
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**Erwin Utilities
Erwin, Tennessee**

**Final Report Number: 20-06
Grant Number: TN-17913**

December 2019

Prepared by:

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December 31, 2019

Appalachian Regional Commission
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Leon Sned & Company, P.C. completed an audit of grant number TN-17913 awarded by the Appalachian Regional Commission (ARC) to Erwin Utilities, Erwin, Tennessee (the Utility). 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.

The audit objectives were to determine whether: (1) program funds were managed in accordance with the ARC and Federal grant requirements; (2) grant funds were expended as provided for in the approved grant budget; (3) internal grant guidelines, including program (internal) controls, were adequate 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 (6) the established performance measures were met.

The Utility's administrative policies, procedures, and related internal controls were adequate to manage the funds provided under the ARC grant. The ARC expenditures of \$896,773 and the match of \$486,712 tested were properly supported and allowable. The Utility's matching contribution met the required matching requirement. Financial and project performance reports were submitted to ARC timely and accurately. We determined that the Utility had an adequate process in place for obtaining and recording data related to the construction of the water line and that the project was fully completed.

Leon Sned & Company appreciates the cooperation and assistance received from the Utility and ARC staffs during the audit.

Sincerely,

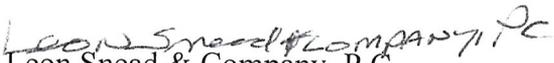

Leon Sned & Company, P.C.

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Background

Leon Snead & Company, P.C. completed an audit of grant number TN-17913 awarded by the Appalachian Regional Commission (ARC) to Erwin Utilities, Erwin, Tennessee (the Utility). 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 initially awarded \$650,000 to the Utility and required a matching contribution of \$718,875. The period of performance was May 1, 2016 through April 30, 2019. The grant was subsequently amended, increasing the ARC award amount by \$475,000 and the matching contribution by \$7,965. The ending date was extended to November 1, 2019. The project has been fully completed and closed out by ARC. Final accepted costs at closeout were \$1,125,000 of ARC funds and \$740,758 of matching contributions for a final total project cost of \$1,865,758.

The grant, Rocky Fork Water Line Extension, was awarded to extend a water line to serve Rocky Fork State Park and approximately 70 households near the park. The project will: (1) install 14,300 linear feet of ductile iron pipe from Erwin Utilities' existing water line along Old Asheville Highway southwest to Rocky Fork Road; (2) install 1,300 linear feet of ductile iron pipe along Gills Road; (3) make road repairs related to waterline construction activities; and (4) install fire hydrants. The project will also prepare the site for future construction of the associated water distribution system.

ARC funds were made available through the Tennessee Department of Economic & Community Development (TDECD). As the fiscal agent for Erwin utilities, TDECD administrated the grant in accordance with a Memorandum of Understanding between TDECD and ARC.

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) grant funds were expended as provided for in the approved grant budget; (3) internal grant guidelines, including program (internal) controls, were adequate 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 (6) the established performance measures were met.

ARC funding of \$1,125,000 had been expended and total matching contributions were \$740,758. We reviewed \$896,773 of the ARC expenditures and \$486,712 of the matching contributions to determine whether they were properly supported and allowable.

We reviewed documentation provided by the Utility and interviewed personnel to obtain an overall understanding of the grant activities, the accounting system, and general operating procedures and controls. We reviewed written policies and administrative procedures to determine if they complied with federal requirements and were adequate to administer the grant. We reviewed financial and project performance reports to determine if they were submitted in accordance with requirements. We evaluated grant results discussed in the project performance reports to determine if the planned performance goals and objectives were met.

The on-site fieldwork was performed at the Utility's office in Erwin, Tennessee during the period of December 2 through December 6, 2019. The audit results were discussed with Utility officials at the conclusion of the on-site visit.

The primary criteria used in performing the audit were 2 CFR 200, the ARC Code, the grant agreement, and the MOU between ARC and TDECD. The audit was performed in accordance with the Generally Accepted Government Auditing Standards.

Summary of Audit Results

The Utility's administrative policies, procedures, and related internal controls were adequate to manage the funds provided under the ARC grant. The ARC expenditures of \$896,773 and the match of \$486,712 tested were properly supported and allowable. The Utility's matching contribution met the required matching requirement. Financial and project performance reports were submitted to ARC timely and accurately.

We determined that the Utility had an adequate process in place for obtaining and recording data related to the construction of the water line. The project was fully completed. We compared the planned performance outputs and outcomes with the actual performance outputs and outcomes, which were verified through the grantee's Geographical Information System (GIS). GIS was used by the grantee to track and record the results of the project. These results were confirmed by the General Manager of the Utility. As shown below, the grantee met or exceeded three of the five performance measures.

Performance Measure	Planned Outputs	Actual Outputs	Planned Outcomes	Actual Outcomes
Linear Feet of Water Pipe Installed	15,600	17,399	0	0
Households Served	70	57	0	0
Businesses Served	1	1	0	0
Households Improved	0	0	70	57
Businesses Improved	0	0	1	1