
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL
AUDIT OF GRANT AWARD
Powell Valley Utility District
Sneedville, Tennessee**

**Final Report Number: 14-36
Project Number: TN-16327
July 2014**

**Prepared by
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Leon Snead & Company, P.C. has completed an audit of grant number TN-16327 awarded by the Appalachian Regional Commission (ARC) to the Powell Valley Utility District (PVUD). The audit was performed to assist the Office of Inspector General in carrying out 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) 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.

Overall, with the assistance of the United States Department of Agriculture - Rural Development (USDA-RD), PVUD'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. Also, the records and reports indicated that the tasks required by the grant agreement were accomplished. Based on the results reported in the final project report and the supporting documents provided during the audit, we concluded that the goal to make improvements to their natural gas distribution system was achieved. The project included the addition of 12 new main valve assemblies, 71 new service valves, 77 gas meters and service taps, 6,184 lineal feet of main gas line, 8,734 lineal feet of gas service line, a service vehicle, and system testing equipment.

Leon Snead & Company appreciates the cooperation and assistance received from the PVUD, USDA-RD 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 TN-16327 awarded by the Appalachian Regional Commission (ARC) to the Powell Valley Utility District (PVUD). 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.

ARC grant TN-16327 covered the period August 17, 2009 through February 26, 2014. The grant provided \$393,477 in ARC funds and required \$98,400 in non-ARC matching funds to provide funding for natural gas system improvements, including the cost to install gas valves, service taps, meters and service lines. The ARC grant was administered through the United States Department of Agriculture - Rural Development (USDA-RD) under a Memorandum of Agreement between ARC and USDA-RD. The grant activities had been completed and the grant had been administratively closed by ARC at the time of the audit. The total project cost reported under the grant was \$491,877 (\$393,477 from ARC and \$98,400 non-ARC match).

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 PVUD and USDA-RD personnel to obtain an overall understanding of the grant activities, the accounting system, and the operating procedures. We reviewed PVUD'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 two most recent PVUD financial audit reports to determine whether there were any issues that impacted the ARC grant.

We reviewed the \$393,477 in expenditures charged to the grant and claimed for reimbursement during the grant period and completed testing to determine whether the charges were properly supported and allowable. In addition, we verified the documentation used to support the \$98,400 in expenditures that were charged to the grant and used for matching costs.

The primary criteria used in performing the audit were the provisions of the Memorandum of Agreement between ARC and USDA-RD, 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 May 29 to June 30, 2014, including on-site work at PVUD's office in Sneedville, Tennessee. The audit results were discussed with the PVUD representative at the conclusion of the on-site visit.

Summary of Audit Results

Overall, with the assistance of USDA-RD, PVUD'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. Also, the records and reports indicated that the tasks required by the grant agreement were accomplished. Based on the results reported in the final project report and the supporting documents provided during the audit, we concluded that the goal to make improvements to their natural gas distribution system was achieved. The project included the addition of 12 new main valve assemblies, 71 new service valves, 77 gas meters and service taps, 6,184 lineal feet of main gas line, 8,734 lineal feet of gas service line, a service vehicle, and system testing equipment.