

Office of Inspector General

*Report Prepared by Regis & Associates, PC
Audit of Grant Award to the Appalachia Service Project, Inc.
Grant Number TN-19918*



**Appalachian
Regional
Commission**

Office of Inspector General



Office of Inspector General

July 26, 2022

TO: Brandon McBride, Executive Director

FROM: Philip M. Heneghan, Inspector General

A handwritten signature in blue ink, appearing to read "Philip Heneghan", is written over the printed name.

SUBJECT: Audit Report 22-13 – The Appalachia Service Project, Inc.

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number TN-19918, to the Appalachia Service Project, Inc. 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 reasonable, supported, and fairly represented to the Commission.

Regis & Associates, PC, is responsible for the attached audit report and the conclusions expressed in this report. The auditors did not issue any recommendations in the report.

We do not express any opinion on the conclusions presented in Regis & Associate, PC's audit report. To fulfill our responsibilities, we:

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

We thank your staff for the assistance 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 TN-19918-20
for the Period from April 1, 2020 to March 31, 2022*

*Awarded to
Appalachia Service Project, Inc.*

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

Auditee: Appalachia Service Project, Inc.
As of Date: July 25, 2022


MANAGEMENT CONSULTANTS &
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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 TN-19918-20, awarded by the Appalachian Regional Commission (ARC) to Appalachia Service Project, Inc. (the Grantee); with a grant performance period of April 1, 2020 to September 30, 2022. We conducted this performance audit at the request of the ARC Office of Inspector General, to assist it in its oversight of ARC grant funds. This performance audit engagement covers the period from April 1, 2020 to March 31, 2022.

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 April 8, 2022 through June 10, 2022. We determined that the Grantee's financial management and administrative procedures and related internal controls were adequate to manage the ARC grant funds. There were no findings and recommendations resulting from this performance audit engagement.

We discussed the results of this performance audit with Appalachia Service Project, Inc's officials at the conclusion of our fieldwork. Appalachia Service Project, Inc'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

Regis & Associates, PC
Washington, DC
July 25, 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 25, 2020, the Appalachian Regional Commission awarded Grant Number TN-19918-20 to Appalachia Service Project, Inc., in the amount of \$300,000. As a condition of this award, the Grantee was required to contribute a matching amount of \$128,571. The original period of performance of the grant was from April 1, 2020 to March 31, 2022. On December 15, 2021, ARC approved an amendment, Grant Number TN-19918-R1-22, to increase the award by \$220,000 for total award of \$520,000. The Grantee's matching portion also increased by \$94,286, to a total match of \$222,857. The grant's period of performance was extended to September 30, 2022. This performance audit engagement covers the period from April 1, 2020 to March 31, 2022. The total matching contribution was to be made in the form of cash, contributed services, or in-kind contributions as approved by ARC. The original award and amendment resulted in a total grant budget of \$742,857.

The grant was awarded to Appalachia Service Project, Inc, to aid in a project titled, "New Build Appalachia". This project was for the construction of seventeen homes that will be provided free of mortgages, to low-income individuals in multiple distressed areas of East Tennessee. These individuals are currently homeless or living in substandard housing. The recipients of these homes will also receive financial and home ownership counseling.

Objective, Scope, and Methodology

Objective

The Appalachian Regional Commission, Office of Inspector General, under Order Number ARC21P050, dated February 25, 2022; engaged Regis & Associates, PC to conduct a performance audit of Grant Number TN-19918-20, titled "New Build Appalachia", which was awarded to Appalachia Service Project, Inc. The term of the grant was from April 1, 2020 to September 30, 2022; which included an extension of the period of performance.

The budgeted amounts for the grant are presented below:

Exhibit – A: Schedule of Grant Budget

Object Class Category	Federal	Non-Federal	Total
Personnel	\$ 452,400	\$ -	\$ 452,400
Fringe Benefits	36,400	121,940	158,340
Travel	13,600	55,714	69,314
Equipment	-	-	-
Supplies	2,000	4,457	6,457
Contractual	15,600	37,886	53,486
Other	-	2,860	2,860
Total Direct Charges	<u>\$ 520,000</u>	<u>\$ 222,857</u>	<u>\$ 742,857</u>
Total	<u>\$ 520,000</u>	<u>\$ 222,857</u>	<u>\$ 742,857</u>

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

Our audit procedures included:

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

Results

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

- 1) The grant funds were managed in accordance with ARC and Federal grant requirements.
- 2) The grant funds were expended, as provided for in the approved grant budget. Below, we have presented a Schedule of Claimed and Audit Recommended Cost as of March 31, 2022, which reflects the results of our audit.

**Exhibit – B: Schedule of Claimed and Audit Recommended Cost
as of March 31, 2022**

Object Class Category	Claimed Cost		Questioned Cost		Audit Recommended		Total
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	
Personnel	\$ 303,396	\$ -	\$ -	\$ -	\$ 303,396	\$ -	\$ 303,396
Fringe Benefits	26,000	77,189	-	-	26,000	77,189	103,189
Travel	6,300	38,675	-	-	6,300	38,675	44,975
Equipment	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Contractual	15,600	19,645	-	-	15,600	19,645	35,245
Other	-	926	-	-	-	926	926
Total Direct Charges	\$ 351,296	\$ 136,435	\$ -	\$ -	\$ 351,296	\$ 136,435	\$ 487,731
Indirect Charges	-	-	-	-	-	-	-
Total	\$ 351,296	\$ 136,435	\$ -	\$ -	\$ 351,296	\$ 136,435	\$ 487,731

- 3) Internal guidelines, including program (internal) controls, were adequate and operating effectively. The Grantee had written policies and procedures for applicable grant activities, which we considered adequate for administering the grant.
- 4) Accounting and reporting requirements were implemented, in accordance with accounting principles generally accepted in the United States of America (or other applicable accounting and reporting requirements), including ARC requirements.
- 5) We determined that as of March 31, 2022, the Grantee had contributed \$136,434 of the required matching amount of \$222,857. These matching funds were properly supported and allowable under both Federal and ARC requirements. The Grantee contributed the matching amount, as per the contract agreement, as of the date reviewed.
- 6) We determined that the Grantee implemented effective policies and procedures to accurately capture, record, and report grant performance measures (i.e. the number of homes repaired, and new homes constructed). Based on our review of the Grantee’s procedures, the performance results reported to ARC, were fair and reasonable.

Attachment 1: Grantee 's Response



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MEMORANDUM

Date: July 20, 2022

To: Fidel Wambura, Senior Manager, Regis and Associates, PC.
Sarah Arney, Project Manager, Appalachian Regional Commission.

From: Greg DeGennaro, Chief Financial Officer, Appalachia Service Project, Inc.

Subject: Audit of ARC Grant No. TN- 19918-20

The Appalachia Service Project, Inc. staff has reviewed the draft report for TN- 19918-20 prepared and presented to us by Regis & Associates, PC on July 20, 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 black ink, appearing to read 'G. DeGennaro', is written over a light blue horizontal line.