
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**TN Department of Economic and Community Development
Nashville, Tennessee**

**Final Report Number: 13-10
Project Number: TN-7783
April 2013**

**Prepared by
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Appalachian Regional Commission
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Leon Snead & Company, P.C. has completed an audit of grant number TN-7783 awarded by the Appalachian Regional Commission (ARC) to the Tennessee State Department of Economic and Community Development (DECD). 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 budget; (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 grant were met.

Overall, DECD'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 DECD had an adequate process in place for obtaining and recording data related to the goals of the grant. In addition, the records and reports indicated that the tasks required by the grant agreement were being accomplished.

Leon Snead & Company appreciates the cooperation and assistance received from the DECD and ARC staffs 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-7783 awarded by the Appalachian Regional Commission (ARC) to the Tennessee State Department of Economic and Community Development (DECD). The audit was made at the request of the ARC, Office of the Inspector General, to assist that office in its oversight of ARC grant funds.

DECD is responsible for coordinating development services for communities, businesses, and industries in the state. Its top priorities are preparing local communities for economic development opportunities, training Tennessee's workers, recruiting new industries, and assisting existing firms. The grant program manager, located in the Nashville DECD Office of Federal Programs, is primarily responsible for planning and conducting activities to achieve the State strategies and related ARC goals for community development within the Appalachian areas of Tennessee and for administering the ARC consolidated technical assistance grants covered in this audit.

The ARC grant awards provide funding to support a consolidated technical assistance program for the 52 counties in Appalachian Tennessee. The grant includes partial funding for the Economic Report to the Governor, funds for salaries of staff members, including the State ARC program manager and for other administrative costs such as travel and supplies. For each of the most recent three years, the grant provided \$220,000 in ARC funds and required an equal amount of non-federal match funding to carry out the planned technical assistance support activities. The most recent grant (TN-7783-33) for the period July 1, 2012 to June 30, 2013, was active; however, and no costs had been billed to ARC at the time of our audit. The grants for the prior two years (TN-7783-31 and TN-7783-32) had been completed and financially closed out.

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 appropriate 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 goals and objectives of the grant were met.

We reviewed the documentation provided and interviewed grantee personnel to obtain an overall understanding of the project, the accounting system, and operating procedures. We reviewed financial and other required reports to determine whether they were properly supported and submitted in accordance with the requirements. We reviewed a sample of costs charged to the project to determine whether the charges were properly supported and allowable. In that regard, we sampled and tested \$258,050 from the total of \$338,629 in expenditures reimbursed to DECD on the two closed grants to determine whether the charges were adequately supported and allowable. We reviewed the DECD administrative procedures and related internal controls to ensure they were adequate to administer the grant and funds. We also reviewed the most recent Single Audit report to determine whether there were any issues that impacted the ARC grants.

The primary criteria used in performing the audit were the specific grant terms and requirements, 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 5, 2013, including on-site work at the DECD offices in Nashville, Tennessee.

Results of Audit

Overall, DECD'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 DECD had an adequate process in place for obtaining and recording data related to the goals of the grant. In addition, the records and reports indicated that the tasks required by the grant agreement were being accomplished. The audit results were discussed with the DECD staff at the conclusion of the on-site visit.