

# OFFICE OF THE STATE INSPECTOR GENERAL

## Tobacco Region Revitalization Commission *Grants and Loans Performance Audit*

November 2023



Michael C. Westfall, CPA  
State Inspector General  
Report No. 2024-PA-001



*COMMONWEALTH OF VIRGINIA*  
*Office of the State Inspector General*

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November 30, 2023

The Honorable Glenn Youngkin  
Governor of Virginia  
P.O. Box 1475  
Richmond, VA 23219

Dear Governor Youngkin,

The Office of the State Inspector General engaged Cotton & Company Assurance and Advisory, LLC (formerly known as Cotton & Company, LLP) to conduct an audit of the Tobacco Region Revitalization Commission (TRRC). The final report is below, and TRRC's corrective action plan is attached as Appendix D to the report.

OSIG would like to thank Deputy Secretary of Commerce and Trade & Tobacco Commission Acting Executive Director James E. Campos and his staff for their cooperation and assistance during this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael C. Westfall".

Michael C. Westfall, CPA  
State Inspector General

CC: The Honorable Jeff Goettman, Chief of Staff to Governor Youngkin  
Tiffany Robinson, Deputy Chief of Staff to Governor Youngkin  
Isabella Warwick, Deputy Chief of Staff to Governor Youngkin  
The Honorable Caren Merrick, Secretary of Commerce and Trade  
James E. Campos, Deputy Secretary of Commerce and Trade; Tobacco Region Revitalization Commission Acting Executive Director  
The Honorable Terry Kilgore, House Vice Chair, Commerce and Energy  
The Honorable Richard Saslaw, Senate Chair, Commerce and Labor  
The Honorable Frank M. Ruff, Jr., Chairman, Tobacco Region Revitalization Commission  
The Honorable James W. Morefield, Vice Chairman, Tobacco Region Revitalization Commission  
Staci Henshaw, Auditor of Public Accounts

## EXECUTIVE SUMMARY

### ***Why We Did This Audit***

The Virginia Office of the State Inspector General (VA OSIG) contracted with Cotton & Company Assurance and Advisory, LLC (herein referred to as “we”), to conduct a performance audit of the Tobacco Region Revitalization Commission (TRRC). The audit objectives were to determine whether (i) grant and loan programs are producing their intended outputs and TRRC is properly measuring and reporting the outputs; (ii) TRRC properly measured and verified that recipients met their matching fund requirements; (iii) TRRC properly established and implemented a financial viability assessment process; (iv) TRRC accurately tracked student loan repayment applications and verified recipient eligibility; and (v) TRRC remediated prior audit findings.

### ***How This Audit Was Performed***

We conducted the performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, as described in [Appendix B](#) of this report.

### ***Audit Findings***

We identified nine findings related to noncompliance with Code of Virginia requirements and TRRC funding policies, as well as inconsistent or insufficient documentation to support that TRRC appropriately administered TRRC programs and verified that recipients appropriately administered TRRC funds. Specifically, we identified:

- Noncompliance with Code of Virginia financial viability assessment requirements.
- Noncompliance with Code of Virginia accountability matrix requirements.
- Project outputs and outcomes not sufficiently documented and monitored.
- Insufficiently supported application documentation.
- Site visits not consistently performed and/or documented.
- Inconsistent Smart Simple information.
- Match requirements not met.
- Insufficiently supported expenses.
- Insufficient project amendment documentation.

See [Audit Findings](#) for more information.

### ***What We Recommended and Management’s Comments***

We made recommendations for TRRC to strengthen its policies and procedures for administering grants, loans, and other fund distributions to ensure it documents and monitors program outputs and outcomes. TRRC agreed with some of the findings and agreed to revise its policies, procedures, and internal controls—or to request changes to the Code of Virginia—to ensure compliance with requirements in the Code of Virginia and its own funding policies, as well as to better align with the goals identified in its strategic plan. TRRC’s response is attached to this report, in its entirety, in [Appendix A](#).

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\* Obtained by OSIG

## BACKGROUND

The Tobacco Region Revitalization Commission (TRRC or the Commission) is a body corporate and political subdivision of Virginia established by the Virginia General Assembly in 1999 “for the purposes of determining the appropriate recipients of moneys in the Tobacco Indemnification and Community Revitalization Fund and causing distribution of such moneys...to (i) provide payments to tobacco farmers as compensation for the adverse economic effects resulting from loss of investment in specialized tobacco equipment and lost tobacco production opportunities; and (ii) revitalize tobacco dependent communities.” Funding for these activities comes from Virginia’s share of the 1998 Master Settlement Agreement between 46 state attorneys general and large tobacco manufacturers. Code of Virginia Chapters 31 and 31.1 contain statutes governing various aspects of TRRC. Broadly, those serving TRRC may be split into two groups—the 28 Commission members and TRRC staff.

The Commission has four programmatic committees that evaluate grant and loan proposals and make recommendations as to which projects should be funded. These committees are Southern Virginia, Southwest Virginia, Education, and Incentives and Loans. Commission members are appointed to one or more of these committees.

The Virginia Office of the State Inspector General (VA OSIG) was established to investigate waste and identify inefficiencies in executive-branch state government. In accordance with the Code of Virginia § 2.2-309.2, VA OSIG “shall (i) review the condition of the Tobacco Region Revitalization Commission’s accounting, financial, and administrative controls to ensure that the purposes set forth in Chapter 31 of Title 3.2 are lawfully achieved; (ii) investigate to resolve allegations of fraudulent, illegal, or inappropriate activities concerning (a) disbursements from the Tobacco Indemnification and Community Revitalization Endowment and (b) distributions from the Tobacco Indemnification and Community Revitalization Fund; and (iii) detect fraud, waste, and abuse and take actions to prevent the same.”

## AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

VA OSIG contracted with Cotton & Company Assurance and Advisory, LLC (Cotton or we), an independent certified public accounting firm, to conduct a performance audit of TRRC. The audit objectives were to determine whether:

- A sample of grant and loan programs are producing their intended outputs in support of each programmatic goal and whether TRRC is properly measuring and reporting the intended outputs.
- TRRC properly measured matching funds and verified compliance with match requirements.
- TRRC properly established and implemented a viability assessment process, as required by Code of Virginia § 3.2-3103, and used this process to adequately measure and support financial viability.

- TRRC staff accurately tracked student loan repayment applications and verified that recipients met loan eligibility requirements.
- TRRC staff remediated prior audit findings issued in VA OSIG’s November 2019 audit report.

The audit scope included TRRC grant and loan projects awarded, ongoing, and closed between July 1, 2019, and June 30, 2022, for all programs. We used the applicable grant and loan information from TRRC’s cloud-based grant management system, Smart Simple, to select a sample of 59 grants and loans totaling \$118,929,709 in approved funding across various TRRC programs. We then reviewed the documentation available for each project related to areas such as the project application, grant and/or loan, payment, and monitoring to determine whether TRRC staff performed and documented financial viability assessments, verified whether recipients met their match requirements, confirmed that student loan payments were appropriate and that recipients met eligibility requirements, and monitored project outputs and outcomes.

We have included additional details regarding the audit scope, objectives, and methodology within [Appendix B](#).

## PERFORMANCE AUDIT RESULTS

Our performance audit of TRRC identified deficiencies in TRRC’s grant and loan management environment. Specifically, TRRC did not always ensure that it—or its TRRC funding recipients—complied with all Code of Virginia requirements and TRRC policies. We made 15 recommendations for TRRC related to resolving the deficiencies and ensuring that TRRC strengthens its administrative and management policies and procedures for monitoring grants, loans, and other distributions of funds. We communicated our audit results and the related findings and recommendations to TRRC and VA OSIG. We included TRRC’s response to this report, in its entirety, in [Appendix A](#).

We describe each finding in the following [Audit Findings](#) section. We included additional details regarding prior audit findings and whether TRRC has resolved those findings in [Appendix C](#).

## AUDIT FINDINGS

### **Finding 1: Noncompliance with Code of Virginia Financial Viability Assessment Requirements**

TRRC did not comply with Code of Virginia requirements for completing written financial viability assessments when executing grants, loans, and other distributions of funds.<sup>1</sup> Specifically, for 42 sampled projects, TRRC did not complete—or document that it completed—a financial viability assessment. The purpose of the financial viability assessments is for TRRC to objectively analyze, document, and report to the Commission on the financial viability and feasibility of each proposed project. This includes evaluating each project using metrics, such as verifying whether the proposed project results align with TRRC goals and assessing whether project costs appear reasonable.

#### ***1a. Noncompliance for Grant and Loan Projects***

30 projects that related to grants or loans awarded to applicants—including Community Business Lending (CBL) loans and other loans administered by the Virginia Resources Authority (VRA)—did not include sufficient documentation to support that the Grants Program Director completed a written financial viability assessment and provided it to the Commission before the Commission approved and executed the project, as illustrated in Table 1.

**Table 1: TRRC Grant and Loan Projects with No Financial Viability Assessment**

Project Number	Project Approval Date	TRRC Program	Funding Mechanism
2849	05/21/2015	Competitive Education	Grant
2980	05/21/2015	Research and Development	Grant
3089	09/23/2015	Special Projects	Grant
3099	09/23/2015	Centers of Excellence	Grant
3125	01/12/2016	Southside Economic Development	Grant
3192	09/20/2016	Southwest Economic Development	Grant
3219	01/10/2017	Agribusiness	Grant
3280	05/18/2017	Competitive Education	Grant
3322	09/20/2017	Special Projects	Grant
3327	09/20/2017	Special Projects	Grant
3352	01/09/2018	Southside Economic Development	Grant and Loan
3397	01/09/2018	Megasite	Grant
3356	01/09/2018	Southside Economic Development	Grant

<sup>1</sup> According to Code of Virginia § 3.2-3103. *Powers and duties of the Tobacco Region Revitalization Commission* (A)(9), TRRC has the duty to enter into a contractual or employment agreement with a financial viability manager, who shall be required to provide a written financial viability and feasibility report to the Commission as to the financial propriety of certain loans, grants, or other distributions of money made for the revitalization of a tobacco-dependent locality as proposed in accordance with the Commission’s strategic objectives. The Commission shall not make any loan, except a loan made through the Virginia Tobacco Region Revolving Fund created in Chapter 31.1 (§ 3.2-3112 et seq.), grant, or other distribution of money until the Manager has provided the Commission with a written recommendation as to the financial viability and feasibility of the proposed distribution of funds. Further, Code of Virginia § 3.2-3108. *Distribution of Fund* (B), states that the Commission shall require that, as a condition of receiving any grant or loan incentive, each project receive a written recommendation as to its financial viability and feasibility.



Project Number	Project Approval Date	TRRC Program	Funding Mechanism
3389	03/08/2018	Research and Development	Grant
3445	05/22/2018	Special Projects	Grant
3368	01/08/2019	Agribusiness	Grant
3527	06/06/2019	Research and Development	Grant
3563	10/10/2019	Southwest Economic Development	Grant
3569	01/07/2020	Southwest Economic Development	Grant
3605	01/07/2020	Agribusiness	Grant
3641	05/18/2020	Competitive Education	Grant
3658	09/28/2020	Southside Economic Development	Loan
3752	05/27/2021	Research and Development	Loan
3761	05/27/2021	Research and Development	Loan
3914	08/05/2021	CBL	Loan
3905	09/22/2021	Competitive Education	Grant
3931	10/06/2021	Project Development Support	Grant
3913	01/01/2022	CBL	Loan
3927	01/07/2022	Agribusiness	Grant
3957	05/12/2022	Southern Economic Development	Grant

***1b. Noncompliance for Tobacco Region Opportunity Fund Projects and TRRC Education Incentive Programs***

12 projects that related to Tobacco Region Opportunity Fund (TROF) grants and/or loans or to TRRC’s student loan repayment and forgiveness, Talent Attraction Program (TAP), and Workforce Financial Aid (WFA) programs did not include sufficient documentation to support that the Grants Program Director completed a written financial viability assessment and provided it to the Commission before the Commission approved and executed the project, as illustrated in Table 2.

