



December 3, 2021

Stephen P. Glaser, CPA
1021 7th Avenue
St. Albans, West Virginia 25177

Dear Mr. Glaser:

The Office of Inspector General is committed to improving the quality of non-federal audits. In accordance with our responsibilities for audit work performed by non-federal auditors on federal programs, attached is the quality control review (QCR) of the audit of Mid-Ohio Valley Regional Planning and Development Council as of and for the year ended June 30, 2019. The single audit was performed by your firm, Stephen P. Glaser, CPA. On our behalf, McBride, Lock & Associates, LLC, performed this QCR to ensure that the audit was conducted in accordance with generally accepted auditing standards (GAAS), *Generally Accepted Government Auditing Standards (GAGAS)*, the requirements of federal regulations at Title 2 C.F.R. Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, including its Compliance Supplement.

Please see the enclosed review performed by McBride, Lock & Associates, LLC, for further details on the QCR's scope and methodology.

Firms can receive a QCR rating of *pass*, *pass with deficiency(ies)*, or *fail*. McBride, Lock & Associates, LLC, provided the QCR draft report dated March 14, 2021, for the audit for the year ended June 30, 2019. Upon consideration of your response to the draft report, McBride, Lock & Associates, LLC, recommended a QCR rating of a *pass with deficiencies*. An audit with a QCR rating of *pass with deficiencies* is an audit for which the audit documentation contains quality deficiencies that should be brought to the attention of the auditor (and auditee, where appropriate) for correction in future audits.

In our opinion—based on the review of McBride, Lock & Associates, LLC, audit report, discussions with them, the related audit documentation, and your firm's written comments on the QCR draft report—the QCR rating of the audit for the year ended June 30, 2019, is a *pass with deficiencies*. A copy of your firm's written comments appears as the appendix to the enclosed QCR.

Your firm should evaluate the audit documentation related to the deficiencies detailed in the enclosed schedule to identify any additional audit procedures needed to ensure that the audit documentation meets GAAS, GAGAS, the requirements of *Uniform Guidance*, and the Compliance Supplement. If additional audit work is deemed to be necessary to support the opinions contained in the audit, your firm should follow the provisions of AU-C § 585 and AU-C § 935.43 with respect to reissuance of the audit.

We are sending this letter and the accompanying McBride, Lock & Associates, LLC, QCR to officials at the other federal agencies with direct expenditures listed on the Schedule of Expenditures of Federal Awards to inform them of the results of this review.

This letter—as well as the McBride, Lock & Associates, LLC, QCR—will be posted on the Office of Inspector General’s website pursuant to section 8M of the Inspector General Act of 1978, as amended (5 U.S.C. App., § 8M).

We appreciate the cooperation and courtesies your staff extended to McBride, Lock and Associates, LLC, during the QCR. Please direct any inquiries regarding this report to me at (202) 482-2877 or Belinda Riley, Supervisory Auditor, at (202) 527-0544.

Sincerely,



Richard Bachman
Assistant Inspector General for Audit and Evaluation

Enclosure

- cc: Carol Jackson, Executive Director, Mid-Ohio Valley Regional Planning and Development Council
- Robert Lock, McBride, Lock & Associates, LLC
- Marbie Baugh, National Single Audit Coordinator, U.S. Department of Agriculture OIG Appalachian Regional Commission Office of Inspector General
- Barry Berkowitz, Senior Procurement Executive and Director of the Office of Acquisition Management, Department of Commerce
- John Geisen, Director, Financial Assistance Policy and Oversight Division, Department of Commerce
- Linda Cruz-Carnall, Philadelphia Office Regional Director, EDA
- Deborah Haynes, Audit Liaison, EDA
- MaryAnn Mausser, Audit Liaison, Office of the Secretary
- Rehana Mwalimu, Risk Management Officer and Primary Alternate Department GAO/OIG Liaison, Office of the Secretary

**QUALITY CONTROL REVIEW
OF
STEPHEN P. GLASER, CPA**

**On the Audit of
Mid-Ohio Valley Regional Planning and Development Council
for the year ended June 30, 2019**

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McBRIDE, LOCK & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

