover the period September 1, 2011 through August 31, 2012; however, the grant agreement was amended to extend the grant performance period to August 30, 2013. The grant provided \$375,000 in ARC funds and required \$181,471 in non-ARC matching funds. The ARC funds were to be used to assist in funding the cost to repair and prevent further sub-grade failures along 12,000 feet of Commerce Drive, which provides the only access to the county owned Meadow Creek Industrial Park. The grant activities had been completed and the grant was closed by ARC at the time of the audit. The total project cost reported under the grant was \$556,471.

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 Cherokee County personnel to obtain an overall understanding of the grant activities, the accounting system, and the operating procedures. We reviewed Cherokee County and SCDC'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 Cherokee County Single Audit report and the Consolidated Annual Financial Report to determine whether there were any issues that impacted the ARC grant.

We reviewed the documentation used to support the \$375,000 in expenditures charged to the grant and claimed for reimbursement during the grant period to determine whether the charges were properly supported and allowable. In addition, we reviewed the documentation used to support \$170,105 in expenditures charged to the grant and used as matching costs.

The primary criteria used in performing the audit were the provisions of the ARC grant agreement, applicable Office of Management and Budget (OMB) 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 March 7-21, 2014, including on-site work at the Cherokee County office in Gaffney, South Carolina. The audit results were discussed with the Cherokee County representatives at the conclusion of the on-site visit.

Summary of Audit Results

Overall, SCDC and Cherokee County's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grant reviewed. The costs tested were supported and considered reasonable. We found that Cherokee County had an adequate process in place for obtaining and recording data related to the goal of the grant. Based on the results reported in the final project report and the supporting documents provided during the audit, we concluded that the goal to repair and prevent further sub-grade failures along 12,000 feet of Commerce Drive and thereby preserving approximately 700 jobs was achieved.