**Table 2: TRRC TROF and Education Incentive Projects with No Financial Viability Assessment**

Project Number	Project Approval Date	TRRC Program	Funding Mechanism
3135	12/03/2015	TROF	Grant
3217	09/30/2016	TROF	Grant
3300	05/31/2017	TROF	Grant and Loan
3401	01/09/2018	Education – Student Loan Forgiveness	Grant <sup>2</sup>
3479	10/09/2018	TROF	Grant and Loan
3501	12/12/2018	TROF	Grant
3555	06/06/2019	Education – TAP	Individual Incentives
3554	06/06/2019	Education – Student Loan Repayment	MOU <sup>3</sup>
3583	09/12/2019	TROF	Grant and Loan

<sup>2</sup> For project 3401, TRRC executed a grant agreement with the Southwest Virginia Higher Education Center (SWVHEC) for SWVHEC to administer the student loan forgiveness program on TRRC’s behalf.

<sup>3</sup> For projects 3554 and 3682, TRRC executed two Memoranda of Understanding (MOUs) with the Virginia Department of Health (VDH), Office of Health Equity (OHE) for VDH OHE to administer the student loan repayment program on TRRC’s behalf.



Project Number	Project Approval Date	TRRC Program	Funding Mechanism
3682	09/28/2020	Education – Student Loan Repayment	MOU
3726	01/08/2021	Education – WFA	Scholarships
3892	09/22/2021	TROF	Grant

TRRC did not have sufficient policies, procedures, or internal controls in place to ensure that the Grants Program Director consistently performed, documented, and provided financial viability assessments to the Commission, or that TRRC staff determined that financial viability assessments did not apply to certain distributions of funds. Specifically, TRRC staff stated that:

- TRRC personnel did not include financial viability assessments for projects in the staff recommendation reports provided to the Commission until 2021, when TRRC began requiring this information in response to a prior audit finding. TRRC is still in the process of developing formal policies and procedures surrounding the financial viability assessment process.
- For loans that VRA administers on TRRC’s behalf, VRA is responsible for performing due diligence regarding applicants’ financial viability and creditworthiness. Although the Memorandum of Agreement (MOA) and engagement letter between TRRC and VRA set forth VRA’s responsibilities for providing a written financial capability analysis, TRRC does not always obtain documentation from VRA to support that VRA completed the analysis.
- TRRC determined that performing financial viability assessments for TROF projects was not the best use of TRRC staff time and resources, as TRRC generally disburses funds for these projects post-performance. In cases where TRRC disburses the funds pre-performance, TRRC requires recipients to provide evidence of collateral, and recipients would be responsible for repaying TRRC if they did not complete project performance, therefore minimizing risk.
- Regarding select TRRC education programs through which TRRC provides incentives to individuals who meet specified criteria (e.g., student loan forgiveness incentives), TRRC does not perform viability assessments of its own programs, and these types of programs are not congruent with the need for financial viability assessments.

As a result, the Commission reviewed and approved grants, loans, and other distributions of funds for which it did not provide documented evidence of an objective financial viability analysis, as required by the Code of Virginia. Therefore, TRRC may have approved and funded projects that were not feasible or financially viable or did not align with TRRC’s strategic goals, reducing the available funding that TRRC could have awarded for other projects. Further, awarding funding to projects without performing a viability assessment could result in TRRC having to claw back funding or expending other resources to ensure the recipient is ultimately compliant with the project terms and conditions.

We recommend that TRRC staff:

1. Develop and implement formal policies and procedures for completing financial viability assessments. These policies and procedures could include:
  - a. Specifying that the Grants Program Director—and only the Grants Program Director—is responsible for completing the financial viability assessment for grants, in compliance with the Code of Virginia.
  - b. Identifying the party responsible for completing financial viability assessments for loans referred to VRA.
  - c. Identifying the documentation required to measure project viability, including whether this documentation varies based on the project, program type, or funding type (e.g., grant, loan, or other disbursement).
  - d. Detailing how to complete—and document completion of—the financial viability assessment. This may include using a scoring template, checklist, or other form to standardize the assessment process.
  - e. Defining document retention requirements to support the completed financial viability assessment, including identifying the documentation that TRRC personnel must obtain from VRA when VRA is responsible for completing the assessment.
  - f. Describing how to document the results of a financial viability assessment in a written recommendation to the Commission.
2. Develop training and guidance for TRRC staff regarding the financial viability assessment process so this information is available in the event of staff turnover.
3. Work with its Commission members and Executive Director to identify and document alternative financial viability assessment processes for specific programs or funding types that do not lend themselves to the assessment process that TRRC uses for standard grants and loans, to ensure compliance with Code of Virginia requirements.

**Tobacco Region Revitalization Commission Response:** TRRC partially agreed with this finding. It acknowledged that the Code of Virginia requires financial viability assessments for projects awarded under TRRC programs and agreed that these assessments are appropriate for economic development grants. However, it believes that these assessments are not appropriate for loans administered by the VRA, WFA disbursements, TAP incentives, and TROF projects. TRRC stated that TRRC staff will request that the Virginia General Assembly revise the Code of Virginia to exclude certain programs from the requirement to provide financial viability assessments.

**Auditors' Additional Comments:** Our position regarding this finding has not changed. With regard to TRRC's disagreement with the requirement to perform financial viability assessments for all funding programs, because the current Code of Virginia language requiring TRRC to perform viability assessments for all loans, grants, and other distributions of funds became effective in 2015 and TRRC did not perform—or document that it performed—the required

viability assessments and provide the assessments to the Commission, our position regarding this finding has not changed.

**Finding 2: Noncompliance with Code of Virginia Accountability Matrix Requirements**

TRRC is required to utilize an accountability matrix to document the major milestones, associated deliverable(s), anticipated completion dates, and anticipated results, including outputs and outcomes, of each project. However, TRRC did not comply with Code of Virginia requirements for ensuring that an accountability matrix is in place for each project.<sup>4</sup> Specifically, for six sampled projects, including one Revolving Loan Fund (RLF) project that VRA administered, TRRC did not provide sufficient documentation to support that it approved and maintained an accountability matrix, as illustrated in Table 3:

**Table 3: TRRC Projects with No Accountability Matrix**

Project Number	Project Approval Date	TRRC Program	Funding Mechanism
3401	01/09/2018	Education – Student Loan Forgiveness	Grant
3160	05/17/2018	Competitive Education – RLF	Loan
3554	06/06/2019	Education – Student Loan Repayment	MOU
3555	06/06/2019	Education – TAP	Individual Incentives
3682	09/28/2020	Education – Student Loan Repayment	MOU
3931	10/06/2021	Project Development Support	Grant

TRRC did not have sufficient policies, procedures, or internal controls in place to ensure that it consistently approved and documented an accountability matrix for each project. Specifically, although TRRC provided application documents and executed project agreements for the sampled projects and Smart Simple contains a section for documenting accountability matrix information, TRRC did not provide an accountability matrix for the projects identified above. Further, TRRC staff noted that TRRC does not complete an accountability matrix for select TRRC education programs through which TRRC provides incentives to individuals who meet specified criteria.

As a result, the Commission reviewed and approved projects for which it does not have documented evidence of a project accountability matrix, as required by the Code of Virginia. Further, because the accountability matrix provides information about outputs, outcomes, and other metrics that TRRC expects the recipient to achieve, TRRC may be unable to appropriately monitor projects without ensuring that an accountability matrix has been approved and documented.

<sup>4</sup> Code of Virginia § 3.2-3108. *Distribution of Fund* (B) states that the Commission shall require that each project have an accountability matrix. For an economic development program, the matrix shall be based on return on investment, jobs, wages, and capital investment. For a scholarship program, the matrix shall be based on attainment of bachelor’s degrees, credentials, or jobs. For a health care program, the matrix shall be based on health care outcomes. For an agriculture or forestry program, the matrix shall be based on jobs, capital investment, amount of Virginia-grown agricultural and forestal products used by the project, projected impact on agricultural and forestal producers, and a return-on-investment analysis. Further, this section of the Code of Virginia states that the Commission shall require that, as a condition of receiving any grant or loan incentive, each project must demonstrate how it will address low employment levels, per capita income, educational attainment, or other workforce indicators, and be consistent with the Strategic Plan.

We recommend that TRRC staff:

4. Develop and implement formal policies and procedures for approving and documenting an accountability matrix for each project. These policies and procedures could include:
  - a. Specifying the party responsible for documenting the accountability matrix for projects—including projects that VRA administers—in compliance with the Code of Virginia.
  - b. Identifying the documentation required to measure accountability and develop the metrics included in the matrix, including whether this documentation varies based on the project, program type, or funding type (e.g., grant, loan, or other disbursement).
  - c. Detailing how to incorporate the accountability matrix into project-related documentation, such as the executed project agreement or Smart Simple.

**Tobacco Region Revitalization Commission Response:** TRRC partially agreed with this finding. It acknowledged that the Code of Virginia requires an accountability matrix for projects awarded under TRRC programs and agreed that this matrix is appropriate for economic development grants. However, it believes that this matrix is not appropriate for all types of projects. In addition, TRRC noted that the Code of Virginia does not address all of the types of projects that TRRC funds. TRRC stated that TRRC staff will request that the Virginia General Assembly revise the Code of Virginia to exclude certain programs subject to alternative forms of measurement from the requirement for an accountability matrix.

**Auditors' Additional Comments:** Our position regarding this finding has not changed. With regard to TRRC's disagreement with the requirement to identify an accountability matrix for all funding programs, because the current Code of Virginia language requiring TRRC to ensure that each project, regardless of program type, has an accountability matrix became effective in 2015 and TRRC did not document an approved accountability matrix for all of the projects within our audit scope, our position regarding this finding has not changed.

### **Finding 3: Project Outputs and Outcomes Not Sufficiently Documented and Monitored**

TRRC did not maintain sufficient documentation to support that it established metrics for project outputs and outcomes and monitored whether recipients achieved or were in the process of achieving the anticipated outputs and outcomes, as required by the Code of Virginia,<sup>5</sup> TRRC’s bylaws,<sup>6</sup> and TRRC policies.<sup>7</sup> Specifically, we noted that for 20 of the sampled projects, including RLF projects and other loan projects that VRA administers, TRRC did not provide sufficient documentation to support that it monitored whether the recipient had achieved or was in the process of achieving the project outputs and outcomes consistent with the project objectives, terms, and conditions, as illustrated in Table 4.

**Table 4: TRRC Projects with Outputs and Outcomes Not Sufficiently Documented and Monitored**

Project Number	Project Period	TRRC Program	Funding Mechanism
1768	01/20/2009 – 01/19/2012	Technology	Grant
1791	04/28/2009 – 04/27/2014	Southside Economic Development	Grant
2789	07/01/2013 – 07/01/2025	Education – Scholarship	MOU <sup>8</sup>
2841	01/07/2014 – 01/07/2021	Southwest Economic Development	Grant
2882	05/22/2014 – 09/30/2021	Centers of Excellence	Grant
3192	09/20/2016 – 09/20/2019	Southwest Economic Development	Grant
3219	01/10/2017 – 01/10/2021	Agribusiness	Grant
3322	09/20/2017 – 09/20/2020	Special Projects	Grant
3397	01/09/2018 – 01/31/2022	Megasite	Grant
3401	01/09/2018 – 01/09/2020	Education - Student Loan Forgiveness	Grant
3160	05/17/2018 – 05/17/2021	Competitive Education – RLF	Loan
3332	05/24/2018 – 05/24/2021	Special Projects – RLF	Loan
3527	06/06/2019 – 06/06/2023	Research and Development	Grant
3554	06/06/2019 – 06/06/2021	Education - Student Loan Repayment	MOU

<sup>5</sup> According to Code of Virginia § 3.2-3103. *Powers and duties of the Tobacco Region Revitalization Commission (C)*, TRRC shall develop a Strategic Plan containing specific priorities, measurable goals, and quantifiable outcomes and shall state how each award is consistent with TRRC’s achievement of measurable goals and outcomes and its advancement of the Strategic Plan. Further, Code of Virginia § 3.2-3103. *Powers and duties of the Tobacco Region Revitalization Commission (D)* states that TRRC shall develop a publicly available online database of all awards, listing each project’s goals, the means by which the project fits into the Strategic Plan, and the project’s expected and achieved outcomes.