March 14, 2021

Mr. Stephen P. Glaser
1021 7th Avenue
St. Albans, West Virginia 25177

Subject: Quality Control Review of the Mid-Ohio Valley Regional Planning and Development Council

Dear Mr. Glaser,

We are pleased to submit the report of our Quality Control Review (QCR) of the audit of Mid-Ohio Valley Regional Planning and Development Council as of and for the year ended June 30, 2019 performed by Stephen P. Glaser CPA in accordance with generally accepted auditing standards published by the American Institute of Certified Public Accountants and generally accepted government auditing standards issued by the Government Accountability Office.

Scope of Services

The objective of our review was to perform a QCR:

1. To determine whether the financial statement audit work, compliance audit work, and the associated review of internal controls over both financial reporting and compliance were conducted in accordance with applicable standards, including GAGAS and the published guidance of the OIG, the American Institute of Certified Public Accountants standards as well as Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and including its Compliance Supplement.
2. To identify any issues that may require additional attention or any additional audit work by the Independent Public Accountant who performed the audit.

Methodology

We performed our review using the *Guide for Quality Control Reviews of Single Audits* (the “Guide”) issued by the Council of Inspectors General on Integrity and Efficiency (2016 Edition) as adapted to consider the guidance required for the Uniform Guidance. In performing the review we met with the engagement partner and obtained supporting audit workpapers. Prior to initiating efforts, the DOC-OIG provided the audit report to be reviewed and any additional information in its possession about the audit work to be reviewed to the extent that it believed the information may affect the QCR.

Overview of Procedures Performed and Related Findings

We reviewed the audit report issued on Mid-Ohio Valley Regional Planning and Development Council as of and for the year ended June 30, 2019. We reviewed the audit report, using the Guide, to ensure that it included and met the requirements of Government Auditing Standards and the standards for financial audits issued by the AICPA. We reviewed the audit workpapers using the Guide and the evidence documented in the audit workpapers. In each area, we evaluated whether or not the testing performed, results documented, financial statements presented, and findings reported were consistent with and supported the independent accountants report identified in the first paragraph of this report.

Results

Going Concern Consideration

The workpapers include a Board synopsis of the Ellenboro-Lamberton PSD, MOVRC and RCEDA Loan Issue. The workpaper includes an analysis of a payment of debt support on behalf of Ellenboro Lambertton PSD’s loan to MOVADC. In part, the workpaper includes statements of concern, including the following excerpts:

- Each entity will have spent over \$130,500 plus interest of 4% for over 20 years. RCEDA is responsible for reimbursement to MOVRC/MOVADC of their share upon demand at any time. Cash flow is starting to get tight and before this bankrupts MOVRC/MOVADC a solution must be found.
- Open Items of Concern... Cash flow issues in maintaining the monthly debt support... Ron Lane failure to get Industrial Park Developed, and no indication that he is going to... Repayment to MOVRC from RCEDA in doubt due to cash flow.

The audit workpapers provide no additional information as to the impact of this matter on the going concern of the entity or how the auditor mitigated the statements on this workpaper.

In discussing this matter with the auditor, he stated that he viewed the Board’s controls in identifying this matter as a strength. The auditor forwarded a termination agreement regarding this matter which was in the workpapers. The termination agreement has no commentary as to how that document might mitigate the concerns previously discussed.

The auditor’s objectives under AU-C 570 are as follows:

- “To conclude on whether substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time exists, based on the audit evidence obtained,
- To evaluate possible effects on the financial statements, such as the adequacy of disclosure regarding an entity’s ability to continue as a going concern for a reasonable period of time”.

Audit Efforts on Major Programs

The auditor identified four programs as major. They are:

- CFDA 23.009 Appalachian Local Development Assistance
- CFDA 23.011 Appalachian Regional Commission- Revolving Loan Fund
- CFDA 11.302 Commerce- Support for Planning Organizations
- CFDA 11.307 Commerce- Revolving Loan Fund

Two of the programs identified as major are CFDA 23.011 (Appalachian Regional Commission- Revolving Loan Fund) and CFDA 11.307 (Commerce- Revolving Loan Fund) are included in the Compliance Supplement. The audit workpapers provide a copy of the Compliance Supplement for the CFDA 11.307 program.

