



# Office of Inspector General

Appalachian Regional Commission

## Audit of Grant Award to City of Cullman Grant Number AL-20224

---

Report Prepared by Regis & Associates, PC

Report Number 25-03

October 2, 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 2, 2024

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 25-03 – City of Cullman

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number AL-20224 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 AL-20224  
for the Period from April 1, 2021, to March 31, 2024*

*Awarded to  
City of Cullman*

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

Auditee: *City of Cullman*

As of Date: October 1, 2024

The logo for REGIS ASSOCIATES, PC features the word "REGIS" in a large, bold, blue sans-serif font. To the left of "REGIS" is a stylized, light blue circular graphic element. Below "REGIS" is the text "ASSOCIATES, PC" in a smaller, blue, sans-serif font.

**REGIS**  
ASSOCIATES, PC

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	3
Objective, Scope, and Methodology	3
Results	4
Attachment 1 - Grantee's Response	6



## 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-20224, awarded by the Appalachian Regional Commission (ARC) to the City of Cullman (the Grantee); with a grant performance period of April 1, 2021, to March 31, 2024. 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, 2021, to March 31, 2024.

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 June 2, 2024, through August 30, 2024. We determined that the City of Cullman's Rehabilitation and Reconstruction project'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 City of Cullman's officials at the conclusion of our fieldwork. The City of Cullman's response has been included as Attachment 1 to this report. Regis & Associates, PC appreciates the cooperation and assistance received from the City of Cullman's and ARC's staff during this performance audit.

*Regis & Associates, PC*

Regis & Associates, PC  
Washington, DC  
October 1, 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 February 2, 2021, the Appalachian Regional Commission awarded Grant Number AL-20224, in the amount of \$350,000, to the City of Cullman. As a condition of this award, the Grantee was required to contribute a matching amount of \$450,000, comprising \$350,000 of Federal Community Development Block Grant (CDBG) funding, and \$100,000 of local funding. The total matching contribution was to be made in the form of cash, as approved by ARC. The period of performance of the grant was from April 1, 2021, to March 31, 2024. This performance audit engagement covers the period from April 1, 2021, to March 31, 2024.

The grant was awarded to the City of Cullman, to aid in a project titled, “City of Cullman-24th Street Rehabilitation and Reconstruction Project”; to reconstruct a two-mile segment of 24th Street, SE, between US Highway 31 and State Highway 69. This project was to enable the reconstruction of the road base and widening its turn lanes, in order to accommodate semi-trucks and other heavy industrial vehicles.

## Objective, Scope, and Methodology

### *Objective*

The general objectives of the performance audit were to determine whether the City of Cullman 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-20224, titled “City of Cullman-24th Street Rehabilitation and Reconstruction Project”, which was awarded to the Grantee. The budgeted amounts for the grant are presented below:

<b>Exhibit – A: Schedule of Grant Budget</b>				
<u>Object Class Category</u>	<u>Federal (ARC)</u>	<u>Federal (CDBG)</u>	<u>Non-Federal</u>	<u>Total</u>
Construction	\$ 350,000	\$ 350,000	\$ 100,000	\$ 800,000
Total Project Costs	\$ 350,000	\$ 350,000	\$ 100,000	\$ 800,000
<b>Total</b>	<b>\$ 350,000</b>	<b>\$ 350,000</b>	<b>\$ 100,000</b>	<b>\$ 800,000</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, 2024, the Grantee had expended \$802,957, which was \$2,957 more than the grant’s budgeted amount of \$800,000.

Below, we have presented a Schedule of Claimed and Audit Recommended Cost, as of March 31, 2024, which reflects the results of our audit.

**Exhibit – B: Schedule of Claimed and Audit Recommended Costs  
As of March 31, 2024**

Object Class Category	Claimed Costs			Questioned Costs			Audit Recommended			Total
	Federal (ARC)	Federal (CDBG)	Non-Federal	Federal (ARC)	Federal (CDBG)	Non-Federal	Federal (ARC)	Federal (CDBG)	Non-Federal	
Construction	\$ 350,000	\$ 350,000	\$ 102,957	\$ -	\$ -	\$ -	\$ 350,000	\$ 350,000	\$102,957	\$ 802,957
Total Project Costs	\$ 350,000	\$ 350,000	\$ 102,957	\$ -	\$ -	\$ -	\$ 350,000	\$ 350,000	\$102,957	\$ 802,957
<b>Total</b>	<b>\$ 350,000</b>	<b>\$ 350,000</b>	<b>\$ 102,957</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 350,000</b>	<b>\$ 350,000</b>	<b>\$102,957</b>	<b>\$ 802,957</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 met the required matching of \$450,000 as of March 31, 2024. The total matched amount consisted of \$102,957 in local funding and \$350,00 of Federal CDBG funding. The total match was \$2,957 more than the required matching amount. These matching funds were properly supported and allowable under both Federal and ARC requirements. The



excess matching contribution was used to fund the amount expended in excess of the original budgeted amount.

- 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 new jobs created, number of businesses improved, and Linear feet reconstructed) 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**




October 1, 2024

Fidel Wambura, CPA  
Senior Manager  
Regis & Associates, PC  
1420 K Street, NW Suite 910  
Washington, DC 20005

Subject: Performance Audit of Grant Agreement Number AL-20224

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 results. On behalf of City of Cullman, it was a pleasure working with you and your team and we look forward to working with you in the future.

Sincerely,  
  
Woody Jacobs  
Mayor

WJ/lhw