



## Office of Inspector General

Appalachian Regional Commission

### **Audit of Grant Award to High Point Academy Grant Number SC-20709**

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Report Prepared by Regis & Associates, PC

Report Number 24-39

August 29, 2024

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



# Office of Inspector General

Appalachian Regional Commission

August 29, 2024

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 24-39 – High Point Academy

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number SC-20709 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. 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.

The auditors made five recommendations 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 recommendations.

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 SC-20709  
for the Period from August 1, 2022, to June 1, 2023*

*Awarded to  
High Point Academy*

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

Auditee: High Point Academy  
As of Date: August 19, 2024

  
MANAGEMENT CONSULTANTS &  
CERTIFIED PUBLIC ACCOUNTANTS  
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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 SC-20709, awarded by the Appalachian Regional Commission (ARC) to High Point Academy (the Grantee); with a grant performance period of August 1, 2022, to June 1, 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 August 1, 2022, to June 1, 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 the planning and fieldwork phases of the audit during the period from November 13, 2023, through July 26, 2024. We determined that, except for the matters identified as findings 2024-001, 2024-002, and 2024-003, in the accompanying Findings, Recommendations, and Grantee's Response section of this report; High Point Academy's financial management, administrative procedures, and related internal controls; were adequate to manage ARC's grant funds.

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

Regis & Associates, PC appreciates the cooperation and assistance received from High Point Academy's and ARC's staff during this performance audit.

*Regis & Associates, PC*

Regis & Associates, PC  
Washington, DC  
August 19, 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 1, 2022, the Appalachian Regional Commission awarded Grant Number SC-20709, in the amount of \$249,859, to High Point Academy. As a condition of this award, the Grantee was required to contribute a matching amount of \$249,859. The total matching contribution was to be made in the form of cash, contributed services, or in-kind contributions as approved by ARC. The period of performance of the grant was from August 1, 2022, through June 1, 2023. This performance audit engagement covers the period from August 1, 2022, to June 1, 2023.

The grant was awarded to High Point Academy to aid in a project titled, “Activate Your Advantage”. This project was aimed at enhancing workforce readiness skills and leadership capacity for high school students, through training.

## Objective, Scope, and Methodology

### *Objective*

The general objectives of the performance audit were to determine whether High Point Academy 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 SC-20709, titled “Activate Your Advantage”, which was awarded to the Grantee. The term of the grant was from August 1, 2022, to June 1, 2023.

The budgeted amounts for the grant are presented below:

<u>Object Class Category</u>	<u>Federal</u>	<u>Non-Federal</u>	<u>Total</u>
Supplies	\$ 20,384	\$ 20,384	\$ 40,768
Contractual	222,500	222,500	445,000
Other	6,975	6,975	13,950
<b>Total</b>	<b>\$ 249,859</b>	<b>\$ 249,859</b>	<b>\$ 499,718</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, except for the matters described in Findings 2024-001, 2024-002, and 2024-003; in the accompanying Findings, Recommendations, and Grantee’s Response section of this report.
- 2) We found that, as of June 1, 2023, the Grantee had expended \$231,454 of the total grant amount of \$249,859 provided by ARC. We questioned the remaining \$18,405 of grant funds advanced by ARC, as detailed in Finding 2024-001 in the accompanying Findings, Recommendations, and Grantee’s Response section of this report.

Below, we have presented a Schedule of Claimed and Audit Recommended Cost as of June 1, 2023, which reflects the results of our audit.

**Exhibit – B: Schedule of Claimed and Audit Recommended Costs  
As of June 1, 2023**

Object Class Category	Claimed Costs		Questioned Costs		Audit Recommended		Total
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	
Supplies	\$ 20,384	\$ 20,384	\$ -	\$ -	\$ 20,384	\$ 20,384	\$ 40,768
Contractual	222,500	222,500	18,405	-	204,095	222,500	426,595
Other	6,975	6,975	-	-	6,975	6,975	13,950
<b>Total</b>	<b>\$ 249,859</b>	<b>\$ 249,859</b>	<b>\$ 18,405</b>	<b>\$ -</b>	<b>\$ 231,454</b>	<b>\$ 249,859</b>	<b>\$ 481,313</b>

- 3) Internal guidelines, including program (internal) controls, were not adequate and operating effectively. The Grantee did not have adequate policies and procedures over the financial management of Federal grants; as described in findings 2024-001, 2024-002, and 2024-003; in the accompanying Findings, Recommendations, and Grantee’s Response section of this report.