The audit workpapers do not provide for coordination of the Compliance Supplement in determining direct and material requirements. The workpapers also do not consistently evaluate internal control on compliance for the various compliance requirements. The auditor’s summary workpapers provide the following:

| ARC | Per Audit Workpaper | | | | Per Compliance Supplement | |
|-----|---------------------------------|---------|-------------|-----------|---------------------------|------|
| | 11.307 | In Comp | Int Control | Financial | 2016 | 2019 |
| A | Activities Allowed or Unallowed | Y | NA | NA | Y | Y |
| B | Allowable Costs/Cost Principles | Y | Y | Y | Y | Y |
| C | Cash Management | N | Y | Y | Y | N |
| E | Eligibility | NA | NA | NA | N | N |
| F | Equipment and Real Property | | | | Y | N |
| G | Matching, Level of Effort | | | | Y | Y |
| H | Period of Performance | | | | Y | N |
| I | Procurement and Suspension | | | | N | N |
| J | Program Income | Y | Y | Y | N | Y |
| L | Reporting | Y | Y | NA | Y | Y |
| M | Subrecipient Monitoring | | | | Y | Y |
| N | Special Tests and Provisions | | | | Y | Y |

| Per Audit Workpaper | | | | | Per Compliance Supplement | |
|----------------------------|---------------------------------|----------------|--------------------|------------------|----------------------------------|-------------|
| EDA | 23.011 | In Comp | Int Control | Financial | 2016 | 2019 |
| A | Activities Allowed or Unallowed | Y | NA | NA | Y | Y |
| B | Allowable Costs/Cost Principles | Y | Y | Y | Y | Y |
| C | Cash Management | N | Y | Y | Y | N |
| E | Eligibility | NA | NA | NA | N | N |
| F | Equipment and Real Property | | | | Y | N |
| G | Matching, Level of Effort | | | | Y | Y |
| H | Period of Performance | | | | Y | N |
| I | Procurement and Suspension | | | | N | N |
| J | Program Income | Y | Y | Y | N | Y |
| L | Reporting | Y | Y | NA | Y | Y |
| M | Subrecipient Monitoring | | | | Y | Y |
| N | Special Tests and Provisions | | | | Y | Y |

The auditor's workpaper appears to use the 2016 Compliance Supplement for a determination as to the applicability of compliance requirements pertaining to these programs. The 2019 Compliance differs from the 2016 version regarding Cash Management, Equipment and Real Property Management, and Period of Performance.

As it pertains to each of the Compliance Supplement requirements the following narrative discloses the efforts performed and the adequacy of these efforts to adequately evaluate those requirements:

- A- Activities Allowed or Unallowed- The auditor has defined the purpose of the grant and provided for a walk-through of the internal controls. Test of new loans process was performed which is consistent with Compliance Supplement attributes. Efforts determined to be adequate although it is unclear as to why Internal Control and Financial are designated as NA on the audit workpapers.
- B- Allowable Costs/Cost Principles- Internal Control was reviewed and compliance test is referenced to Payroll and other costs. Audit testing, however, did not specify that the expense was incurred in accordance with the grant terms or circular. Therefore the audit efforts are not adequate.
- C- Cash Management- The audit workpaper indicates that Internal Control analysis and financial efforts were performed. This is unclear since this requirement is not required to be addressed per the Compliance Supplement. Loan test efforts do consider the timing of providing loan proceeds to the entities being served. It is not clear that the efforts performed were consistent with the Compliance Supplement.
- E- Eligibility- Not required to be addressed per the Compliance Supplement
- F- Equipment- Not required to be addressed per the Compliance Supplement
- G- Matching, Level of Effort- The audit workpaper does not discuss this requirement. It is evident from the audit efforts that local participation is present on the loan program. Therefore the audit efforts to ensure adequacy of the local participation to meet grant requirements is not adequately reviewed.