<sup>6</sup> According to TRRC bylaws, Article IV. Section 4.5, *Evaluate Implementation by Recipient Organizations*, TRRC shall establish criteria for determining whether a recipient organization or entity complies with the Commission’s established goal of economic revitalization. TRRC may delegate monitoring activities to the Executive Director or other employees of the Commission, but ensuring each recipient’s compliance with the terms and conditions of disbursements from the Fund shall be the responsibility of the Commission.

<sup>7</sup> According to TRRC’s *Funding Policies for Grant Awards: Information for Applicants & Grantees*, Section XIV (revised May 2016 and June 2020), grant recipients will be expected to provide to the Commission data on actual outcomes accomplished during the project period and for a period beyond. The Commission is currently designing and testing outcome and performance reporting methodologies that align with the anticipated outcomes provided in each grant application. Final design of those methodologies is not yet complete, and the Commission’s Performance Analyst staff will contact grant recipients at periodic future dates to be determined.

<sup>8</sup> For project 2789, TRRC executed an MOU with SWVHEC for SWVHEC to administer the annual Tobacco Scholarship program on TRRC’s behalf.

Project Number	Project Period	TRRC Program	Funding Mechanism
3548	09/09/2019 – 09/09/2022	Southwest Economic Development – RLF	Loan
3569	01/07/2020 – 01/07/2023	Southwest Economic Development	Grant
3605	01/07/2020 – 01/07/2023	Agribusiness	Grant
3658	09/28/2020 – 09/28/2023	Southside Economic Development	Loan
3682	09/28/2020 – 09/28/2022	Education - Student Loan Repayment	MOU
3752	05/27/2021 – 05/27/2024	Research and Development	Loan

TRRC did not have sufficient policies, procedures, or internal controls in place to ensure that it consistently monitored project outputs and outcomes and verified that recipients achieved or were in the process of achieving the anticipated outputs and outcomes, consistent with the terms of the project agreement. Specifically, although TRRC noted that it uses a variety of tools, such as annual progress reports and site visits, to obtain information on whether project recipients are achieving the anticipated outputs and outcomes, it has not developed a standardized process for documenting and monitoring outputs and outcomes and agreed upon this process with its recipients, as the project outputs and outcomes vary across programs. Further, the MOA and engagement letter between TRRC and VRA do not require VRA to monitor the outputs and outcomes associated with each loan to verify that the recipients are using the funds for their intended purpose. TRRC noted that it is working on implementing a standardized process for documenting and tracking project outputs and outcomes.

As a result, TRRC provided—and continues to provide—funding to recipients through grants, loans, and other distributions despite not having documented evidence that the recipients achieved or are achieving the project outputs and outcomes consistent with the terms of the project agreements, as required by the Code of Virginia and TRRC policies.

We recommend that TRRC staff:

5. Develop and implement formal policies and procedures for documenting and monitoring project outputs and outcomes. These policies and procedures could include:
  - a. Specifying how to capture approved outputs and outcomes in the executed project agreements and in Smart Simple.
  - b. Identifying the party responsible for monitoring recipients’ progress and their achievement of project outputs and outcomes, including how responsibility differs for projects that TRRC administers and projects that VRA administers on TRRC’s behalf.
  - c. Detailing the steps required to monitor project outputs and outcomes both during the project period and at project closeout, including how to document completion of these steps. This may include the use of progress reports, site visit templates, checklists, or other forms to standardize the monitoring process.



- d. Identifying the documentation that grant, loan, or other fund distribution recipients must provide to support the project output and outcome monitoring activities, including whether the required supporting documentation varies based on project, program type, or funding type.
  - e. Defining document retention requirements for TRRC to support its monitoring of outputs and outcomes for each project, including what documentation TRRC must obtain from VRA in cases where VRA is responsible for monitoring project outputs and outcomes.
  - f. Describing how to identify and support achieved and unachieved outputs and outcomes in TRRC's database of awards, in compliance with the Code of Virginia.
6. Develop training and guidance for TRRC staff regarding how to appropriately monitor and document whether recipients achieved the anticipated project outputs and outcomes.
  7. Update the MOA and engagement letter between TRRC and VRA to specify each party's responsibilities for monitoring project outputs and outcomes.

**Tobacco Region Revitalization Commission Response:** TRRC agreed with this finding and acknowledged that the Code of Virginia requires output and outcome measurement for all TRRC programs. TRRC noted that, although uniform measurement may not be feasible based on the differing natures of its various projects, it is exploring processes and system improvements to identify a solution. Further, TRRC stated that TRRC staff may request that the Virginia General Assembly revise the Code of Virginia to exclude certain programs from the requirement to track outputs and outcomes, where applicable.

**Auditors' Additional Comments:** Our position regarding this finding has not changed.

#### **Finding 4: Insufficiently Supported Application Documentation**

TRRC did not maintain documentation to support that it verified whether applicants submitted grant or loan application documents in compliance with TRRC's funding policies<sup>9</sup> and guidelines and its Requests for Proposals (RFPs). Specifically, for 37 of the sampled projects—including RLF projects and other loan projects that VRA administers—TRRC did not maintain documentation to support that the applicants submitted all of the documentation required per the *Requirements for Applicants* section of TRRC's funding policies and the applicable RFP associated with each program and/or project type, as illustrated in Table 5.

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<sup>9</sup> According to TRRC's *Funding Policies for Grant Awards: Information for Applicants & Grantees*, Section III (revised May 2016 and June 2020), applicants must submit applications in accordance with guidelines and deadlines established by the Commission, and proposals will be reviewed by designated program staff. The Commission may, at its discretion, invite an out-of-cycle application; these applications must demonstrate urgency and will only be heard at a regularly scheduled Commission meeting.



**Table 5: TRRC Projects Without Confirmation of Historic RFP Information and/or Application Documents**

Project Number	Project Period	TRRC Program	Funding Mechanism
1768	01/20/2009 – 01/19/2012	Technology	Grant
1791	04/28/2009 – 04/27/2014	Southside Economic Development	Grant
2117	06/30/2012 – 05/31/2020	Reserve	Grant
2024	09/15/2010 – 09/14/2013	Reserve	Grant
2491	01/10/2012 – 06/30/2020	Megasite	Grant
2841	01/07/2014 – 01/07/2021	Southwest Economic Development	Grant
2882	05/22/2014 – 09/30/2021	Centers of Excellence	Grant
2849	05/21/2015 – 05/21/2019	Competitive Education	Grant
2980	05/21/2015 – 05/21/2020	Research and Development	Grant
3089	09/23/2015 – 10/31/2023	Special Projects	Grant
3099	09/23/2015 – 09/30/2022	Centers of Excellence	Grant
3125	01/12/2016 – 01/12/2021	Southside Economic Development	Grant
3192	09/20/2016 – 09/20/2019	Southwest Economic Development	Grant
3219	01/10/2017 – 01/10/2021	Agribusiness	Grant
3280	05/18/2017 – 05/18/2020	Competitive Education	Grant
3322	09/20/2017 – 09/20/2020	Special Projects	Grant
3327	09/20/2017 – 05/18/2022	Special Projects	Grant
3352	01/09/2018 – 01/09/2021	Southside Economic Development	Grant and Loan
3356	01/09/2018 – 01/09/2021	Southside Economic Development	Grant
3397	01/09/2018 – 01/31/2022	Megasite	Grant
3389	03/08/2018 – 03/08/2021	Research and Development	Grant
3160	05/17/2018 – 05/17/2021	Competitive Education – RLF	Loan
3445	05/22/2018 – 05/31/2022	Special Projects	Grant
3332	05/24/2018 – 05/24/2021	Special Projects – RLF	Loan
3527	06/06/2019 – 06/06/2023	Research and Development	Grant
3548	09/09/2019 – 09/09/2022	Southwest Economic Development – RLF	Loan
3563	10/10/2019 – 10/10/2023	Southwest Economic Development	Grant
3569	01/07/2020 – 01/07/2023	Southwest Economic Development	Grant
3605	01/07/2020 – 01/07/2023	Agribusiness	Grant
3641	05/18/2020 – 05/18/2023	Competitive Education	Grant
3658	09/28/2020 – 09/28/2023	Southside Economic Development	Loan
3726	01/08/2021 – 01/08/2023	Education – WFA	Grant
3752	05/27/2021 – 05/27/2024	Research and Development	Loan
3931	10/06/2021 – 06/30/2022	Project Development Support	Grant
3913	01/01/2022 – 12/31/2032	CBL	Loan
3927	01/07/2022 – 01/07/2025	Agribusiness	Grant
3957	05/12/2022 – 05/12/2025	Southside Economic Development	Grant

TRRC did not have sufficient procedures or internal controls in place to ensure that it identified and documented the appropriate RFP guidance applicable to each project, either in Smart Simple or in paper project files, or that it confirmed applicants submitted all of the required documentation for the grant or loan program to which they were applying. Specifically, TRRC stated that the required documentation would have been identified in the RFP specific to the program at the time

of the application, but that this historic RFP information is not always available. TRRC also stated that, when it receives applications under its grant programs that it determines are better suited for loan projects, it forwards the applications to VRA, which is responsible for identifying the documentation the applicant must provide before VRA issues the loan.

As a result, the Commission may have reviewed and approved applications for grants and loans that did not have sufficient supporting documentation available to address all of the requirements in the applicable RFP or in TRRC's funding policies. Therefore, TRRC may have approved and funded projects that were ineligible or that resulted in higher costs. For example, if an applicant did not provide an independent cost estimate for a project that involved equipment, this could have resulted in TRRC paying more for the equipment than what was considered reasonable. If an applicant did not submit documentation to support match costs identified for the project, this could have resulted in the applicant not being able to comply with match requirements.

We recommend that TRRC staff:

8. Develop and implement a procedure or control for documenting the RFP guidance associated with each application received. This may include establishing a field in Smart Simple to identify the RFP based on the program/project type and application date.
9. Develop and implement formal procedures for documenting whether applicants submitted all of the documentation required per TRRC's RFP guidance, funding policies, and other applicable policies. These procedures could include:
  - a. Detailing the steps required to assess whether applicants have provided all of the necessary information. This may include using a checklist, scoring template, or other forms to standardize the assessment process.
  - b. Describing the process for following up with applicants, as required, including how to document communication with the applicant and how to maintain both the original and revised application documents.
  - c. Identifying the documentation required for loan applications that TRRC plans to refer to VRA, including any documentation decisions or follow-up determinations that VRA will be responsible for making on TRRC's behalf.
  - d. Defining document retention requirements to support TRRC's review of the documentation received, including identifying the documentation that TRRC must obtain from VRA in cases where VRA is responsible for obtaining application documents, as well as how and where to store the applicant's documents and TRRC's or VRA's assessment information within Smart Simple.

**Tobacco Region Revitalization Commission Response:** TRRC agreed with this finding. It noted that, because RFP requirements have changed since TRRC was established, it did not maintain RFPs for certain program funding cycles. TRRC acknowledged that the current tracking system does not always document staff review and follow-up for proposal submission and stated that it

will implement an intake form to provide evidence of RFP requirements, intake procedures, applicant documentation received, and follow-up notes.

