

PERFORMANCE AUDIT OF THE

**Mississippi University for
Women SMARTbiz Grant**

Grant: MS-16376-C1-302-11

OIG Report Number: 13-25

GRANT PERIOD: April 1, 2011 – September 30, 2013

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Mr. Hubert N. Sparks
Inspector General

Transmitted herewith is a report of Watkins Meegan LLC, a Performance Audit of the Mississippi University for Women SMARTbiz Grant MS-16376-C1-302-11. The report is in response to Contract No. BPA 11-01-B.

Watkins Meegan LLC

Tysons, Virginia
July 31, 2013

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Background

The Appalachian Regional Commission (ARC) is a regional economic development agency that represents a partnership of federal, state, and local governments. Established by an act of Congress in 1965, ARC is composed of the governors of the 13 Appalachian states and a federal co-chair, who is appointed by the President. Local participation is provided through multi-county local development districts (LDDs). Each year, ARC provides funding for several hundred projects in the Appalachian Region, in areas such as business development, education and job training, telecommunications, infrastructure, community development, housing, and transportation. These projects are intended to create new jobs; improve local water and sewer systems; increase school readiness; expand access to health care; assist local communities with strategic planning; and provide technical and managerial assistance to emerging businesses.

The Mississippi University for Women (MUW) was founded in 1884 as the first public college for women in the United States. MUW provides undergraduate and graduate education for women and men in a variety of liberal arts and professional programs, while maintaining its historic commitment to academic and leadership development for women. The Center for Creative Entrepreneurship at MUW offers support, training, counseling, and resources for existing businesses and start-ups. Services provided include telephone conferencing, business coaching and mentoring, computer training, and research.

ARC awarded the SMARTbiz Grant (the Grant), project number MS-16376-C1-302-11, to MUW for the period from April 1, 2011 to March 31, 2013. The terms were amended on March 18, 2013 to extend the period of performance to September 30, 2013. The Grant provides \$300,000 of ARC (federal) funding and requires \$152,228 of local (non-federal) matching funds, for total funding of \$452,228.

The Grant provides funding for the SMARTbiz program to provide entrepreneurial support services to customer enterprises, expanding the service area to target more rural and underserved communities. The SMARTbiz program delivers services both onsite and through web-based platforms, which include: one-on-one business mentoring services; peer-to-peer support teams; training programs; and business assessments. Business mentors include individuals with backgrounds in a range of professional areas such as attorneys, CPAs, technology, marketing, insurance, and other areas. Funding from the Grant covers personnel costs plus travel, supplies, and contractual expenses.

Objective

Watkins Meegan LLC was engaged to conduct a performance audit on the SMARTbiz Grant. As the period of performance of the Grant was not complete at the time of the audit fieldwork, the scope of the audit testing focused on the period from April 1, 2011 to December 31, 2012. The purpose of our performance audit was to validate that:

- Funds expended and claimed for reimbursement from ARC were valid program expenses and in accordance with the ARC grant requirements;
- Internal controls are in place to ensure compliance with the Grant requirements; and
- Goals and objectives of the Grant have been or will be achieved during the Grant period.

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Executive Summary

Grant funds were used to fund the payroll and benefits of 10 staff that assisted with the administration and support of the SMARTbiz program, and to pay related administrative and program expenses. Staffing included a Principal Investigator, Training Coordinator, Administrative Assistant, Coaches, and Student Workers. Non-personnel costs included travel, supplies, and contractual expenses. The staff supported the program in various areas, including program oversight and management, providing training and support to program participants, and performing research for participants when needed.

As of February 22, 2013, ARC reimbursed \$182,640 of expenses for the period ended December 31, 2012. Matching funds provided from non-federal sources totaled \$86,708 for the period ended December 31, 2012. In general, based on our review of expenses, interviews with personnel, and review of selected documentation supporting grant activities, it appears that the performance objectives of the Grant will be met by the time the period of performance is complete.

Scope

We performed a performance audit of the SMARTbiz Grant MS-16376-C1-302-11 at the MUW office from April 15, 2013 through April 17, 2013, as described under this section and under the audit methodology section. Our review was based on the terms of the Grant agreement and on the application of procedures in the modified ARC Audit Program. As the period of performance of the Grant was not complete at the time of the audit fieldwork, the scope of the audit testing focused on expenditures incurred during the period from April 1, 2011 to December 31, 2012.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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.