- 4) Accounting and reporting requirements were implemented, in accordance with accounting principles accepted in the United States of America (or other applicable accounting and reporting requirements), including ARC requirements; except for the matters described in Findings 2024-001 and 2024-003; in the accompanying Findings, Recommendations, and Grantee's Response section of this report.
- 5) We determined that, as of June 1, 2023, the Grantee had contributed a matching amount of \$249,859. These matching funds were properly supported and allowable under both Federal and ARC requirements, except for the matter described in Finding 2024-003, in the accompanying Findings, Recommendations, and Grantee's Response section of this report.
- 6) We determined that the Grantee implemented effective policies and procedures to accurately capture, record, and report grant performance measures (i.e., the total number of students impacted by the project). 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 June 30, 2022. The audit report did not contain any findings or recommendations related to the Grantee's management of Federal assistance awards.

## Findings, Recommendations, and Grantee's Responses

### Finding 2024-001 – Unexpended Grant Funds Need to be Returned to ARC

**Condition:**

From August 1, 2022, through June 1, 2023, the Grantee requested one advance and two requests for reimbursements of grant funds, totaling \$249,859. However, the Grantee only expended \$231,454 of this amount, leaving an unobligated balance of \$18,405 that was never refunded to ARC.

**Criteria:**

Section 2 CFR 200.344(d), *Closeout*, states that: “The Non-Federal entity must promptly refund any balances of unobligated cash that the Federal awarding agency or pass-through entity paid in advance or paid and that are not authorized to be retained by the non-Federal entity for use in other projects.”

**Questioned Costs:** We questioned the entire unexpended amount of \$18,405.

**Cause:**

The condition noted above was due to a lack of proper oversight over the grant's accounting and reporting functions. The Grantee acknowledged that certain components of the project could not be completed; and acknowledged having the unexpended portion of the grant funds in its grant account. They also acknowledged that this amount needed to be refunded to ARC.

**Effect:**

The reporting of unobligated funds as being fully expended, may result in an overstatement of actual expenditures incurred on the project.

**Recommendations:**

Recommendation 01: We recommend that the Grantee work with ARC to refund the questioned unexpended amount of \$18,405.

Recommendation 02: We also recommend that the Grantee develop and implement effective financial and grants management policies, to ensure that grant expenditures are properly recorded and reported; and that any errors are identified and corrected in a timely manner.

**Grantee's Response:**

Recommendation 01: High Point Academy agreed with this finding and indicated its willingness to reimburse the ARC for \$18,405.

Recommendation 02: High Point Academy indicated that prior to the initiation of this audit, it recognized the need to improve its financial policies and practices. With this recognition, it replaced its bookkeeper and created a Director of Finance position, who also has a finance assistant. High Point Academy also removed its Director of Compliance, and created a position for a new Director of Compliance and Procurement. As a result, it increased its financial management staff from two individuals to four; for the expressed purpose of ensuring adequate internal controls and segregation of duties. High Point Academy further stated that during the grant period, it used paper purchase orders and keyed account numbers manually; and used a third party, Prestige School Solutions, to enter and pay invoices through Bill.com. As a result of increasing its staffing, it subsequently implemented Smart Fusion, a school accounting software

**High Point Academy**  
**Performance Audit of ARC Grant, Number SC-20709**

system that tracks digital approvals for all purchase orders, for both state and federally funded expenditures. High Point Academy further indicated that it has revised its procurement policy from a one-page document, and expanded it to a full procurement manual.

**Auditor's Response:**

Since the Grantee concurred with this finding, no additional comment is necessary.

## Finding 2024-002 – Inadequate Internal Controls over Grant Expenditures

### Condition:

We selected eight vendor transactions and invoices for expenditure testing, using a non-statistical sampling approach. During the testing process, we identified the following:

Two of the eight invoices submitted by a service provider to the Grantee for review, approval, and payment; contained errors in either the period in which the work was performed, and/or the invoice dates; as identified below:

1. One invoice, in the amount of \$27,739, was dated October 31, 2021; instead of October 31, 2022. In addition, the period covered by the invoice was stated as October 1, 2021, to October 31, 2021; instead of October 1, 2022, to October 31, 2022.
2. A second invoice, in the amount of \$31,500, was dated November 30, 2021; instead of November 30, 2022. In addition, the period billed was stated as November 1, 2021, to November 30, 2021; instead of November 1, 2022, to November 30, 2022.