**Auditors’ Additional Comments:** Our position regarding this finding has not changed.

**Finding 5: Site Visits Not Consistently Performed and/or Documented**

TRRC utilizes site visits as part of its monitoring tools to determine whether project outputs and outcomes have been achieved. However, TRRC did not consistently perform—or document that it performed—site visits for 14 of the sampled projects. Specifically:

***5a. Projects with No Site Visits Performed***

Although TRRC stated that it performs site visits as part of its process for monitoring project outcomes and outputs<sup>10</sup> and further noted that it often performs site visits as part of the award closeout process, TRRC did not perform site visits for 12 of the sampled projects, as illustrated in Table 6.

**Table 6: TRRC Projects with No Site Visit Performed**

Project Number	Project Period	TRRC Program	Funding Mechanism
1768	01/20/2009 – 01/19/2012	Technology	Grant
1791	04/28/2009 – 04/27/2014	Southside Economic Development	Grant
2117	06/30/2012 – 05/31/2020	Reserve	Grant
2841	01/07/2014 – 01/07/2021	Southwest Economic Development	Grant
2849	05/21/2015 – 05/21/2019	Competitive Education	Grant
3125	01/12/2016 – 01/12/2021	Southside Economic Development	Grant
3192	09/20/2016 – 09/20/2019	Southwest Economic Development	Grant
3280	05/18/2017 – 05/18/2020	Competitive Education	Grant
3322	09/20/2017 – 09/20/2020	Special Projects	Grant
3389	03/08/2018 – 03/08/2021	Research and Development	Grant
3527	06/06/2019 – 06/06/2023	Research and Development	Grant
3563	10/10/2019 – 10/10/2023	Southwest Economic Development	Grant

***5b. Projects with Site Visit Results Not Consistently Documented***

Although TRRC stated that it began using a standard site visit reporting form in November 2021 to document the results of its site visits, TRRC did not consistently use this form to document the site visits it performed for two of the sampled projects, as illustrated in Table 7.

<sup>10</sup> According to TRRC bylaws, Article IV. Section 4.5, *Evaluate Implementation by Recipient Organizations*, TRRC may delegate monitoring activities to the Executive Director or other employees of the Commission, but ensuring each recipient’s compliance with the terms and conditions of disbursements from the Fund shall be the responsibility of the Commission. Further, according to TRRC’s *Funding Policies for Grant Awards: Information for Applicants & Grantees*, Section XIV (revised May 2016 and June 2020), the Commission is currently designing and testing outcome and performance reporting methodologies that align with the anticipated outcomes provided in each grant application. Final design of those methodologies is not yet complete, and the Commission’s Performance Analyst staff will contact grant recipients at periodic future dates to be determined.

**Table 7: TRRC Projects with No Site Visit Reporting Form**

Project Number	Project Period	TRRC Program	Funding Mechanism
3089	09/23/2015 – 10/31/2023	Special Projects	Grant
3352	01/09/2018 – 01/09/2021	Southside Economic Development	Grant and Loan

TRRC did not have sufficient policies, procedures, or internal controls in place to establish when and how TRRC staff should perform and document site visits. Specifically, TRRC staff stated that TRRC determines whether to perform a site visit based on whether the project includes observable features and whether TRRC has any concerns regarding the project. Site visits are often triggered when the project is near the closeout stage, as TRRC uses the site visit to verify whether the recipient has achieved the anticipated project outputs and outcomes. Further, TRRC staff noted that site visits are dependent upon TRRC staff availability and resources. In addition, although TRRC implemented a standard site visit reporting form in 2021, TRRC’s policies and procedures do not address either this form or any additional requirements for documenting site visits.

As a result, TRRC provided—and continues to provide—funding to organizations through grants, loans, and other distributions without maintaining documentation to support that it has performed the site visits. Further, because site visits provide TRRC with information about outputs, outcomes, and other metrics that TRRC expects the recipient to achieve, TRRC may be unable to appropriately monitor projects without performing and documenting site visits.

We recommend that TRRC staff:

10. Develop and implement formal policies and procedures for performing site visits. These policies and procedures could include:
  - a. Specifying the party responsible for performing site visits.
  - b. Identifying the types of projects for which TRRC must perform a site visit and the types of projects that do not require a site visit, as well as any circumstances or concerns that would require TRRC to perform a site visit.
  - c. Detailing how to complete—and document completion of—a site visit. This may include describing when and how often to perform site visits, how to initiate and coordinate the site visit, and how to complete the site visit reporting form or other required documentation.
  - d. Defining document retention requirements and the location within Smart Simple, or another appropriate location, in which TRRC staff should maintain documentation to support the results of each site visit.
11. Develop training and guidance for TRRC staff regarding how to complete site visits as part of TRRC’s ongoing monitoring and/or project closeout processes.

**Tobacco Region Revitalization Commission Response:** TRRC agreed with this finding. It stated that these exceptions occurred because TRRC did not have a formal site visit template in place at the time; TRRC has since implemented a site visit template, beginning in 2021. TRRC also stated that it believes site visits are not always an appropriate action for documenting grant activity and that it will revise its policies and procedures to describe appropriate output measurement activities based on project type.

**Auditors’ Additional Comments:** Our position regarding this finding has not changed.

**Finding 6: Inconsistent Smart Simple Information**

TRRC did not ensure that the information in its grant management system, Smart Simple, was consistent with the actual project status and documented period of performance for eight of the sampled projects.<sup>11</sup> Specifically:

***6a. Inconsistent Project Status***

For six of the sampled projects, Smart Simple listed the project status as “Approved – Closed.” However, these projects either did not materialize or were declined by the applicant and rescinded by TRRC, as illustrated in Table 8.

**Table 8: TRRC Projects with Inconsistent Project Status in Smart Simple**

Project Number	Approved Project Start Date	Project Closed Date	TRRC Program	Smart Simple Project Status	Appropriate Project Status	Funding Mechanism
3443	06/30/2018	08/22/2019	TROF	Approved – Closed	Closed – Did Not Materialize	Grant and Loan
3655	N/A <sup>12</sup>	08/14/2020	TROF	Approved – Closed	Closed – Did Not Materialize	Grant and Loan
3585	03/31/2020	06/11/2021	TROF	Approved – Closed	Closed – Did Not Materialize	Grant and Loan
3761	05/27/2021	09/29/2021	Research and Development	Approved – Closed	Closed – Rescinded	Loan
3884	05/27/2021	02/04/2022	TROF	Approved – Closed	Closed – Did Not Materialize	Grant and Loan
3914	N/A <sup>13</sup>	06/16/2022	CBL	Approved – Closed	Closed – Did Not Materialize	Loan

***6b. Inconsistent Project Dates***

For two of the sampled projects, the project dates identified in Smart Simple were not consistent with the dates outlined in the Memorandum of Understanding (MOU), as illustrated in Table 9.

<sup>11</sup> According to Code of Virginia § 3.2-3103. *Powers and duties of the Tobacco Region Revitalization Commission (D)*, TRRC shall develop a publicly available online database of all awards, listing each project’s goals, the means by which the project fits into the Strategic Plan, and the project’s expected and achieved outcomes.

<sup>12</sup> Smart Simple did not include an approved project start date.

<sup>13</sup> Smart Simple did not include an approved project start date.

**Table 9: TRRC Projects with Inconsistent Project Dates in Smart Simple**

Project Number	Project Dates per Smart Simple	Project Dates per MOU	TRRC Program	Funding Mechanism
3554	06/06/2019 – 06/06/2021	09/26/2019 – 06/30/2020	Education – Student Loan Repayment	MOU
3682	09/28/2020 – 09/28/2022	11/19/2020 – 06/30/2021	Education – Student Loan Repayment	MOU

TRRC did not have sufficient policies, procedures, or internal controls in place to ensure that it appropriately updated its online database consistent with the actual status of each project or with the information included in the executed project agreement. Specifically, for the CBL and TROF projects, TRRC stated that it inadvertently used the wrong status label when closing the projects. For the research and development project, TRRC noted that the Commission had approved the project but that the applicant had ultimately declined the funding, and TRRC did not use the “Approved – Did Not Materialize” status label because it generally reserves that label for TROF projects. Finally, for the student loan repayment projects, TRRC noted that it had set the end dates in the online database based on the anticipated timeframe for completion, rather than on the dates identified in the MOUs.

As a result, the project status and period of performance reported in Smart Simple were not always consistent with the actual project status and period of performance. These inconsistencies could cause inaccuracies in TRRC’s data analyses or could cause TRRC to report inaccurate project information to the public. These inconsistencies could also result in noncompliance and inappropriate spending if recipients were to perform work and pay expenses outside of the appropriate project period of performance stipulated in the executed project agreement.

We recommend that TRRC staff:

12. Develop and implement formal procedures or controls for inputting project information into Smart Simple to ensure the data are accurate and consistent with the executed project agreement. These procedures or controls may include:
  - a. Defining standard project status labels, including identifying the situations in which to use each label and clarifying how to use the labels to differentiate between projects that have been approved, executed, and performed (or that are currently in process) and projects that do not materialize, are rescinded, or are declined by the applicant.
  - b. Identifying information in the executed project agreements that TRRC personnel should use to populate the project start and end dates to ensure information communicated to the public is consistent with project terms and conditions.

**Tobacco Region Revitalization Commission Response:** TRRC agreed with this finding, noting that the exceptions identified were isolated to loan and incentives projects. TRRC stated that it will use additional care when inputting project data points into its system in the future.

**Auditors’ Additional Comments:** Our position regarding this finding has not changed.



## **Finding 7: Match Requirements Not Met**

TRRC did not verify that grant recipients provided sufficient documentation to support that they met the match requirements defined in the Code of Virginia<sup>14</sup> and TRRC’s funding policies.<sup>15</sup> Specifically, for four of the sampled projects, TRRC did not provide evidence to support that match costs complied with the required match percentages, as illustrated in Table 10.

**Table 10: TRRC Projects with Match Requirements Not Met**

Project Number	Project Period	Project Closed Date	TRRC Program	Total Project Match % Required	Total Project Match % Supported	Funding Mechanism
1768	01/20/2009 – 01/19/2012	06/30/2020	Technology	10%	0%	Grant
3192	09/20/2016 – 09/20/2019	01/28/2020	Southwest Economic Development	50%	49%	Grant
1791	04/28/2009 – 04/27/2014	06/30/2020	Southside Economic Development	10%	0%	Grant
3352	01/09/2018 – 01/09/2021	N/A	Southside Economic Development	50%	0%	Grant and Loan

TRRC did not have sufficient procedures or internal controls in place to ensure grant recipients submitted documentation evidencing that they met the required match amounts before TRRC disbursed funds.

As a result, TRRC issued grant recipients funding that the recipients may not have been eligible to receive because the recipients did not contribute the required amount of match for the projects.

We recommend that TRRC staff:

13. Develop and implement formal procedures or controls for verifying that grant recipients meet their match requirements, including how to document this verification. These procedures or controls may include:

<sup>14</sup> According to Code of Virginia § 3.2-3103. *Powers and duties of the Tobacco Region Revitalization Commission* (A)(7), each economic development grant or award, including a grant from the TROF, requires a dollar-for-dollar match from non-Commission sources. A match of less than 50 percent may be considered by a two-thirds majority vote of the Commission.

<sup>15</sup> According to TRRC’s *Funding Policies for Grant Awards: Information for Applicants & Grantees*, Section IX. *Matching Funds* (revised May 2016 and June 2020), per the Code of Virginia, all Commission grant awards approved after July 1, 2015, will require dollar-for-dollar matching funds (i.e., at least 50 percent of the total project costs must be provided from non-TRRC funds), unless otherwise approved by a two-thirds majority of Commissioners. Total match contributions for a project must be documented at the time of disbursement requests and in the annual and final project reports, as well as prior to submission of a final disbursement request. Further, economic development and special projects effective prior to July 1, 2015, require at least 10 percent match on total project costs (i.e., at least 10 percent of the total project costs must be provided from non-TRRC funds).



