

Office of Inspector General

*Report Prepared by Regis & Associates, PC
Audit of Grant Award - Bluefield State College*

Grant Number PW-18916



**Appalachian
Regional
Commission**

Office of Inspector General

Audit Report: 22-06

March 1, 2022



Office of Inspector General

March 1, 2022

TO: Brandon McBride, Executive Director

FROM: Philip M. Heneghan, Inspector General 

SUBJECT: Audit Report 22-06 – Bluefield State College

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number PW-18916, to Bluefield State College per its agreement with the Appalachian Regional Commission. The objective of the audit was to determine if costs claimed were allowable, allocable, reasonable, and in conformity with the Commission's award terms and conditions and Federal financial assistance requirements. In addition, the audit determined whether the performance measures reported were reasonable, supported, and fairly represented to the Commission.

Regis & Associates, PC, is solely responsible for audit report and the conclusions expressed in this report. We do not express any opinion on the conclusions presented in Regis & Associate, PC's audit report. To fulfill our responsibilities, we:

- reviewed approach to and planning of the audit;
- evaluated the qualifications and independence of the auditors;
- monitored the progress of the audit at key points;
- coordinated periodic meetings, as necessary;
- reviewed the draft and final audit reports; and
- coordinated issuance of the audit report.

The auditors issued one recommendation in the report. Within the next 30 days, please provide me with your management decisions describing the specific actions that you will take to implement the recommendation.

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

*Report on Performance Audit
of
Appalachian Regional Commission
Grant Number PW-18916-IM-17*

*Awarded to
Bluefield State College*

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

Auditee: Bluefield State College
As of Date: January 24, 2022



MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS

1420 K Street, NW
Suite 910
Washington, DC 20005

FOR OFFICIAL USE ONLY

TABLE OF CONTENTS

Executive Summary	1
Background	2
Objective, Scope, and Methodology	2
Results	3
Findings and Recommendations	5
Attachment 1- Grantee's Response	6



EXECUTIVE SUMMARY

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

We conducted a performance audit of Grant Agreement Number PW-18916-IM-17, awarded by the Appalachian Regional Commission (ARC) to Bluefield State College (the Grantee). We conducted the audit at the request of the ARC Office of Inspector General, to assist it in its oversight of ARC grant funds for the grant performance period from July 1, 2017, to June 30, 2020.

The objectives of the performance audit were to determine whether: (1) grant funds were managed in accordance with the ARC and Federal grant requirements; (2) grant funds were expended, as provided for in the approved grant budget; (3) internal guidelines, including program (internal) controls, were adequate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with accounting principles generally accepted in the United States of America (or other applicable accounting and reporting requirements); (5) matching requirements were met; and (6) the reported performance measures were fair and reasonable.

We conducted planning and fieldwork during the period from November 10, 2021, through January 10, 2022. We determined that, except for the non-compliance related to administrative procedures, described as finding 2021-001 in the accompanying findings and recommendations section of this report; the Grantee's financial management and administrative procedures and related internal controls were adequate to manage the ARC grant funds.

We discussed the results of this performance audit with the Grantee's officials at the conclusion of our fieldwork. The Grantee's response has been included as Attachment 1 to this report.

Regis & Associates, PC appreciates the cooperation and assistance received from the Grantee and ARC staff during this performance audit.

Regis & Associates, PC
Washington, DC
January 24, 2022

Background

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

On June 14, 2017, the Appalachian Regional Commission awarded Grant Number PW-18916-IM-17, in the amount of \$1,500,000, to the Bluefield State College. As a condition of this award, the Grantee was required to contribute a matching amount of \$809,755. The period of performance for the grant was from July 1, 2017, to June 30, 2020.

The grant was awarded to the Grantee, to provide funding for equipping and building the capacity of the Center of Excellence in Manufacturing Engineering (CEME) at Bluefield State College; to serve individuals and industries impacted by the decline in coal production. To serve individuals, the center offers both a bachelors' program in Manufacturing Engineering Technology (MFGT), and certificate programs in several manufacturing disciplines and short courses. To serve industries, the CEME established a research center in collaborative robotics and advanced manufacturing.

Objective, Scope, and Methodology

Objective

The Appalachian Regional Commission, Office of Inspector General, under Order Number ARC21P050, dated March 17, 2021; engaged Regis & Associates, PC to conduct a performance audit of Grant Number PW-18916-IM-17, which was awarded to the Grantee. The grant was titled Center of Excellence in Manufacturing Education (CEME) at Bluefield State College. The term of the grant was from July 1, 2017, to June 30, 2020.