- H- Period of Performance- Not required to be addressed per the Compliance Supplement.
- I- Procurement- Not required to be addressed per the Compliance Supplement.
- J- Program Income- Audit efforts indicate that this is in the Compliance Supplement and that the Internal Controls and Financial aspects reviewed. This is an indication that the auditor did consider the 2019 Compliance Supplement in designing the audit efforts. The audit review efforts for Program Income indicates that interest and fees can be used to offset administrative expense. Those administrative expenses were tested in section B above. The audit workpaper indicates that administrative expenses for the two loan programs were \$4,755 and \$8,453. The workpaper also states that the income to offset administrative cost was judged to be reasonable and allowable. However, the test attributes for payroll and cash disbursements did not include an attribute for compliance. Therefore, the efforts are not considered to be adequate.
- L- Reporting- Internal Controls were reviewed. It is unclear that the reports submitted to the Federal agencies were reconciled to the accounting records or that the reports were submitted timely. Therefore, the audit efforts are not considered to be adequate.
- M- Subrecipient Monitoring- This requirement is not addressed by the auditor. Therefore, the applicability with the audited entity cannot be determined.
- N- Special Tests and Provisions- The auditor did not address this requirement in the workpapers. This requirement is quite expansive in the Compliance Supplement. The audit did address the controls over the loan programs. The loan file review considered the loan program amount, approved date, total project amount and the purpose of the loan. The workpapers also provide a compilation of loan history, including uncollectible and accrued interest receivable. There is no audit verification on these documents, therefore the adequacy of the audit effort cannot be assured. The auditor also tested certain closed loans but the audit effort is not clear as to the attributes reviewed. The internal control discussion in the audit workpapers does discuss the observation, inquiry and review of loan file documentation including the Board's controls over the loan process. Although the workpaper also addresses closed loans, the clarity of that workpaper does not provide assurance that all compliance requirements were fully considered or reviewed. Therefore, the audit efforts are not considered to be adequate.

As a whole, the audit efforts are not consistent with nor do they adequately address the Compliance Supplement.

These matters were discussed with the engagement partner on March 14, 2021.

Based upon our review, the overall rating assigned to the auditor's work is Pass with Deficiencies.

This report is intended solely for the Department of Commerce Office of Inspector General.

Very truly yours,



McBride, Lock & Associates, LLC

RESPONSE BY CPA

Stephen P Glaser CPA
1021 7th Avenue
Saint Albans, WV 25177

June 25, 2021

McBride, Lock & Associates, LLC
Certified Public Accountants
4151 N. Mulberry Drive, Suite 275
Kansas City, Missouri 64116

Attn: Robert J. Lock via Tracy L. Berg Administrative Assistant tberg@mcbridelock.com

Dear Robert J. Lock

The following are our response to the findings by compliance element for the Appalachian Regional Commission (ARC) and Economic Development Administration (EDA) revolving loan programs identified in the MOVRC fiscal year (FY) 2019 audit as major programs. Also, it should be understood that there was only one overall loan made during FY 2019 audit and these loan funds were derived fund from both the ARC and EDA loan programs in conjunction with a commercial loan and capital from the owner.

Going Concern Consideration

The report cited the finding that the audit workpapers do not provide sufficient information on the impact on the entity or how auditor mitigated this in the work paper relevant to AU-C-570.

We contend the finding is based on misunderstood information derived by the reviewer and a lack of an understanding of the cited issue as it related to the audit of Mid-Ohio Valley Regional Planning and Development Council (MOVRC).

The misunderstood information is the report cites there is a loan from the Ellenboro-Lamberton PSD to Mid-Ohio Valley Area Development Corporation (MOVADC) which is totally an erroneous assumption on the part of the reviewer. The loan reference in the work papers regarding a going concern issue is one from MOVRC for the benefit of Ellenboro-Lamberton Public Service District (PSD).

