



Office of Inspector General

Appalachian Regional Commission

**Audit of Grant Award to
North Central Pennsylvania Regional
Planning and Development Commission
Grant Number PA-20608**

Report Prepared by Regis & Associates, PC

Report Number 25-09

December 5, 2024

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



Office of Inspector General

Appalachian Regional Commission

December 5, 2024

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 25-09 – North Central Pennsylvania Regional Planning and Development Commission

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number PA-20608 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 one recommendation in the report. Within the next 30 days, please provide me with your management decision describing the specific actions that you will take to implement the recommendation.

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 PA-20608
for the Period from Jan 1, 2022, to Dec 31, 2023*

*Awarded to
North Central Pennsylvania Regional Planning and Development
Commission*

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

Auditee: North Central Pennsylvania Regional Planning and Development Commission
As of Date: November 7, 2024


MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS
1420 K Street, NW
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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 PA-20608, awarded by the Appalachian Regional Commission (ARC) to North Central Pennsylvania Regional Planning and Development Commission (the Grantee); with a grant performance period of January 1, 2022, 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 January 1, 2022, to December 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) the reported performance measures were fair and reasonable; and 6) 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 February 5, 2024, through August 1, 2024. We determined that, except for the matters identified in finding 2024-001, in accompanying Findings, Recommendations, and Grantee's Response section of this report; North Central Pennsylvania Regional Planning and Development Commission'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 North Central Pennsylvania Regional Planning and Development Commission's officials at the conclusion of our fieldwork. North Central Pennsylvania Regional Planning and Development Commission's response has been included as Attachment 1 to this report.

Regis & Associates, PC appreciates the cooperation and assistance received from North Central Pennsylvania Regional Planning and Development Commission's and ARC's staff during this performance audit.

Regis & Associates, PC

Regis & Associates, PC
Washington, DC
November 7, 2024

1420 K Street, NW Suite 910, Washington, DC 20005; Tel 202-296-7101; Fax: 202-296-7284; www.regiscpa.com

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 May 4, 2022, the Appalachian Regional Commission awarded Grant Number PA-20608, in the amount of \$200,000, to North Central Pennsylvania Regional Planning and Development Commission. The initial period of performance of the grant was from January 1, 2022, through December 31, 2023. On October 13, 2023, the grant period was extended to March 31, 2024. The grant was awarded to North Central Pennsylvania Regional Planning and Development Commission, to aid in a two-year program designed to develop a community capacity building program. The project augments, retains, and enhances staff capacity in order to focus on the regional planning collaboration designed to leverage available funds that will assist in economic recovery efforts due to the pandemic. This performance audit engagement covers the period from January 1, 2022, to December 31, 2023.

Objective, Scope, and Methodology

Objective

The general objectives of the performance audit were to determine whether North Central Pennsylvania Regional Planning and Development Commission 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 PA-20608-22, titled "A Collaborative ARPA Regional Planning and Technical Assistance Response Program for North Central Pennsylvania", which was awarded to the Grantee.

The budgeted amounts for the grant are presented below:

Exhibit – A: Schedule of Grant Budget			
Object Class Category	Federal	Non-Federal	Total
Personnel	\$ 82,991.00	\$ -	\$ 82,991.00
Fringe Benefits	40,503.00	-	40,503.00
Travel	6,429.00	-	6,429.00
Equipment	3,528.00	-	3,528.00
Supplies	759.00	-	759.00
Contractual	20,382.00	-	20,382.00
Other	3,811.00	-	3,811.00
Total Direct Charges	\$ 158,403.00	\$ -	\$ 158,403.00
Indirect Charges	41,597.00	-	41,597.00
Total	\$ 200,000.00	\$ -	\$ 200,000.00

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 in Finding 2024-001, in accompanying Findings, Recommendations, and the Grantee's Response section of this report.
- 2) As of December 31, 2023, the Grantee had expended \$172,483 of the budgeted amount of \$200,000.

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

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

Object Class Category	Claimed Costs		Questioned Costs		Audit Recommended		
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Personnel	\$ 69,427.95	\$ -	\$ -	\$ -	\$ 69,427.95	\$ -	\$ 69,427.95
Fringe Benefits	33,769.96	-	-	-	33,769.96	-	33,769.96
Travel	5,467.47	-	-	-	5,467.47	-	5,467.47
Equipment	3,528.28	-	-	-	3,528.28	-	3,528.28
Supplies	853.87	-	-	-	853.87	-	853.87
Contractual	20,278.04	-	-	-	20,278.04	-	20,278.04
Other	2,851.42	-	-	-	2,851.42	-	2,851.42
Total Direct Charges	\$136,176.99	\$ -	\$ -	\$ -	\$136,176.99	\$ -	\$ 136,176.99
Indirect Charges	36,305.77	-	-	-	36,305.77	-	36,305.77
Total	<u>\$172,482.76</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$172,482.76</u>	<u>\$ -</u>	<u>\$ 172,482.76</u>

