



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to Pontotoc County Grant Numbers MS-20173-I and MS-20173-R1

Report Prepared by Regis & Associates, PC

Report Number 25-06

November 1, 2024

Appalachian Regional Commission
Office of Inspector General
1666 Connecticut Avenue, Suite 718
Washington, D.C. 20009



Office of Inspector General

Appalachian Regional Commission

November 1, 2024

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 25-06 – Pontotoc County

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant numbers MS-20173-I and MS-20173-R1 per its agreement with the Appalachian Regional Commission. The objective of the audit was to determine if costs claimed were allowable, allocable, reasonable, and in conformity with the Commission's award terms and conditions and Federal financial assistance requirements. In addition, the audit determined whether the performance measures were reasonable, supported, and fairly represented to the Commission.

Regis & Associates, PC, is responsible for the attached audit report and the conclusions expressed in this report. The auditors did not issue any recommendations. We do not express any opinion on the conclusions presented in the audit report. To fulfill our responsibilities, we:

- Reviewed the approach to and planning of the audit;
- Evaluated the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Coordinated periodic meetings, as necessary;
- Reviewed the draft and final audit reports; and
- Coordinated the issuance of the audit report.

We thank your staff for the assistance extended to the auditors during this audit. Please contact me at 202-884-7675 if you have any questions regarding the report.

*Report on Performance Audit
of
Appalachian Regional Commission
Grant Number MS-20173-I and Subsequent Grant Modification
Number MS-20173-R1
for the Period from April 1, 2021, to November 2, 2023*

*Awarded to
Pontotoc County*

*Prepared for the Appalachian Regional Commission -
Office of the Inspector General*

Auditee: *Pontotoc County*
As of Date: October 29, 2024


MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS
1420 K Street, NW
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Washington, DC 20005

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EXECUTIVE SUMMARY

Office of Inspector General
Appalachian Regional Commission
1666 Connecticut Avenue, NW; Suite 700
Washington, DC 20009

We conducted a performance audit (the audit) of grant agreement number MS-20173-I, including subsequent grant modification number MS-20173-R1, awarded by the Appalachian Regional Commission (ARC), to Pontotoc County (the Grantee); with a grant performance period of April 1, 2021, to November 2, 2023. We conducted this performance audit at the request of the ARC Office of Inspector General, to assist it in its oversight of ARC grant funds. This performance audit engagement covers the period from April 1, 2021, to November 2, 2023.

The objectives of the performance audit were to determine whether: (1) program funds were managed in accordance with ARC and Federal grant requirements; (2) grant funds were expended, as provided for in the approved grant budget; (3) internal guidelines, including program (internal) controls, were adequate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with accounting principles generally accepted in the United States of America (or other applicable accounting and reporting requirements); (5) matching requirements were met; (6) the reported performance measures were fair and reasonable; and 7) if the requirements for the performance of a Single Audit were met, the Grantee conducted such an audit and appropriately addressed any noted findings and recommendations related to the management of Federal awards.

We conducted this performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

We conducted the planning and fieldwork phases of the audit during the period from March 26, 2024, through September 23, 2024. We determined that Pontotoc County's financial management, administrative procedures, and related internal controls, were adequate to manage ARC's grant funds. There were no findings and recommendations resulting from this performance audit engagement.

We discussed the results of this performance audit with Pontotoc County's officials at the conclusion of our fieldwork. Pontotoc County's response has been included as Attachment 1 to this report. Regis & Associates, PC appreciates the cooperation and assistance received from Pontotoc County's and ARC's staff during this performance audit.

Sincerely,



Regis & Associates, PC
Washington, DC
October 29, 2024

Background

The Appalachian Regional Commission (ARC) is a regional economic development agency, representing a unique partnership of Federal, state, and local governments. ARC-funded programs are used to support education and job training, healthcare, water and sewer systems, housing, highway construction, and other essentials of comprehensive economic development. ARC's staff is responsible for program development, policy analysis and review, grant development, technical assistance to states, and management and oversight. ARC grants are made to a wide range of entities, including; local development districts, state ARC Offices, state and local governments, educational establishments, nonprofit organizations, and for a variety of economic development projects.

On March 5, 2021, the Appalachian Regional Commission awarded Grant Number MS-20173-I, in the amount of \$999,900, to Pontotoc County. As a condition of this award, the Grantee was required to contribute a matching amount of \$1,000,000. On May 3, 2022; the Grantee requested, and ARC approved, an amendment to increase the grant amount by \$146,315 and the matching amount by \$146,315. The original period of performance of the grant was from April 1, 2021, through March 31, 2024. On February 12, 2024; the Grantee requested, and ARC approved, an amendment to change the contract end date to November 2, 2023, and to close the project. This performance audit engagement covers the period from April 1, 2021, to November 2, 2023.

The grant was awarded to Pontotoc County, to aid in a project titled, "Pontotoc Industrial Park Improvements (Magee Drive)". This project was aimed at making 15 acres of land available for industrial development; for the construction of 1,755 linear feet of 10-inch industrial grade sewer lines, to connect the park from an existing sewer interceptor; and to construct a 300,000-gallon elevated water tower to serve the park.