The lack of the understanding is that a going concern issue under AU-C-570 is relevant only to an entity that is being audited and MOVRC has no going concern issue. The going concern issue is one that someone else concluded about Ellenboro-Lamberton PSD. Ellenboro-Lamberton PSD was not the objective of audit being reviewed thus is not relevant to the review objectives as referenced by the reviewer.

Audit Efforts on Major Programs

A - Activities Allowed or Unallowed was reviewed with no findings.

B – Allowable Costs/Cost Principles and J - Program Income were reviewed with a finding that the audit tests of applicable incurred cost did not specify if incurred in accordance with grant terms or circular or include an attribute for compliance.

We contend the finding is based on lack of an understanding of the cited issue of not specifying the incurred accordance with grant terms or circular or the testing of a attribute of compliance.

The reviewer did not dispute the incurred cost were tested only the auditor did not specify they were incurred in accordance with grant terms or circular or the attribute of compliance was tested. Consider the following

- Every transaction tested in the audit work papers was examined by the auditor to determine if that the transaction was allowable, allocable, and complied internal controls and the findings to these attributes were document in the work papers.
- Allowable is only one of the attributes tested for the transactions to test for compliance if a cost incurred was in accordance with grant terms or circular then they were found to be allowable stating accordance with is redundant.
- One does not test an attribute of compliance because compliance is a result of applying procedure to something to determine compliance. Thus, compliance is not an attribute one would test because it a result of applying procedures.

C - Cash Management is not required to be addressed and the reviewer is unclear why cash management was considered by the auditor as a compliance element. Thus, no findings.

As a point of clarification, the auditor has concluded that MOVRC is acting as the fiduciary agent for the ARC and EDA loan funds and loans receivables and if incorrectly handled this would be a compliance issue as it would relate to cash management function. These fiduciary activities were examined in the work papers and found to be acceptable and compliant. The examination of cash management may not be designated in the supplement but is critical to the opinion express in the internal control, compliance, and other matters report in the audit report. .

E – Eligibility is not required to be addressed as a compliance element and was not addressed. Thus, no finding.

F - Equipment and Real Property Management is not required to be addressed as a compliance element and was not addressed. Thus, no finding

G - Matching & Level of Effort was reviewed with finding that it is evident from the audit effort local participation or matching is present and was not address by auditor.

We contend the finding is based on misunderstood information derived by the reviewer. The reviewer maintained, to the auditor, that because in the schedule of federal expenditures in the audit report for the calculation of federal expenditures the federal participation rate for the EDA loan program was less than 100% therefore there must be a matching requirement.

The understanding of a rate being less than 100% does not necessarily mean there is a matching requirement. There was a matching requirement at the start during the initial funding of these loan programs but once the matching requirement was met by MOVRC it was no longer applicable. Thus, a matching requirement in FY 2019 audit is not applicable because MOVRC has long passed any matching requirement.

H - Period of Performance is not required to be addressed as a compliance element and was not addressed. Thus, no finding.

I - Procurement and Suspension and Debarment is not required to be addressed as a compliance element and was not addressed. Thus, no finding.

L - Reporting was reviewed with findings of being unclear to the reviewer if the reports submitted to the agencies reconciled to accounting records and were submitted timely.

We contend the finding is based on lack of an understanding of the cited issue.

The audit objective for compliance of the reporting compliance element is were the reports completed and submitted. The audit work papers contain copies of the semiannual reports submitted to the agencies. The auditor has place reliance on the agencies to determine what parts of the report need reconcile and they can compare the report to the financial information in the audit report as needed and if the reports are being submitted in an acceptable format as required.

The reports contain information requested by the agencies and they do not necessarily reconcile to the accounting records. Some of the information may reconcile but not all. A review of correspondence found no such evidence that the reporting was not satisfactory to the agencies.

M - Subrecipient Monitoring was reviewed with a finding the auditor did not address.

We contend the finding that the auditor did not address the compliant element in the supplement is too narrow to serve as a basis for a finding.