As a result of the discrepancies noted above, we reviewed all of the invoices submitted by the service provider; and verified that all of the invoices and the related payments were for services rendered during the grant's period of performance. However, during this process, we also noted three additional instances in which the invoices contained incorrect periods of performance of the services, and/or incorrect invoice dates; as follows:

1. One invoice, dated August 31, 2022, in the amount of \$5,507, had period of performance dates from August 1, 2021 to August 31, 2021; instead of August 1, 2022, to August 31, 2022.
2. Another invoice, dated September 30, 2022, in the amount of \$68,720, had period of performance dates from September 1, 2021, to September 30, 2021; instead of September 1, 2022, to September 30, 2022.
3. A third invoice, in the amount of \$3,937.50, was dated December 31, 2021, instead of December 31, 2022. The period of performance was also stated as December 1, 2021, to December 31, 2021; instead of December 1, 2022, to December 31, 2022.

### Criteria:

Pursuant, Page 2 of High Point Academy's *Accounts Payable policy*; "All invoices must be submitted to the Business Office for processing. Invoice must contain the date of purchase, name and address of vendor, quantity, and description of goods and services rendered and amount. All invoices must be reviewed and signed by the Superintendent, and the Business Office must review the invoice to confirm that the goods or services outlined in the invoice have been received by High Point Academy. The Business Office will process the invoice once confirmation is received".

Section 2 CFR 200.303(i) states that the Non-Federal entity must establish and maintain effective 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 term and conditions of the Federal award.

**Questioned Costs:** None

### Cause:

The Grantee did not follow its accounts payable policy of ensuring that invoices are properly reviewed for propriety, and verified before authorizing payments to the vendors.

**Effect:**

Failure to establish and implement sufficient and adequate internal controls over grant expenditures may result in inappropriate or unallowable expenditures being charged to the grant.

**Recommendation:**

Recommendation 03: We recommend that the Grantee implement its accounts payable policy of ensuring that invoices are properly reviewed for propriety, and verified before authorizing payment to vendors.

**Grantee's Response:**

Recommendation 03: High Point Academy indicated that it received and paid invoices with errors and should have caught the errors. It also indicated that all services and payments were within the grant period and were allowable. High Point Academy additionally indicated that the expanded staffing complement will assist it in ensuring that such vendor errors are identified in a timely manner and corrected.

**Auditor's Response:**

Since the Grantee concurred with this finding, no additional comment is necessary.

**Finding 2024-003 – Overstatement of matching expenses**

**Condition:**

During our testing of matching expenses incurred by the Grantee, we noted that the Grantee reported on the final financial report (SF-270), dated May 2, 2023, a total cash matching amount of \$405,218. Our review of matching records and supporting documents indicated that the Grantee provided the required matching amount of \$249,859. The Grantee, therefore, reported an additional matching amount of \$155,359, in error.

**Criteria:**

In accordance with Section 2 CFR 200.302(b)(2) and (3), the financial management system of each non-Federal entity must provide “Accurate, current, and complete disclosure of the financial results of each Federal award” and “Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income and interest; and be supported by source documentation”

**Questioned Cost:** None

**Cause:**

The Grantee did not have effective financial, reporting, and grants management policies to ensure that the matching amounts recorded and reported to ARC on the SF-270 were complete, properly classified, and accurate.

**Effect:**

Incorrect reporting of the matching amount by the Grantee may result in an incorrect determination of the adequacy of the funding for the project, by ARC.

**Recommendations:**

Recommendation 04: We recommend that the Grantee develop and implement effective financial, reporting, and grants management policies; to ensure that proper reporting of the final status of grants is made to ARC, and that any errors on reports are identified and corrected in a timely manner.

Recommendation 05: We also recommend that the Grantee take action to correct the error on the SF-270 and resubmit the form to ARC.

**Grantee’s Response:**

Recommendation 04: High Point Academy agrees and has already complied with the recommendation, as outlined in its comments on Recommendation 02.

Recommendation 05: High Point Academy logged on to the ARC grant portal but it was unable to correct and resubmit the SF-270, since the grant period had ended and the SF-270 was no longer accessible.

**Auditor’s Response:**

We recommend that the Grantee communicate with the ARC grant coordinator to request access to the portal in order to revise and resubmit a corrected SF-270 report.

**Attachment 1 - Grantee's Response**

**Brian J. Sherman**  
Superintendent



**Kelly Buster**  
Elementary Principal  
**Tammy Goodlett**  
Middle School Principal  
**Tucker Hamrick**  
High School Principal

**High Point Academy**  
6655 Pottery Road  
Spartanburg, SC 29303

August 19, 2024

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

Subject: Performance Audit of Grant Agreement Number SC-20709

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 the audit findings and concur with the audit result. On behalf of High Point Academy, 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 cursive script, appearing to read "Brian J. Sherman".

Brian J. Sherman  
Superintendent