



## Office of Inspector General

Appalachian Regional Commission

### **Audit of Grant Award to Wallace State Community College Grant Number AL-19983**

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Report Prepared by Regis & Associates, PC

Report Number 24-15

February 13, 2024

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



# Office of Inspector General

Appalachian Regional Commission

February 13, 2024

TO: Brandon McBride, Executive Director

FROM: Rhonda L. Turnbow, Acting Inspector General *Rhonda Turnbow*

SUBJECT: Audit Report 24-15 – Wallace State Community College

This memorandum transmits the Regis & Associates, PC report for the audit of costs charged to grant number AL-19883 per its agreement with the Appalachian Regional Commission. The objective of the audit was to determine if costs claimed were allowable, allocable, reasonable, and in conformity with the Commission's award terms and conditions and Federal financial assistance requirements. In addition, the audit determined whether the performance measures were reasonable, supported, and fairly represented to the Commission.

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

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

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

*Report on Performance Audit  
of  
Appalachian Regional Commission  
Grant Number AL-19983-20  
for the Period from October 1, 2020 to March 31, 2023*

*Awarded to  
Wallace State Community College*

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

Auditee: *Wallace State Community College*  
As of Date: January 30, 2024

  
MANAGEMENT CONSULTANTS &  
CERTIFIED PUBLIC ACCOUNTANTS  
1420 K Street, NW  
Suite 910  
Washington, DC 20005

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**EXECUTIVE SUMMARY**

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

We conducted a performance audit (the audit) of grant agreement, number AL-19983-20, awarded by the Appalachian Regional Commission (ARC) to Wallace State Community College (the Grantee); with a grant performance period of October 1, 2020, to March 31, 2023. We conducted this performance audit at the request of the ARC Office of Inspector General, to assist it in its oversight of ARC grant funds. This performance audit engagement covers the period from October 1, 2020, to March 31, 2023.

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

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

We conducted planning and fieldwork phases of the audit during the period from July 17, 2023, through November 31, 2023. We determined that Wallace State Community College’s financial management, administrative procedures, and related internal controls, were adequate to manage ARC’s grant funds. There were no findings and recommendations resulting from this performance audit engagement.

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

*Regis & Associates, PC*

Regis & Associates, PC  
Washington, DC  
January 30, 2024

## **Background**

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

On August 25, 2020, the Appalachian Regional Commission awarded Grant Number AL-19983-20, in the amount of \$200,000, to Wallace State Community College. As a condition of this award, the Grantee was required to contribute a matching amount of \$184,315. The grant's initial period of performance was from October 1, 2020, through September 30, 2021. On September 8, 2021, ARC approved an amendment to extend the grant's period of performance to September 30, 2022. Also, on September 28, 2022, ARC approved a second amendment to extend the grant's period of performance to March 31, 2023. This performance audit engagement covers the period from October 1, 2020, to March 31, 2023.

The grant was awarded to Wallace State Community College, to aid in the purchase of workforce training equipment for a new welding training facility that was under construction on its Hanceville Campus. The new training facility was to enable Wallace State Community College to expand the Welding Program and provide citizens of the Southern Appalachian region with more opportunities for training in the high skill, high wage, and high demand welding trade; and help meet the employment needs of new manufactures in North Alabama.

## **Objective, Scope, and Methodology**

### ***Objective***

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

### ***Scope and Methodology***

The Appalachian Regional Commission, Office of Inspector General, under Order Number ARC21P050, dated February 25, 2022; engaged Regis & Associates, PC to conduct a performance audit of Grant Number AL-19983-20, titled "Capacity Expansion Project", which was awarded to the Grantee. The initial term of the grant was from October 1, 2020 to September 30, 2021. However, the grant was extended to March 31, 2023. This performance audit engagement covers the period from October 1, 2020, to March 31, 2023.

The budgeted amounts for the grant are presented below:

**Exhibit – A: Schedule of Grant Budget**

Object Class Category	Federal	Non-Federal	Total
Equipment	\$ 200,000	\$ 184,315	\$ 384,315
Total Direct Charges	\$ 200,000	\$ 184,315	\$ 384,315
<b>Total</b>	<b>\$ 200,000</b>	<b>\$ 184,315</b>	<b>\$ 384,315</b>

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

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

Our audit procedures included:

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

**Results**

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

- 1) The grant funds were managed in accordance with ARC and Federal grant requirements.
- 2) As of March 31, 2023, the Grantee had expended the entire grant budget of \$384,315.

Below, we have presented a Schedule of Claimed and Audit Recommended Cost as of March 31, 2023, which reflects the results of our audit.

**Exhibit – B: Schedule of Claimed and Audit Recommended Costs  
 As of March 31, 2023**

Object Class Category	Claimed Costs		Questioned Costs		Audit Recommended		
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Equipment	\$ 200,000	\$ 184,315	\$ -	\$ -	\$ 200,000	\$ 184,315	\$ 384,315
Total Direct Charges	\$ 200,000	\$ 184,315	\$ -	\$ -	\$ 200,000	\$ 184,315	\$ 384,315
<b>Total</b>	<b>\$ 200,000</b>	<b>\$ 184,315</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 200,000</b>	<b>\$ 184,315</b>	<b>\$ 384,315</b>

- 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 the Grantee had contributed the required proportional matching amount of \$184,315 as of March 31, 2023. These matching funds were properly supported and allowable under both Federal and ARC requirements.
- 6) We determined that the Grantee implemented effective policies and procedures to accurately capture, record, and report grant performance measures (i.e., the number of workers whose skills were improved; and the number of businesses served by the Welding Program.) Based on our review of the Grantee's procedures, the performance results reported to ARC were fair and reasonable.
- 7) We verified that the Grantee had a single audit performed for the period ended September 30, 2022. The audit report did not contain any findings or recommendations related to the Grantee's management of Federal assistance awards.

**Attachment 1: Grantee's Response**



# WALLACE STATE

HANCEVILLE • ONEONTA

Office of the President

January 30, 2024

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

Subject: Performance Audit of Grant Agreement Number AL-19983-20

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

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

Sincerely,

A handwritten signature in black ink that reads "Vicki P. Karolewics".

Vicki P. Karolewics  
President