- a. Identifying the types of documentation that are acceptable for supporting match costs.
- b. Defining when and how grant recipients must provide support for their match costs before TRRC may approve payments to the recipients, including how to document situations in which the Commission approves either a match percentage of less than 50 percent or an alternate schedule for supporting match costs.
- c. Detailing how to consistently document TRRC staff review of the documentation provided to support match costs, including how personnel should capture this information in Smart Simple or another appropriate location.

**Tobacco Region Revitalization Commission Response:** TRRC disagreed with this finding. It stated that it has revised its policies for match cost documentation over time based on its staff's reviews of reimbursement requests. Further, TRRC noted that two of the projects identified in this finding were awarded more than ten years ago; that one project was converted to a loan, which does not require match costs; and that one project included documentation evidencing that the recipient had provided support for the required match costs. TRRC also stated that it requires copies of original expense documents to support reimbursement requests. As such, TRRC does not believe this issue requires corrective action.

**Auditors' Additional Comments:** Although TRRC believes the documentation for the four projects in this finding was sufficient to support either that the recipients met the match cost requirements or that match costs were not required, our position regarding this finding has not changed. Specifically:

- Regarding projects 1768 and 1791, although these projects became effective in 2009—before the Code of Virginia changed to require dollar-for-dollar match—per TRRC policies, grants approved prior to July 1, 2015, must include at least 10 percent match. Because TRRC did not maintain documentation to support that the recipients met the 10 percent match requirement, our position regarding this finding has not changed.
- Regarding project 3352, although TRRC indicated this project was converted to a loan, TRRC's documentation contains conflicting information regarding whether the project was converted solely to a loan or to a combination of a grant and a loan. Specifically, the documentation we obtained from Smart Simple indicates that, although TRRC approved \$1,150,000 in funding as a loan, TRRC actually awarded \$750,000 as a loan and \$400,000 as a grant, which would have been subject to match requirements. Therefore, our position regarding this finding has not changed.
- Regarding project 3192, although TRRC noted that the project had documentation evidencing that the recipient had met the required match costs, the documentation does not support the difference between the match supported in the payment voucher and the required amount of match; it only indicates that the match from another project should be sufficient to protect TRRC's interests. As a result, our position regarding this finding has not changed.

## **Finding 8: Insufficiently Supported Expenses**

TRRC did not provide sufficient documentation to support the reasonableness of \$86,398 in expenses paid for one project, as required by TRRC’s funding policies.<sup>16</sup> Specifically, TRRC agreed to pay \$86,398 to SWVHEC to cover severance pay for two SWVHEC employees whom SWVHEC terminated when TRRC ended the student loan forgiveness program that SWVHEC was administering on TRRC’s behalf. The MOU between TRRC and SWVHEC did not include funding for this type of expense. Further, although TRRC’s Executive Director approved the payment, TRRC did not provide documentation to support that the severance payments were reasonable and that SWVHEC had appropriately calculated the payments based on the employees’ salary rates and SWVHEC’s severance policy, as illustrated in Table 11.

**Table 11: TRRC Project with Insufficiently Supported Expenses**

Project Number	Project Period	Insufficiently Supported Expense	Insufficient Documentation to Support	TRRC Program	Funding Mechanism
3401	01/09/2018 – 01/09/2020	\$86,398	Severance Pay	Education – Student Loan Forgiveness	Grant

TRRC did not have sufficient policies, procedures, or internal controls in place to ensure that it received and maintained sufficient documentation to support the reasonableness of all expenses paid under the project. Specifically, TRRC’s policies, procedures, and internal controls did not ensure that TRRC obtained documentation to support that SWVHEC appropriately calculated severance payments based on the employees’ salary rates and SWVHEC’s severance policy.

As a result, TRRC paid \$86,398 in project expenses that it was unable to support as reasonable and appropriate.

We recommend that TRRC staff:

14. Strengthen TRRC’s procedures and internal controls for obtaining and maintaining supporting documentation to help ensure that TRRC appropriately confirms expenses are reasonable and in compliance with TRRC policies before paying the expenses. These additional procedures or controls could include updating TRRC’s existing funding policies and/or providing additional training regarding the documentation required to support expenses not included in the project budget.

**Tobacco Region Revitalization Commission Response:** TRRC agreed with this finding. It noted that SWVHEC had terminated the employees in 2019 because TRRC ended the loan forgiveness program and that, because the program associated with the finding had ended, TRRC does not believe that it needs to perform corrective actions as a result of this finding.

<sup>16</sup> According to TRRC’s *Funding Policies for Grant Awards: Information for Applicants & Grantees*, Section VII. *Acceptable Expense Documentation* (revised May 2016 and June 2020), for payroll accounting, either check stubs or a payroll register/reporting showing the name of the employee, pay period, salary, and benefits is required for personnel expenditures.

**Auditors’ Additional Comments:** Our position regarding this finding has not changed. Although TRRC does not believe a corrective action plan is necessary because the program associated with this finding ended, TRRC did not ensure that it maintained sufficient documentation to support the reasonableness of the unbudgeted expenses paid when it is responsible for ensuring that it only reimburses project recipients for reasonable expenses that comply with its policies, regardless of the program. As a result, our position regarding this finding has not changed.

**Finding 9: Insufficient Project Amendment Documentation**

TRRC did not maintain sufficient documentation to support that it amended one project consistent with its funding policies.<sup>17</sup> Specifically, although TRRC provided documentation to support two of the three extension amendments executed for this project, it did not provide support for one of the amendments, as illustrated in Table 12.

**Table 12: TRRC Project Without Amendment Documentation**

Project Number	Project Period	Project Closed Date	Insufficient Documentation to Support	TRRC Program	Funding Mechanism
2482	06/30/2012 – 06/30/2017	07/29/2022	Amendment	TROF	Grant

TRRC did not have sufficient procedures or internal controls in place to ensure that it maintained documentation sufficient to support the purpose of the project amendment, or that it obtained the appropriate approvals for the amendment.

As a result, TRRC continued to pay project expenses against the grant despite not having sufficient documentation to support the change(s) made to the project.

We recommend that TRRC staff:

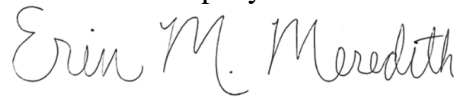
15. Strengthen TRRC’s procedures and internal controls for obtaining and maintaining amendment documentation to ensure that TRRC can appropriately support approved changes made to executed project agreements. These additional procedures and controls could include updating TRRC’s existing funding policies and/or providing additional training regarding the documentation required for executing amendments and the location in which this documentation should be stored.

**Tobacco Region Revitalization Commission Response:** TRRC disagreed with this finding, noting that the project associated with the finding was completed more than six years ago. TRRC further noted that it has implemented improved processes for documenting amendments, as evidenced by its standard operating procedures for grants, and that it does not believe this is a widespread issue that requires corrective action.

<sup>17</sup> According to TRRC’s *Funding Policies for Grant Awards: Information for Applicants & Grantees*, Section XII. *Grant Period and Extension Requests* (revised May 2016), for consideration of an extension, the grantee must provide a written request to the Grants Program Administrator. TRRC will issue a written approval for the extension if the request is deemed reasonable and necessary.

**Auditors' Additional Comments:** Our position regarding this finding has not changed. Although TRRC stated that the project associated with this finding was completed more than six years ago, TRRC did not formally close the project until July 29, 2022, which is within our audit scope. Because TRRC closed the project without verifying the appropriate amendment documentation was available to support changes to the project, our position regarding this finding has not changed.

Cotton & Company Assurance and Advisory, LLC



Erin Mooney Meredith, CPA, CFE, CGFM

Partner

November 21, 2023

**APPENDIX A: TRRC'S RESPONSE**

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## TOBACCO REGION REVITALIZATION COMMISSION

### Official Response to the Performance Audit of Virginia Tobacco Region Revitalization Commission (TRRC) From Management Team of TRRC November 2, 2023

Agency staff of the Virginia Tobacco Region Revitalization Commission (TRRC) have prepared a coordinated response for each finding in response to the draft audit report delivered on October 19, 2023, by Cotton, a Sikich Company. Cotton was contracted by the Office of the State Inspector General (OSIG) of Virginia to perform the audit.

#### **Finding 1: Noncompliance with Code of Virginia Financial Viability Assessment Requirements**

*TRRC did not comply with Code of Virginia requirements for completing written financial viability assessments when executing grants, loans, and other distributions of funds.<sup>1</sup> Specifically, for 42 sampled projects, TRRC did not maintain sufficient documentation to support that it completed a financial viability assessment.*

##### ***1a. Noncompliance for Grant and Loan Projects***

*Thirty projects that related to grants or loans awarded to applicants—including Community Business Lending (CBL) loans and other loans administered by the Virginia Resources Authority (VRA)—did not include sufficient documentation to support that the Grants Program Director completed a written financial viability assessment and provided it to the Commission before the Commission approved and executed the project.*

##### ***1b. Noncompliance for Tobacco Region Opportunity Fund Projects and TRRC Education Incentive Programs***

*Twelve projects that related to Tobacco Region Opportunity Fund (TROF) grants and/or loans or to TRRC's student loan repayment and forgiveness, Talent Attraction Program (TAP), and Workforce Financial Aid (WFA) programs did not include sufficient documentation to support that the Grants Program Director completed a written financial viability assessment and provided it to the Commission before the Commission approved and executed the project.*

<sup>1</sup> According to Code of Virginia § 3.2-3103. *Powers and duties of the Tobacco Region Revitalization Commission (A)(9)*, TRRC has the duty to enter into a contractual or employment agreement with a financial viability manager, who shall be required to provide a written financial viability and feasibility report to the Commission as to the financial propriety of certain loans, grants, or other distributions of money made for the revitalization of a tobacco-dependent locality as proposed in accordance with the Commission's strategic objectives. The Commission shall not make any loan, except a loan made through the Virginia Tobacco Region Revolving Fund created in Chapter 31.1 (§ 3.2-3112 et seq.), grant, or other distribution of money until the Manager has provided the Commission with a written recommendation as to the financial viability and feasibility of the proposed distribution of funds. Further, Code of Virginia § 3.2-3108. *Distribution of Fund (B)*,

**AGENCY RESPONSE: PARTIALLY AGREE, BASED UPON THE PREMISE BY WHICH AUDITOR IS MEASURING.**

**Action Steps:** We understand that the language cited in the *Code of Virginia* broadly references the whole of the programs administered by the TRRC; however, the applicability of a financial viability assessment hinges on the process utilized for each funding product, which may or may not be structured in the same way as a grant. In the case of typical economic development grants, it makes sense to assess viability of projects in this way. However, in the case of loans, which are administered through the TRRC's partnership with Virginia Resources Authority, the VRA performs a credit analysis on the applicant to make a funding decision. Additionally, in the case of Workforce Financial Aid, the Financial Aid Offices of the awarded institutions are entrusted with evaluating the needs and eligibility requirement for each student receiving aid. For the Talent Attraction Program (TAP), financial viability assessments are not meaningful since certain criteria must be met to qualify for a loan repayment award, and it makes no sense to assess financial viability of an incentive award. Similarly, TROF incentive awards are usually made in arrears after performance has been verified. Since no funds leave the Commission until performance is verified, there is no risk to the Commission that would necessitate a financial viability assessment at the beginning of a project. On occasions when funds are disbursed prior to performance, the Commission requires the local applicant to obtain adequate security to fully cover the amount of award funds if full or partial repayment is necessary. In all cases, TROF awards are made to a locality or other regional political subdivisions within the Tobacco Region as the grantee. Staff will request a change in Code language by the Commission to exempt certain funding programs from the Financial Viability assessment requirement should it be subject to an alternate measurement, as in the case of loans, economic development incentives, talent attraction programs, and financial aid.