The subrecipient monitoring compliance element was determined by the auditor during the planning stages not to be applicable because MOVRC have no subrecipients or ever have they rely on a subrecipient to manage any part of the ARC or EDA loan programs. Also, a review of the financial schedule one can conclude that there is no subrecipient based on the lack of an expense for his purpose in the schedules or in the schedule for federal expenditures.

N - Special Tests & Provisions was reviewed with finding of no audit verification of internal controls, loan review, and loan receivable and that the auditor tested certain closed loans but is not clear to the reviewer as to attributes reviewed.

We contend the findings are based on misunderstood information derived by the reviewer and lack of an understanding of the cited issue. Also, the narrative in the report for this element is had to follow and is more a conclusion related to allowable and the reviewer did not cite which loans or what evidence is missing relevant to a special test or provision.

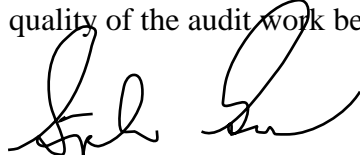
The report contents internal controls, loans, and loans receivable components were address but they lack audit evidence. The audit work papers clearly state in them the purpose, source (audit evidence), and scope (audit steps) as well as the conclusion for each of the work papers addressing these elements. In addition, in the audit work paper file there is data submitted by MOVRC and reference in the work papers such a loan committee meeting notes, outstand loan analysis, and other information used as audit evidence by the auditor to support the fining (source) of the examination.

It is unclear what loans the reviewer is referring to that auditor tested certain closed loans and is not clear as to the attributes reviewed. During the FY 2019 there was one loan recipient drawing funds from both loan programs. The examination of that loan file was reviewed to determine if the loan comply with the loan process, received approved by the loan committee, did the loan file contained the relevant information about the loan, and did the loan meet objectives of the loan programs to ascertain if the loan was an allowable activity and as well as in compliance with the applicable internal control procedures which all were attributes that were tested. In addition, the report stated there was no findings for A - Activities Allowed or Unallowed.

Discussed Matter with Audit Partner

The report also states the matters were discussed with the audit partner on March 14, 2021. The auditor agrees that some of these matters were verbally discussed along with others matters which are not in the report, but no issue was presented in detail during the discussions as to a finding. There was only a discussion to clarify, for and asked by the reviewer, steps taken by the auditor and was not as a formal exit conference of the maters presented in this report.

Please accept these comments above in the spirt they are being provided to further enhance the quality of the audit work being performed for the Department of Commerce.



Stephen P Glaser CPA

CONCLUSION

Conclusion

The conclusion is based on our review of the auditor's workpapers provided, the exit conference held on March 14, 2021 and the auditor's response.

Going Concern Considerations

The auditor's response indicates that there is an erroneous assumption on the part of the reviewer in that the concern is one from MOVRC for the benefit of the Ellenboro-Lamberton Public School District. The workpaper clearly indicates that "before this bankrupts MOVRC/MOVADC a solution must be found". The review concludes that the workpaper lacks adequate clarity to ensure that no going concern exists with the audited entity based upon statements that were made.

No modification is made to this finding as initially stated.

Audit Efforts on Major Programs

As it pertains to the response of the auditor:

- B. Allowable Costs/Cost Principles and Program Income- No additional evidence was provided by the auditor.
- C. Cash Management- The response provides additional clarification as to the rationale that was considered in making this a direct and material requirement. The matter in the quality control report was not indicated to indicate a concern.
- G. Matching- The auditor indicates that such matching was met in the initial period in which the program was provided. Since the Compliance Supplement is indicative that this is a compliance requirement, the audit should provide clarity as to the applicability in the period of review.
- L. Reporting- The auditor indicates that reliance was placed on the agencies to determine the propriety of the reports. The auditor ensured that reports were completed and submitted. It is not evident that timeliness or accuracy of the reports was evaluated by the auditor.
- M. Subrecipient- The clarity of this area as direct and material was not made by the auditor.
- N. Special Test and Provisions- The auditor indicates that efforts were performed, however the coordination between the Compliance Supplement, internal control analysis and compliance efforts performed are not clear nor are conclusions reached.

No modification is made to this finding as initially stated.