Audit Methodology

Our procedures were based on Audit Program guidelines provided by ARC Office of Inspector General and included suggested procedures over MUW's accounting and internal control systems affecting the grant. We met with the SMARTbiz program Principal Investigator to discuss the overall structure and processes of the program. We also discussed and reviewed other financial and operational elements related to the conduct of the project.

Our review of background material included ARC's Grant agreement and related documentation, ARC Grant approval, the Grant application, and the State of Mississippi Institutions of Higher Learning Audited Financial Statements for the Fiscal Year Ended June 30, 2012.

Our procedures included a review of controls in place for recording, accumulating, and reporting costs under the Grant. We discussed with Management and certain staff whether the goals and objectives of the project funded with ARC monies will be met. This included meeting with the Principal Investigator and other staff to understand how their daily activities and responsibilities supported the administration of the SMARTbiz program. We reviewed representative supporting documentation related to Grant activities for consistency with applicable performance measures.

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Finally, we examined a sample of timesheets, payroll detail, and related records for the staff whose employment was supported by the ARC funds. We also inquired of key staff and reviewed supporting documentation (invoices, vouchers, cost allocation reports, etc.) regarding a sample of travel, supplies, and contractual expenses that were paid for by ARC funds to determine whether they were allowable costs, i.e., the expenses supported ARC staff and the SMARTbiz program. We evaluated payments and other activities for compliance with applicable Grant requirements and federal regulations.

Results

Compliance with Grant Provisions

The ARC (federal) share and matching (non-federal) share of actual expenditures incurred, reported, and supported were \$182,640 and \$86,708, respectively, during the period under review. Total actual expenditures were \$269,348, approximately \$182,880 less than the total ARC and matching budget of \$452,228. All of the funds have not yet been expended. However, the period of performance is not yet complete. We examined supporting documentation for a sample of the costs incurred, and determined that in general the funds had been expended in compliance with the Grant agreement.

The Grant funded the work of 10 personnel supporting SMARTbiz program activities. Services included conducting program oversight and management, providing training and support to program participants, and performing research for participants when needed. Outputs for the project stated in the application included the participation of at least 39 entrepreneurs in support activities and the hosting of at least 10 educational workshops attracting 200 individuals. The associated outcomes included the retention of 20 jobs and the creation of an additional 20 jobs in the local economy. Based on our interviews with SMARTbiz program personnel and review of the supporting documentation related to Grant activities, we noted progress has been made toward the targets defined in the Grant application and Management represented that they believe they are on target to achieve those goals by the end of the period of performance.

We had the following finding regarding the Grant periodic performance reporting process:

Performance Reporting

Grant reporting should include actual outcomes and outputs and measure results against program goals defined in the application. The Grant application provided anticipated outputs and outcomes as performance goals for assessing program performance; however, none of periodic performance reports submitted by MUW to ARC through February 22, 2013 have provided any measure of actual performance against those goals. The periodic reports reviewed during the audit provide details that include the program background, activities completed during the reporting period, including meetings held, training sessions attended, presentations, and similar information, but do not provide any assessment of performance or results against any predefined or quantified measures.

Recommendation:

MUW should report progress made against the outcomes and outputs specified in the Grant application in the performance progress reports and the final report for the grant. The assessment of progress against anticipated outputs and outcomes allow the Grantee and ARC to assess whether the project is progressing as expected and if the project has achieved, or will achieve, its goals and objectives within the appropriate timeframe.

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Note: During the audit, we reviewed supporting documentation of activities performed and metrics recorded in pursuit of the Grant goals and objectives and confirmed that progress has been made toward achieving the outputs and outcomes. MUW sources further represented that, based on the progress to date, they believe the program is on target to achieve the outcomes and measures as defined in the Grant application by the end of the stipulated period of performance.

Management Response:

MUW accepts the recommendation and will include additional information with subsequent progress and final reports to reconcile the actual outcomes and outputs achieved with those projected or planned in the Grant application.

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