**Finding 2: Noncompliance with Code of Virginia Accountability Matrix Requirements**

*TRRC did not comply with Code of Virginia requirements for ensuring that an accountability matrix is in place for each project.<sup>2</sup> Specifically, for six sampled projects, including one Revolving Loan Fund (RLF) project that VRA administered, TRRC did not provide sufficient documentation to support that it confirmed recipients documented an accountability matrix and TRRC approved the matrix.*

**AGENCY RESPONSE: PARTIALLY AGREE, BASED UPON THE PREMISE BY WHICH AUDITOR IS MEASURING.**

**Action Steps:** We understand that the language cited in the *Code of Virginia* broadly references the whole of the programs administered by the TRRC; however, the applicability of an accountability

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states that the Commission shall require that, as a condition of receiving any grant or loan incentive, each project receive a written recommendation as to its financial viability and feasibility.

<sup>2</sup> Code of Virginia § 3.2-3108, *Distribution of Fund* (B) states that the Commission shall require that each project have an accountability matrix. For an economic development program, the matrix shall be based on return on investment, jobs, wages, and capital investment. For a scholarship program, the matrix shall be based on attainment of bachelor's degrees, credentials, or jobs. For a health care program, the matrix shall be based on health care outcomes. For an agriculture or forestry program, the matrix shall be based on jobs, capital investment, amount of Virginia-grown agricultural and forestal products used by the project, projected impact on agricultural and forestal producers, and a return-on-investment analysis. Further, this section of the Code of Virginia states that the Commission shall require that, as a condition of receiving any grant or loan incentive, each project must demonstrate how it will address low employment levels, per capita income, educational attainment, or other workforce indicators, and be consistent with the Strategic Plan.



matrix depends on the process utilized for each funding product, which may or may not be structured in the same way as a typical economic development grant. The Code only specifies an accountability matrix for certain types of projects and does not address all types of projects funded by the TRRC but requires them for all. Again, the TRRC generally agrees with the corrective actions recommended by the auditors. In addition, Staff will request a change in Code language by the Commission to exempt certain funding programs from the Accountability Matrix requirement should it be subject to an alternate measurement, as in the case of loans, economic development incentives, talent attraction programs, and financial aid.

**Finding 3: Project Outputs and Outcomes Not Sufficiently Documented and Monitored**

*TRRC did not maintain sufficient documentation to support that it documented project outputs and outcomes and monitored whether recipients achieved or were in the process of achieving the anticipated outputs and outcomes, as required by the Code of Virginia,<sup>3</sup> TRRC's bylaws,<sup>4</sup> and TRRC policies.<sup>5</sup> Specifically, we noted that for twenty of the sampled projects, including RLF projects and other loan projects that VRA administers, TRRC did not provide sufficient documentation to support that it monitored whether the recipient had achieved or was in the process of achieving the project outputs and outcomes consistent with the project objectives, terms, and conditions,*

**AGENCY RESPONSE:** AGREE.

**Action Steps:** We understand that the language cited in the *Code of Virginia* broadly references the whole of the programs administered by the TRRC; however, the individualized nature of many of our projects and funding can make it difficult to establish uniform measurement of outputs and outcomes. In general, Staff agrees with the corrective actions recommended by the auditors, and had been, in fact, exploring process and system improvements for this effort prior to the audit. We will continue working towards a solution on this effort. In addition, Staff may request a change in Code by the Commission to exempt certain funding programs from this requirement, as in the case of loans.

**Finding 4: Insufficiently Supported Application Documentation**

<sup>3</sup> According to Code of Virginia § 3.2-3103. *Powers and duties of the Tobacco Region Revitalization Commission (C)*, TRRC shall develop a Strategic Plan containing specific priorities, measurable goals, and quantifiable outcomes and shall state how each award is consistent with TRRC's achievement of measurable goals and outcomes and its advancement of the Strategic Plan. Further, Code of Virginia § 3.2-3103. *Powers and duties of the Tobacco Region Revitalization Commission (D)* states that TRRC shall develop a publicly available online database of all awards, listing each project's goals, the means by which the project fits into the Strategic Plan, and the project's expected and achieved outcomes.

<sup>4</sup> According to TRRC bylaws, Article IV. Section 4.5, *Evaluate Implementation by Recipient Organizations*, TRRC shall establish criteria for determining whether a recipient organization or entity complies with the Commission's established goal of economic revitalization. TRRC may delegate monitoring activities to the Executive Director or other employees of the Commission, but ensuring each recipient's compliance with the terms and conditions of disbursements from the Fund shall be the responsibility of the Commission.

<sup>5</sup> According to TRRC's *Funding Policies for Grant Awards: Information for Applicants & Grantees*, Section XIV (revised May 2016 and June 2020), grant recipients will be expected to provide to the Commission data on actual outcomes accomplished during the project period and for a period beyond. The Commission is currently designing and testing outcome and performance reporting methodologies that align with the anticipated outcomes provided in each grant application. Final design of those methodologies is not yet complete, and the Commission's Performance Analyst staff will contact grant recipients at periodic future dates to be determined.

*TRRC did not maintain documentation to support that it verified whether applicants submitted grant or loan application documents in compliance with TRRC's funding policies<sup>6</sup> and guidelines and its Requests for Proposals (RFPs). Specifically, for thirty-seven of the sampled projects—including RLF projects and other loan projects that VRA administers—TRRC did not provide documentation to support that the applicants submitted all of the documentation required per the Requirements for Applicants section of TRRC's funding policies and the applicable RFP associated with each program and/or project type,*

**AGENCY RESPONSE:** AGREE, BASED UPON THE PREMISE BY WHICH AUDITOR IS MEASURING.

**Action Steps:** Over the 24 years of the TRRC's existence, Staff regularly review Request for Proposal and application requirements for ways to improve the degree to which applicants respond to the RFP. As such, the RFPs have changed over the years in terms of submittal, match and other requirements. Because over 10 years of projects were sampled in this audit, there were not always RFPs for specific cycles available for the team to audit against. Staff generally agrees with the corrective actions recommended by the auditors and will implement procedures for maintaining a history of RFPs going forward. Staff review proposal submissions and follow up with applicants to obtain missing documents, but this is not always well-represented or well-documented in the current tracking system. As such, Staff will implement an intake form reflecting current RFP requirements to note documents present at time of submission with follow up notes for efforts to obtain additional supporting materials, along with procedures associated with intake.

**Finding 5: Site Visits Not Consistently Performed and/or Documented**

*TRRC did not consistently perform—or document that it performed—site visits for fourteen of the sampled projects. Specifically:*

***5a. Projects with No Site Visits Performed***

*Although TRRC stated that it performs site visits as part of its process for monitoring project outcomes and outputs and further noted that it often performs site visits as part of the award closeout process, TRRC did not perform site visits for twelve of the sampled projects.*

***5b. Projects with Site Visit Results Not Consistently Documented***

*Although TRRC stated that it began using a standard site visit reporting form in November 2021 to document the results of its site visits, TRRC did not consistently use this form to document the site visits it performed for two of the sampled projects.*

**AGENCY RESPONSE:** AGREE, BASED UPON THE PREMISE BY WHICH AUDITOR IS MEASURING.

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<sup>6</sup> According to TRRC's *Funding Policies for Grant Awards: Information for Applicants & Grantees*, Section III (revised May 2016 and June 2020), applicants must submit applications in accordance with guidelines and deadlines established by the Commission, and proposals will be reviewed by designated program staff. The Commission may, at its discretion, invite an out-of-cycle application; these applications must demonstrate urgency and will only be heard at a regularly scheduled Commission meeting.

**Action Steps:** The findings in 5A are a result of not having a formal template in place for site visits. This formal template for site visit reporting was implemented in 2021, which has improved documentation of site visits. Site visits are not always the appropriate action for documenting grant activity; in some cases, it is the delivery of a completed report in the case of planning projects or the conferment of certain credentials, in the case of education projects. Staff will make appropriate changes to policies and procedures to further delineate appropriate activity for measuring outputs based on type of project.

**Finding 6: Inconsistent Smart Simple Information**

TRRC did not ensure that the information in its grant management system, Smart Simple, was consistent with the actual project status and documented period of performance for eight of the sampled projects.<sup>7</sup>

**6a. Inconsistent Project Status**

For six of the sampled projects, Smart Simple listed the project status as "Approved – Closed." However, these projects either did not materialize or were declined by the applicant and rescinded by TRRC.

**6b. Inconsistent Project Dates**

For two of the sampled projects, the project dates identified in Smart Simple were not consistent with the dates outlined in the Memorandum of Understanding (MOU).

**AGENCY RESPONSE:** AGREE, BASED UPON THE PREMISE BY WHICH AUDITOR IS MEASURING.

**Action Steps:** Staff notes this finding is isolated to loan and incentives projects. Staff will take additional care with input and review of the noted data points going forward.

**Finding 7: Match Requirements Not Met**

TRRC did not verify that grant recipients provided sufficient documentation to support that they met the match requirements defined in the Code of Virginia<sup>8</sup> and TRRC's funding policies.<sup>9</sup> Specifically, for four of the sampled projects, TRRC did not provide evidence to support that match costs complied with the required match percentages.

<sup>7</sup> According to Code of Virginia § 3.2-3103, *Powers and duties of the Tobacco Region Revitalization Commission (D)*, TRRC shall develop a publicly available online database of all awards, listing each project's goals, the means by which the project fits into the Strategic Plan, and the project's expected and achieved outcomes.

<sup>8</sup> According to Code of Virginia § 3.2-3103, *Powers and duties of the Tobacco Region Revitalization Commission (A)(7)*, each economic development grant or award, including a grant from the TROF, requires a dollar-for-dollar match from non-Commission sources. A match of less than 50 percent may be considered by a two-thirds majority vote of the Commission.

<sup>9</sup> According to TRRC's *Funding Policies for Grant Awards: Information for Applicants & Grantees*, Section IX, *Matching Funds* (revised May 2016 and June 2020), per the Code of Virginia, all Commission grant awards approved after July 1, 2015, will require dollar-for-dollar matching funds (i.e., at least 50 percent of the total project costs must be provided from non-TRRC funds), unless otherwise approved by a two-thirds majority of Commissioners. Total match contributions for a project must be documented at the time of disbursement requests and in the annual and final project reports, as well as prior to submission of a final disbursement request. Further, economic development and special projects effective prior to July 1, 2015, require at least 10 percent match on total project costs (i.e., at least 10 percent of the total project costs must be provided from non-TRRC funds).

AGENCY RESPONSE: DISAGREE.

**Action Steps:** Over the 24 years of the TRRC's existence, Staff regularly review request for payment requirements for ways to improve the degree to which grantees report. As such, the policies have changed over the years in terms of submission of match and other requirements. Two of the four sampled projects noting exceptions took place over ten years ago before dollar-for-dollar match requirements were put in Code in 2015. One of the four projects was a grant product converted to a loan, which doesn't require match. For the last of the projects noting an exception, 49% of the 50% match was documented, and staff provided records noting additional match that was acknowledged from a complementary grant but not reflected in the documentation for the payment. Staff does not believe this is a widespread issue requiring corrective action. Our match documentation process requires copies of originating expense documents to support requests for reimbursement.

**Finding 8: Insufficiently Supported Expenses**

*TRRC did not provide sufficient documentation to support the reasonableness of \$86,398 in expenses paid for one project, as required by TRRC's funding policies.<sup>10</sup> Specifically, TRRC agreed to pay \$86,398 to SWVHEC to cover severance pay for two SWVHEC employees whom SWVHEC terminated when TRRC ended the student loan forgiveness program that SWVHEC was administering on TRRC's behalf. The MOU between TRRC and SWVHEC did not include funding for this type of expense. Further, although TRRC's Executive Director approved the payment, TRRC did not provide documentation to support that the severance payments were reasonable and that SWVHEC had appropriately calculated the payments based on the employees' salary rates and SWVHEC's severance policy.*

AGENCY RESPONSE: AGREE

**Action Steps:** The TRRC ended the loan forgiveness program in 2019 causing employees to be terminated by SWVHEC, which was administering the program on behalf of the TRRC. No further action is needed since the program has ended.