Objective, Scope, and Methodology

Objective

The general objectives of the performance audit were to determine whether Pontotoc County expended grant funds in accordance with applicable requirements; and to report any resulting findings and questioned cost relating to internal controls; program performance; and compliance with provisions of the grant agreement, laws, and regulations.

Scope and Methodology

The Appalachian Regional Commission, Office of Inspector General, under Order Number ARC21P050, dated February 25, 2022; engaged Regis & Associates, PC to conduct a performance audit of Grant Number MS-20173-I, including subsequent grant modification number MS-20173-R1, titled "Pontotoc Industrial Park Improvements (Magee Drive)", which was awarded to the Grantee.

The budgeted amounts for the grants are presented below:

Exhibit – A: Schedule of Grant Budget			
Budget Description	Federal	Non-Federal	Total
Administrative and Legal Expenses	\$ 6,000	\$ -	\$ 6,000
Architectural/Engineering fees	93,592	136,908	230,500
Construction	953,015	953,015	1,906,030
Subtotal	\$ 1,052,607	\$ 1,089,923	\$ 2,142,530
Contingencies	93,608	56,392	150,000
Total	\$ 1,146,215	\$ 1,146,315	\$ 2,292,530

We conducted this performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

The audit was conducted, using the applicable requirements contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); the ARC Code; and the Grant Agreement.

Our audit procedures included:

- Obtaining an understanding of the Grantee's internal controls; assessing control risk; and determining the extent of testing needed, based on the control risk assessment.
- Reviewing written fiscal policies and administrative procedures for applicable grant activities.
- Assessing, on a test basis, evidence supporting the amounts; and the Grantee's data and records.
- Assessing the accounting principles and significant estimates made by the Grantee.
- Evaluating the overall evidence and presentation of the records.
- Assessing whether the grant's reported performance measures were fair and reasonable.
- Conducting other test procedures deemed necessary, based on our professional judgment.

Results

Based on the results of our testing and analysis on this performance audit, we determined that:

- 1) The grant funds were managed in accordance with ARC and Federal grant requirements.
- 2) As of November 2, 2023, the Grantee had expended \$2,280,929, which was \$11,601 less than the grant's budgeted amount of \$2,292,530.

Below, we have presented a Schedule of Claimed and Audit Recommended Cost, as of November 2, 2023, which reflects the results of our audit.

Exhibit – B: Schedule of Claimed and Audit Recommended Costs

Object Class Category	Claimed Costs		Questioned Costs		Audit Recommended		
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Administrative and Legal Expenses	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000	\$ -	\$ 6,000
Architectural/Engineering fees	93,592	106,258	-	-	93,592	106,258	199,850
Construction	953,015	953,014	-	-	953,015	953,014	1,906,029
Subtotal	\$ 1,052,607	\$ 1,059,272	\$ -	\$ -	\$ 1,052,607	\$ 1,059,272	\$ 2,111,879
Contingencies	84,525	84,525	-	-	84,525	84,525	169,050
Total	\$ 1,137,132	\$ 1,143,797	\$ -	\$ -	\$ 1,137,132	\$ 1,143,797	\$ 2,280,929

- 3) Internal guidelines, including program (internal) controls, were adequate and operating effectively. The Grantee had written policies and procedures for applicable grant activities, which we considered adequate for administering the grant.
- 4) Accounting and reporting requirements were implemented, in accordance with accounting principles generally accepted in the United States of America (or other applicable accounting and reporting requirements), including ARC requirements.
- 5) We determined that, as of November 2, 2023; the Grantee had contributed matching funds of \$1,143,797, which was \$2,518 less than the required matching contribution of \$1,146,315. These matching funds were properly supported and allowable under both Federal and ARC requirements.
- 6) We determined that the Grantee implemented effective policies and procedures to accurately capture, record, and report grant performance measures (i.e., construction of 1,755 linear feet of 10-inch industrial grade sewer lines, construction of a 300,000-gallon elevated water tower). Based on our review of the Grantee's procedures, the performance results reported to ARC were fair and reasonable.
- 7) We verified that the Grantee had a Single Audit performed for the years ended September 30, 2020, 2021, and 2022. The audit report did not contain any findings or recommendations related to the Grantee's management of Federal assistance awards.

Attachment 1: Grantee's Response



Ricky Ferguson
Pontotoc County Chancery Clerk

Board of Supervisors

Benny Moorman
District One

Mike McGregor
District Two

Gary Washington
District Three

Peter Regis, CPA
Regis & Associates, PC
1420 K Street, NW Suite 910
Washington, DC 20005

October 29, 2024

Board of Supervisors

Ernie Wright
District Four

Randy Ray
District Five

Subject: Performance Audit of Grant Agreement Number MS-20173-I and Subsequent Grant Modification Number MS-20173-R1

Dear Mr. Regis:

We are providing this letter in connection with the subject audit performed by Regis & Associates, PC on behalf of the Appalachian Regional Commission (ARC).

I have reviewed and concur with the audit result. On behalf of Pontotoc County, it was a pleasure working with you and your team and we look forward to working with you in the future.

Sincerely,

PONTOTOC COUNTY, MISSISSIPPI

Ricky Ferguson, County Administrator