The budgeted amounts for the grant are presented below:

<u>Object Class Category</u>	<u>Federal</u>	<u>Non-Federal</u>	<u>Total</u>
Personnel	\$ 268,898.00	\$ -	\$ 268,898
Fringe Benefits	78,853	-	78,853
Travel	7,500	-	7,500
Equipment	1,004,554	683,680	1,688,234
Supplies	32,200	1,800	34,000
Contractual	50,000	-	50,000
Total Direct Charges	\$ 1,442,005	\$ 685,480	\$ 2,127,485
Indirect Charges	57,995	124,275	182,270
Total	\$ 1,500,000	\$ 809,755	\$ 2,309,755

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

Scope and Methodology

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. We believe that the evidence obtained, provides a reasonable basis for our findings and conclusions, based on our audit objectives.

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

Our audit procedures included:

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

Results

Upon conclusion of our performance audit, we determined that:

- 1) The grant funds were managed in accordance with ARC and Federal grant requirements; except for the finding of non-compliance, related to administrative procedures, described as finding 2021-001 in the accompanying findings and recommendations section of this report.
- 2) The grant funds were expended, as provided for in the approved grant budget. Below, we have presented a Schedule of Claimed, Questioned, and Audit Recommended Cost, which reflects the results of our audit:

Exhibit – B: Schedule of Claimed and Audit Recommended Costs

Object Class Category	Claimed Costs		Questioned Costs		Audit Recommended		Total
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	
Personnel	\$ 293,044	\$ -	\$ -	\$ -	\$ 293,044	\$ -	\$ 293,044
Fringe Benefits	59,568	-	-	-	59,568	-	59,568
Travel	956	-	-	-	956	-	956
Equipment	988,550	683,680	-	-	988,550	683,680	1,672,230
Supplies	12,754	1,800	-	-	12,754	1,800	14,554
Contractual	24,671	-	-	-	24,671	-	24,671
Total Direct Charges	\$ 1,379,543	\$ 685,480	\$ -	\$ -	\$ 1,379,543	\$ 685,480	\$ 2,065,023
Indirect Charges	55,182	124,275	-	-	55,182	124,275	179,457
Total	\$1,434,725	\$ 809,755	\$ -	\$ -	\$1,434,725	\$ 809,755	\$ 2,244,480

Bluefield State College

Performance Audit of ARC Grant Number PW-18916-IM-17

- 3) Internal guidelines, including program (internal) controls, were adequate and operating effectively. The Grantee had written policies and procedures for applicable grant activities, which we considered adequate for administering the grant; except for policies and procedures related to accurate and timely Reporting of Form SF 270. This condition is described as finding 2021-001 in the accompanying findings and recommendations section of this report.
- 4) Accounting and reporting requirements were implemented in accordance with accounting principles generally accepted in the United States of America (or other applicable accounting and reporting requirements), including ARC requirements.
- 5) The Grantee met its total matching requirement of \$809,755. These matching funds were properly supported and allowable under both Federal and ARC requirements
- 6) The Grantee's reported performance measures were fair and reasonable.

Findings and Recommendations

Finding No. 2021-001 - Inaccurate and Untimely Reporting of Form SF 270

Condition:

During our testing of grant financial reporting and requests for reimbursement (Form SF 270), we observed the following:

- The reported cumulative expenditures of \$1,371,488.24, on the SF 270, dated February 28, 2021, did not agree with the actual total expenditures of \$1,407,918.80, on the general ledger. This resulted in an underbilling of \$36,430.56.
- The final Form SF 270, which was due on July 30, 2021, had not been prepared and submitted to ARC by the due date of August 29, 2021. We observed that the total expenditure amount in the general ledger was \$1,434,726.66; and the reported total grant expenditures was \$1,407,918.80, as of July 30, 2021. This resulted in an underbilling of \$26,807.86.

Criteria:

The ARC grant manual requires the Grantee to submit financial and progress reports, no later than 30 days after the close of a reporting period. The final narrative report and all financial documents are also due within 30 days of the end of the project.

CFR section 200.303(a) states: “a non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Cause:

The Grantee did not have policies and procedures implemented to ensure timely reporting of the form SF 270; and did not properly review the Form SF 270 for completeness and accuracy.

Recommendation # 2021-001:

We recommend that management develop and implement policies and procedures to ensure that all reporting errors are identified and resolved in a timely manner; and ensure that all required reports are completed and submitted by the required deadlines.

Management’s Response:

According to management, the College’s financial consultants and new finance staff identified the general ledger reporting differences for this grant, including the missing quarterly report, while preparing the final report. The errors were corrected, and the final report was submitted to ARC on January 13, 2022.



MEMORANDUM

Date: January 10, 2022
To: Fidel Wambura, Regis & Associates, PC
From: Cynthia Higgins-Atwell, Director of Accounting
Subject: Audit of ARC Grant No. PW-18916-1M-17

The staff of Bluefield State College has reviewed the draft report for PW-18916-1M-17 prepared and presented by the College by Regis & Associates on January 10, 2022.

We concur with the report that was submitted for our review.

Thank you for the opportunity to review and respond to the draft report.

Sincerely,

A handwritten signature in blue ink that reads "Cynthia Higgins-Atwell".

Cynthia Higgins-Atwell
Director of Accounting