**Finding 9: Insufficient Project Amendment Documentation**

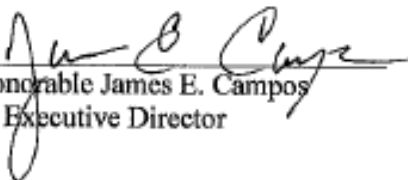
*TRRC did not maintain sufficient documentation to support that it amended one project consistent with its funding policies.<sup>11</sup> Specifically, although TRRC provided documentation to support two of the three extension amendments executed for this project, it did not provide support for one of the amendments.*

AGENCY RESPONSE: DISAGREE.

<sup>10</sup> According to TRRC's *Funding Policies for Grant Awards: Information for Applicants & Grantees*, Section VII. *Acceptable Expense Documentation* (revised May 2016 and June 2020), for payroll accounting, either check stubs or a payroll register/reporting showing the name of the employee, pay period, salary, and benefits is required for personnel expenditures.

<sup>11</sup> According to TRRC's *Funding Policies for Grant Awards: Information for Applicants & Grantees*, Section XII. *Grant Period and Extension Requests* (revised May 2016), for consideration of an extension, the grantee must provide a written request to the Grants Program Administrator. TRRC will issue a written approval for the extension if the request is deemed reasonable and necessary.

**Action Steps:** The project sampled in this case was completed over six years ago. Since then, TRRC Staff have implemented improved processes for project amendment documentation. Staff does not believe this is a widespread issue requiring corrective action. In general, the compilation of standard operating procedures for the grant program as a whole will reflect current practice since the completion of this project.

  
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The Honorable James E. Campos      Date  
Acting Executive Director

**APPENDIX B: OBJECTIVES, SCOPE, AND METHODOLOGY**

## OBJECTIVES

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The Virginia Office of the State Inspector General (VA OSIG) retained Cotton & Company Assurance and Advisory, LLC (Cotton or we), to complete a performance audit, the objectives of which were to determine whether:

- A sample of grant and loan programs are producing their intended outputs in support of each programmatic goal and whether TRRC is properly measuring and reporting the intended outputs.
- TRRC properly measured matching funds and verified compliance with match requirements.
- TRRC properly established and implemented a viability assessment process, as required by Code of Virginia § 3.2-3103, and used this process to adequately measure and support financial viability.
- TRRC staff accurately tracked student loan repayment applications and verified that recipients met loan eligibility requirements.
- TRRC staff remediated prior audit findings issued in VA OSIG's November 2019 audit report.

## SCOPE

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The audit scope included TRRC grant and loan projects awarded, ongoing, and closed between July 1, 2019, and June 30, 2022, for all programs. This resulted in an audit population that included \$349,862,813 in total approved project funds across 585 projects.

## METHODOLOGY

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Based on the objectives and scope of the audit, we conducted this engagement in three phases: planning, fieldwork, and reporting.

### *Planning*

We began the audit by planning the audit work necessary to address the audit objectives and to reduce audit risk to an acceptably low level. Specifically:

- We gained an understanding of the engagement objectives, the TRRC programs included within our audit scope, and applicable state,<sup>18</sup> TRRC,<sup>19</sup> and TRRC program-specific criteria.<sup>20</sup>

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<sup>18</sup> We assessed TRRC's compliance with *Code of Virginia* § 3.2-3101 through § 3.2-3121.

<sup>19</sup> We assessed TRRC's compliance with its bylaws, *Funding Policies for Grant Awards: Information for Applicants & Grantees* (updated May 2016 and June 2020), and *Policies and Procedures Manual Finance and Administration*.

<sup>20</sup> We reviewed TRRC's guidance for each program, including the Tobacco Region Opportunity Fund, Community Business Lending, Revolving Loan Fund, Competitive Education, Talent Attraction Program, Workforce Financial Aid, Southern Virginia, and Southwest Virginia, and assessed compliance with this guidance, as appropriate for each project included within the audit scope.



- We requested, obtained, and reviewed relevant documentation that TRRC provided for the projects included within the audit scope.
  - Relevant documentation included Fiscal Year (FY) 2020, 2021, and 2022 budgets; a listing of all grants and loans open, ongoing, or closed between July 1, 2019, and June 30, 2022, including total amounts approved, awarded, and paid; performance measures developed for the grant and loan programs; TRRC policies and procedures for administrative and financial management of grants and loans; and documentation and other information regarding corrective actions taken in response to findings identified in the 2019 audit report.
- We used the information gained during our documentation review and interviews to develop an understanding of TRRC and its environment, including:
  - TRRC’s background and mission, as well as the types of projects it funds.
  - The cause and resolution of findings and other instances of noncompliance identified during prior TRRC audits and other investigations.
- In planning and performing this audit, we considered TRRC’s internal controls that were within the audit’s scope solely to understand the policies and procedures TRRC has in place to ensure compliance with relevant state requirements and its internal policies and procedures.
- We summarized the results of our planning activities, including the major risks identified, within an audit planning memorandum and designed steps to ensure we completed all planned activities within an audit program.
  - We submitted the audit planning memorandum to VA OSIG for review and approval.

### ***Fieldwork***

We performed audit fieldwork activities, as outlined in the approved audit planning memorandum, to ensure we obtained sufficient, appropriate evidence that would provide a reasonable basis for findings and conclusions based on the audit objectives. This included:

- Meeting with relevant TRRC and Virginia Resources Authority (VRA) personnel<sup>21</sup> to discuss the results of prior audits, as well as controls that TRRC and VRA have in place surrounding approving, executing, and administering grant and loan projects.
- Judgmentally reviewing all projects to select a sample for testing. We used the applicable grant and loan information from TRRC’s cloud-based grant management system, Smart Simple, to select a sample of 59 grants and loans totaling \$118,929,709 in approved

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<sup>21</sup> Because VRA administers loan projects on TRRC’s behalf, we met with VRA personnel to discuss the processes that VRA followed for reviewing, executing, and monitoring loan projects.

funding across various TRRC programs. Specifically, we selected samples to allow us to test whether TRRC:

- Ensured that the information included in Smart Simple for each project was consistent with the information included in the executed grant and loan documentation.
  - Obtained and retained appropriate application documents from applicants.
  - Completed and documented a financial viability assessment for each project before TRRC staff recommended the project to the Commission members for approval.
  - Completed an accountability matrix for each project.
  - Appropriately approved grant and loan payments, including whether TRRC obtained and retained documentation to support that costs were allowable in accordance with each executed project agreement.
  - Obtained and retained appropriate documentation from its grant recipients to support that the recipients met their match requirements.
  - Verified that student loan repayment recipients met each program’s eligibility requirements, or that the recipients returned the funds if they did not maintain eligibility.
  - Performed and documented site visits.
  - Monitored—and documented its monitoring of—whether grant and loan recipients achieved their project outputs and outcomes.
  - Remediated prior audit findings.
- Performing on-site fieldwork, which included conducting interviews and walkthroughs and reviewing project files and supporting documentation at the TRRC headquarters office. We performed all other fieldwork activities at the Cotton office and requested documentation and teleconferences, as necessary.
  - Reviewing the supporting documentation that TRRC provided and requesting additional documentation as necessary to ensure we obtained sufficient, appropriate evidence to provide a reasonable basis for our conclusions and findings.

### ***Reporting***

At the conclusion of our fieldwork, we provided a summary of the results of our testing to VA OSIG personnel for review and approval. We also provided this summary to TRRC personnel to ensure that TRRC was aware of our findings and had the opportunity to submit additional documentation or other information in response to the exceptions identified.

We conducted this performance audit in accordance with *Generally Accepted 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.

**APPENDIX C: STATUS OF PRIOR AUDIT FINDINGS**

We followed up on findings that VA OSIG had previously identified. TRRC has not resolved several of the issues identified, as documented in the table below.

Finding Title in VA OSIG November 2019 Audit Report	Resolution	Finding Title in Current Report
Code of VA Not Completely Followed Related to Financial Viability Manager Role	Not Resolved: TRRC has not updated its policies, procedures, or controls to ensure compliance with Code of Virginia requirements for completing a financial viability assessment for each project.	Finding 1: Noncompliance with Code of Virginia Financial Viability Assessment Requirements
Project Outputs and Related Metrics Not Monitored	Not Resolved: TRRC has not updated its policies, procedures, or controls to ensure it is appropriately and consistently monitoring whether recipients have achieved the anticipated project outputs and outcomes. Further, TRRC communicated in its funding policies that guidance on how grant and loan recipients should document outputs and outcomes is forthcoming.	Finding 3: Project Outputs and Outcomes Not Sufficiently Documented and Monitored
Lack of Evidence That Site Visits Had Been Performed	Not Resolved: TRRC has not updated its policies, procedures, or controls to identify when and how to perform and document site visits.	Finding 5: Site Visits Not Consistently Performed and/or Documented
Funds Disbursed Prior to Commission Approval	Resolved: TRRC indicated that the prior finding related to a single project that contained exigent circumstances, and we did not identify additional instances in which TRRC disbursed funds prior to the Commission members approving the project.	Not Applicable
Monitoring of Advances for Grants and Loans	Resolved: TRRC has policies and procedures in place regarding documentation requirements for advances, and we did not identify any instances in which TRRC did not appropriately approve or document advances.	Not Applicable

Finding Title in VA OSIG November 2019 Audit Report	Resolution	Finding Title in Current Report
Required Match Documentation	Not Resolved: Although TRRC's funding policies identify requirements for substantiating match costs, TRRC did not ensure that it obtained and retained documentation to support that recipients met their match requirements for projects selected in our sample.	Finding 7: Match Requirements Not Met
Updated Application Requirements	Not Resolved: Although historical application documentation is sometimes available, TRRC has not updated its policies, procedures, or controls to ensure that it captures the applicable Request for Proposal information for each project and that it obtained and retained all of the required application documents.	Finding 4: Insufficiently Supported Application Documentation
System Requirements	Not Resolved: Although TRRC updates its publicly available online database using information from Smart Simple, its only grant database, the project status and period of performance information contained in Smart Simple was not always consistent with the actual project status or with the period of performance information contained in the executed project agreement.	Finding 6: Inconsistent Smart Simple Information

Finding Title in VA OSIG November 2019 Audit Report	Resolution	Finding Title in Current Report
Policies and Procedures for Loans Closed by Virginia Resources Authority	Not Resolved: Although VRA provides TRRC with reports to support the amount of loans disbursed and repaid, TRRC has not updated its policies, procedures, or controls for ensuring that projects VRA administers are in compliance with Code of Virginia requirements and that TRRC and/or VRA are appropriately monitoring each project's outputs and outcomes.	<p>Finding 1: Noncompliance with Code of Virginia Financial Viability Assessment Requirements</p> <p>Finding 2: Noncompliance with Code of Virginia Accountability Matrix Requirements</p> <p>Finding 3: Project Outputs and Outcomes Not Sufficiently Documented and Monitored</p> <p>Finding 4: Insufficiently Supported Application Documentation</p>
Related Parties to Grant and Loan Applicants	Resolved: TRRC updated its funding policies to include language regarding standards of conduct that prohibit grant recipients from entering into transactions that may represent a conflict of interest.	Not Applicable



