



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to Town of Calhoun City Grant Number MS-20688

Report Prepared by Regis & Associates, PC

Report Number 25-02

October 1, 2024

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



Office of Inspector General

Appalachian Regional Commission

October 1, 2024

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 25-02 – Town of Calhoun City

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number MS-20688 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. 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 MS-20688-2022
for the Period from July 1, 2022, to September 30, 2023*

*Awarded to
Town of Calhoun City*

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

*Auditee: Town of Calhoun City
As of Date: September 25, 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 MS-20688-2022, awarded by the Appalachian Regional Commission (ARC), to the Town of Calhoun City (the Grantee); with a grant performance period of July 1, 2022, to September 30, 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 July 1, 2022, to September 30, 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 May 6, 2024, through September 5, 2024. We determined that the Town of Calhoun City'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 the Town of Calhoun City's officials at the conclusion of our fieldwork. The Town of Calhoun City's response has been included as Attachment 1 to this report. Regis & Associates, PC appreciates the cooperation and assistance received from the Town of Calhoun City's and ARC's staff during this performance audit.

Regis & Associates, PC

Regis & Associates, PC
Washington, DC
September 25, 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 June 1, 2022, the Appalachian Regional Commission awarded Grant Number MS-20688-2022, in the amount of \$340,000, to the Town of Calhoun City. As a condition of this award, the Grantee was required to contribute a matching amount of \$443,688. On September 22, 2022, the Grantee requested, and ARC approved, an amendment to increase the grant amount by \$98,000 and the matching amount by \$42,000. The period of performance of the grant was from July 1, 2022, through September 30, 2023. The grant was awarded to the Town of Calhoun City, to aid in a project titled, “Industrial Building Improvements (Med-Lift Building)”. This project was aimed at renovating a vacant 52,388 square foot building, which was to be leased to a furniture manufacturer.

Objective, Scope, and Methodology

Objective

The general objectives of the performance audit were to determine whether the Town of Calhoun City 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 MS-20688-2022, titled “Industrial Building Improvements (Med-Lift Building)”, which was awarded to the Grantee. The budgeted amounts for the grant are presented below:

Budget Description	Federal	Non-Federal	Total
General Administration	\$ 34,000	\$ -	\$ 34,000
Engineering - Construction/Design	31,454	41,696	73,150
Contingency	28,568	-	28,568
Public Building Renovation	343,978	443,992	787,970
Total	\$ 438,000	\$ 485,688	\$ 923,688

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 September 30, 2023, the Grantee had expended \$914,796, which was \$8,892 less than the grant’s budgeted amount of \$923,688.

Below, we have presented a Schedule of Claimed and Audit Recommended Cost, as of September 30, 2023, 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		
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
General Administration	\$ 34,000	\$ -	\$ -	\$ -	\$ 34,000	\$ -	\$ 34,000
Engineering - Construction/Design	31,454	41,696	-	-	31,454	41,696	73,150
Contingency	19,676	-	-	-	19,676	-	19,676
Public Building Renovation	343,978	443,992	-	-	343,978	443,992	787,970
Total	\$ 429,108	\$ 485,688	\$ -	\$ -	\$ 429,108	\$ 485,688	\$ 914,796

- 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 September 30, 2023; the Grantee had contributed the required matching amount of \$485,688. 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., business improved, and the number of square feet constructed/renovated). 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 did not meet the requirements for the performance of a Single Audit; and thus, was not subject to the Single Audit requirements, under the Uniform Guidance.

Attachment 1: Grantee's Response

CITY OF CALHOUN CITY

Nellie Pratt, City Clerk
Deborah Bailey, Deputy Clerk
Michael Armstrong, Deputy Court Clerk
Rahn Omar Giddens, Police Chief
Paul Moore Jr., City Attorney
Mike Beasley, Fire Chief

Marshall W. Coleman, Mayor
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Aldermen/Alderwoman
Fitzgerald Harper, Alderman Ward I
Tony Herrod, Alderman Ward II
Larry Bratton, Alderman Ward III
Aaron D. Blount Alderman Ward IV
Stephanie Lucius, Alderwoman Ward V

September 25, 2024

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

Subject: Performance Audit of Grant Agreement Number MS-20688-2022

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 Town of Calhoun City, it was a pleasure working with you and your team and we look forward to working with you in the future.

Sincerely,



Marshall Coleman
Mayor, Town of Calhoun City