## APPENDIX D: AGENCY CORRECTIVE ACTION PLAN

FINDING NUMBER	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
<p>1</p> <p>Noncompliance with <i>Code of Virginia</i> Financial Viability Assessment Requirements</p>	<p>16. Develop and implement formal policies and procedures for completing financial viability assessments. These policies and procedures could include:</p> <p>a) Specifying that the Grants Program Director—and only the Grants Program Director—is responsible for completing the financial viability assessment for grants, in compliance with the <i>Code of Virginia</i>.</p> <p>b) Identifying the party responsible for completing financial viability assessments for loans referred to VRA.</p> <p>c) Identifying the documentation required to measure project viability, including whether this documentation varies based on the project, program type, or funding type (e.g., grant, loan, or other disbursement).</p> <p>d) Detailing how to complete—and document completion of—the financial viability assessment. This may include using a scoring template, checklist, or other form to standardize the assessment process.</p> <p>e) Defining document retention requirements to support the completed financial viability assessment, including identifying the documentation that TRRC personnel must</p>	<p><i>Finding #1:</i></p> <p><i>Develop a formal policies and procedures manual to include responsibilities of the Grants Program Director to complete the financial viability assessments, documentation and process required for completing assessments, grant and loan programs that should be exempted.</i></p> <p><i>Propose changes to the Code of Virginia to Commission leadership to exempt certain grant/loan programs from financial viability assessment.</i></p> <p><i>Update MOU with VRA to outline their procedures in making funding decisions and identify it as a financial viability assessment.</i></p>	<p><i>Policies and procedures manual for all grant/loan programs</i></p> <p><i>Meetings/memos to Commission leadership with proposed changes</i></p> <p><i>Updated MOU</i></p>	<p><i>12/31/2024</i></p> <p><i>12/31/2024</i></p> <p><i>6/30/2024</i></p>	<p><i>Grants Program Director</i></p> <p><i>Deputy Director</i></p> <p><i>Deputy Director</i></p>

FINDING NUMBER	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
	<p>obtain from VRA when VRA is responsible for completing the assessment.</p> <p>f) Describing how to document the results of a financial viability assessment in a written recommendation to the Commission.</p> <p>17. Develop training and guidance for TRRC staff regarding the financial viability assessment process so this information is available in the event of staff turnover.</p> <p>18. Work with its Commission members and Executive Director to identify and document alternative financial viability assessment processes for specific programs or funding types that do not lend themselves to the assessment process that TRRC uses for standard grants and loans, to ensure compliance with <i>Code of Virginia</i> requirements.</p>				
<p>2</p> <p>Noncompliance with <i>Code of Virginia</i> Accountability Matrix Requirements</p>	<p>19. Develop and implement formal policies and procedures for approving and documenting an accountability matrix for each project. These policies and procedures could include:</p> <p>a. Specifying the party responsible for documenting the accountability matrix for projects—including projects that VRA administers—in compliance with the <i>Code of Virginia</i>.</p>	<p><i>Finding #2:</i>  <i>Develop a formal policies and procedures manual for documenting the accountability matrix and determining metrics used for each grant/loan program.</i></p>	<p><i>Policies and procedures manual for all grant/loan programs</i></p>	<p><i>12/31/2024</i></p>	<p><i>Grants Program Director</i></p>

FINDING NUMBER	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
	<ul style="list-style-type: none"> <li>b. Identifying the documentation required to measure accountability and develop the metrics included in the matrix, including whether this documentation varies based on the project, program type, or funding type (e.g., grant, loan, or other disbursement).</li> <li>c. Detailing how to incorporate the accountability matrix into project-related documentation, such as the executed project agreement or Smart Simple.</li> </ul>	<p><i>Propose changes to the Code of Virginia to Commission leadership to exempt certain grant/loan programs from requiring an accountability matrix that should use an alternate measurement.</i></p>	<p><i>Meetings/memos to Commission leadership with proposed changes</i></p>	<p><i>12/31/2024</i></p>	<p><i>Deputy Director</i></p>
<p>3 Project Outputs and Outcomes Not Sufficiently Documented and Monitored</p>	<p>20. Develop and implement formal policies and procedures for documenting and monitoring project outputs and outcomes. These policies and procedures could include:</p> <ul style="list-style-type: none"> <li>a. Specifying how to capture approved outputs and outcomes in the executed project agreements and in Smart Simple.</li> <li>b. Identifying the party responsible for monitoring recipients’ progress and their achievement of project outputs and outcomes, including how responsibility differs for projects that TRRC administers and projects that VRA administers on TRRC’s behalf.</li> <li>c. Detailing the steps required to monitor project outputs and outcomes both during the project period and at project closeout, including how to document completion of these steps. This may include the use of</li> </ul>	<p><i>Finding #3: Develop a formal policies and procedures manual for documenting project outputs and outcomes for each grant/loan program.</i></p> <p><i>Propose changes to the Code of Virginia to Commission leadership to modify outputs and outcomes for certain grant/loan programs.</i></p>	<p><i>Policies and procedures manual for all grant/loan programs</i></p> <p><i>Meetings/memos to Commission leadership with proposed changes</i></p>	<p><i>12/31/2024</i></p> <p><i>12/31/2024</i></p>	<p><i>Grants Program Director</i></p> <p><i>Deputy Director</i></p>

FINDING NUMBER	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
	<p>progress reports, site visit templates, checklists, or other forms to standardize the monitoring process.</p> <p>d. Identifying the documentation that grant, loan, or other fund distribution recipients must provide to support the project output and outcome monitoring activities, including whether the required supporting documentation varies based on project, program type, or funding type.</p> <p>e. Defining document retention requirements for TRRC to support its monitoring of outputs and outcomes for each project, including what documentation TRRC must obtain from VRA in cases where VRA is responsible for monitoring project outputs and outcomes.</p> <p>f. Describing how to identify and support achieved and unachieved outputs and outcomes in TRRC’s database of awards, in compliance with the <i>Code of Virginia</i>.</p> <p>21. Develop training and guidance for TRRC staff regarding how to appropriately monitor and document whether recipients achieved the anticipated project outputs and outcomes.</p> <p>22. Update the MOA and engagement letter between TRRC and VRA to specify each party’s responsibilities for monitoring project outputs and outcomes.</p>				

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<p>4</p> <p>Insufficiently Supported Application Documentation</p>	<p>23. Develop and implement a procedure or control for documenting the RFP guidance associated with each application received. This may include establishing a field in Smart Simple to identify the RFP based on the program/project type and application date.</p> <p>24. Develop and implement formal procedures for documenting whether applicants submitted all of the documentation required per TRRC’s RFP guidance, funding policies, and other applicable policies. These procedures could include:</p> <ul style="list-style-type: none"> <li>a. Detailing the steps required to assess whether applicants have provided all of the necessary information. This may include using a checklist, scoring template, or other forms to standardize the assessment process.</li> <li>b. Describing the process for following up with applicants, as required, including how to document communication with the applicant and how to maintain both the original and revised application documents.</li> <li>c. Identifying the documentation required for loan applications that TRRC plans to refer to VRA, including any documentation decisions or follow-up determinations that VRA will be responsible for making on TRRC’s behalf.</li> </ul>	<p><i>Finding #4:</i></p> <p><i>Develop a formal policies and procedures manual outlining grant/loan submission process, including developing an intake form reflecting current RFP requirements to note documents present at time of submission with follow-up notes for efforts to obtain additional supporting materials and tracking/maintaining historical RFP used for each submission.</i></p>	<p><i>Policies and procedures manual for all grant/loan programs</i></p>	<p><i>12/31/2024</i></p>	<p><i>Grants Program Director</i></p>

FINDING NUMBER	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
	<p>d. Defining document retention requirements to support TRRC’s review of the documentation received, including identifying the documentation that TRRC must obtain from VRA in cases where VRA is responsible for obtaining application documents, as well as how and where to store the applicant’s documents and TRRC’s or VRA’s assessment information within Smart Simple.</p>				
<p>5 Site Visits Not Consistently Performed and/or Documented</p>	<p>25. Develop and implement formal policies and procedures for performing site visits. These policies and procedures could include:</p> <p>a. Specifying the party responsible for performing site visits.</p> <p>b. Identifying the types of projects for which TRRC must perform a site visit and the types of projects that do not require a site visit, as well as any circumstances or concerns that would require TRRC to perform a site visit.</p> <p>c. Detailing how to complete—and document completion of—a site visit. This may include describing when and how often to perform site visits, how to initiate and coordinate the site visit, and how to complete the site visit reporting form or other required documentation.</p>	<p><i>Finding #5: Formal template for site visit reporting was implemented in 2021.</i></p> <p><i>Develop a formal policies and procedures manual identifying the types of projects requiring site visits.</i></p>	<p><i>Site visit report</i></p> <p><i>Policies and procedures manual for all grant/loan programs</i></p>	<p><i>Completed in 2021</i></p> <p><i>12/31/2024</i></p>	<p><i>Grants Program Director</i></p> <p><i>Grants Program Director</i></p>

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	<p>d. Defining document retention requirements and the location within Smart Simple, or another appropriate location, in which TRRC staff should maintain documentation to support the results of each site visit.</p> <p>26. Develop training and guidance for TRRC staff regarding how to complete site visits as part of TRRC’s ongoing monitoring and/or project closeout processes.</p>				
<p>6 Inconsistent Smart Simple Information</p>	<p>27. Develop and implement formal procedures or controls for inputting project information into Smart Simple to ensure the data are accurate and consistent with the executed project agreement. These procedures or controls may include:</p> <p>a. Defining standard project status labels, including identifying the situations in which to use each label and clarifying how to use the labels to differentiate between projects that have been approved, executed, and performed (or that are currently in process) and projects that do not materialize, are rescinded, or are declined by the applicant.</p> <p>b. Identifying information in the executed project agreements that TRRC personnel should use to populate the project start and end dates to ensure information communicated to the public is consistent with project terms and conditions.</p>	<p><i>Finding #6: Develop a formal policies and procedures manual listing critical data fields and options with definitions of each</i></p>	<p><i>Policies and procedures manual for all grant/loan programs</i></p>	<p><i>12/31/2024</i></p>	<p><i>Grants Program Director</i></p>



FINDING NUMBER	RECOMMENDATION	CORRECTIVE ACTION	DELIVERABLE	ESTIMATED COMPLETION DATE	RESPONSIBLE POSITION
7 Match Requirements Not Met	<p>28. Develop and implement formal procedures or controls for verifying that grant recipients meet their match requirements, including how to document this verification. These procedures or controls may include:</p> <ul style="list-style-type: none"> <li>a. Identifying the types of documentation that are acceptable for supporting match costs.</li> <li>b. Defining when and how grant recipients must provide support for their match costs before TRRC may approve payments to the recipients, including how to document situations in which the Commission approves either a match percentage of less than 50 percent or an alternate schedule for supporting match costs.</li> <li>c. Detailing how to consistently document TRRC staff review of the documentation provided to support match costs, including how personnel should capture this information in Smart Simple or another appropriate location.</li> </ul>	<p><i>Finding #7: None. Match documentation is sufficiently documented. Procedures already in place to ensure matching funds.</i></p>	N/A	N/A	N/A
8 Insufficiently Supported Expenses	<p>29. Strengthen TRRC's procedures and internal controls for obtaining and maintaining supporting documentation to help ensure that TRRC appropriately confirms expenses are reasonable and in compliance with TRRC policies before paying the expenses. These additional procedures or controls could include updating TRRC's existing funding policies and/or providing additional training regarding</p>	<p><i>Finding #8: Program ended. Costs were associated with ending the program.</i></p>	N/A	N/A	N/A

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	the documentation required to support expenses not included in the project budget.				
9 Insufficient Project Amendment Documentation	30. Strengthen TRRC's procedures and internal controls for obtaining and maintaining amendment documentation to ensure that TRRC can appropriately support approved changes made to executed project agreements. These additional procedures and controls could include updating TRRC's existing funding policies and/or providing additional training regarding the documentation required for executing amendments and the location in which this documentation should be stored.	<i>Finding #9: Project amendment documentation is sufficient for current projects. Improved processes have been implemented since the sampled project from six years ago.</i>	N/A	N/A	N/A