- 3) Internal guidelines, including program (internal) controls, were adequate and operating effectively. The Grantee did not have adequate policies and procedures over the financial management of Federal grants; as described in Finding 2024-001 in accompanying Findings, Recommendations, and Grantee's Response section of this report.
- 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 implemented effective policies and procedures to accurately capture, record, and report grant performance measures (i.e., number of counties served and improved, and the number of participants trained). Based on our review of the Grantee's procedures, the performance results reported to ARC were fair and reasonable.
- 6) We verified that the Grantee had Single Audits performed for the periods ended June 30, 2022, and June 30, 2023. The audit reports 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 – Non-compliance with the Reporting Requirements

Condition:

As part of our procedures, we reviewed the submission of required reports to ARC and noted the following:

- a. The Grantee did not submit two SF-270 *Request for Advance or Reimbursement* reports and one ARC Performance Report in a timely manner. These reports were due on August 30, 2022, and July 30, 2023. The Grantee submitted the reports on August 31, 2022, and August 10, 2023, respectively, as shown in Table 1 below:

Table 1 – Reporting dates, due dates, submission dates, the number of days late, and report period covered:

Sequence No.	Report Type	(A) Report period end date	(B) Due date	(C) Submission date	(D) = (C) - (B) Number of Days late
1	SF-270	7/31/2022	8/30/2022	8/31/2022	1
2	Performance Report	7/31/2022	8/30/2022	8/31/2022	1
3	SF-270	6/30/2023	7/30/2023	8/10/2023	11

- b. Furthermore, the Grantee submitted one SF-270 *Request for Advance or Reimbursement* report and one ARC Performance Report that covered seven months each, and two SF-270 *Request for Advance or Reimbursement* reports that covered three months each, instead of 120 days or four months. The Grantee also submitted one ARC Performance Report that covered five months, rather than 120 days or four months, as specified in the grant agreement. The period-ending dates, due dates, and periods covered by the reports are summarized in Table 2 below:

Table 2 - The period-ending dates, due dates, and the report period covered.

Sequence No.	Report Type	(A) Report period end date	(B) Due date	(C) Report Coverage Period
1	SF-270	7/31/2022	8/30/2022	7 months
2	Performance Report	7/31/2022	8/30/2022	7 months
3	SF-270	12/31/2022	1/30/2023	3 months
4	Performance Report	12/31/2022	1/30/2023	5 months
5	SF-270	6/30/2023	7/30/2023	3 months

Questioned Costs:

None.

Criteria:

Pursuant to 2 CFR 200.329(c), Monitoring and Reporting Program Performance: “the non-federal entity must submit performance reports at the interval required by Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity”

The ARC Grant Administration Manual for ARC Non-Construction Grants, dated February 2020, states: “The reporting period begins with the start date of the grant agreement. ARC requires interim progress reports every 120 days or every four months and a final report at the end of your project’s period of performance. Reports are due no later than 30 days after the close of a reporting period”.

The ARC Grant Administration Manual for ARC Non-Construction Grants, dated February 2020, states that the SF-270 *Request for Advance or Reimbursement* report is to be submitted with the Performance and Progress reports, at the same interval, for both interim and final periods.

Cause:

The Grantee stated that it did not submit the first SF-270 and Performance Progress Reports, which were due on August 30, 2022, because they received an email from ARC stating that the reports were due at the end of August. The Grantee mistakenly assumed that "end of August" meant August 31, 2022; resulting in the reports being submitted one day late. The third SF-270 report was due on July 30, 2023, but the Grantee submitted it on August 10, 2023. The Grantee was unable to provide an explanation for why the report was submitted late as the person responsible for reporting is no longer associated with the Grantee.

The Grantee stated it had fallen behind on reporting due to a delay in receiving the grant agreement. The ARC coordinator requested that it submit the first SF-270 and Performance Progress Reports, starting with the period ending July 31, 2022, which covered seven months; in order to re-establish compliance with the reporting schedule, which required interim progress reports every 120 days or every four months. The Grantee further stated that the ARC coordinator instructed it to submit the SF-270 Report, covering the three months ending on December 31, 2022; and the Performance Progress Report, covering five the months ending on December 31, 2022; in order to realign these reports with the reporting schedule, which required three reports at 120-day intervals, for the 2022 calendar year. On August 10, 2023, the Grantee submitted the third SF-270 report, which covered the three-month period ending June 30, 2023. This was because the Grantee misunderstood the number of months the report should have covered; and submitted it for three months, rather than 120 days or four months, as required.

Effect:

SF-270 reports and Performance Progress reports are tools used to monitor a project’s financial status and progress towards completion. For reporting to be effective, it needs to be timely and accurate. When reports are not prepared in a timely manner, the Grantee does not have the necessary information to adjust its activities or resources if a situation requires it. When reports are not submitted to ARC in a timely manner, this deprives ARC of the ability to provide effective oversight of the project being implemented.

Recommendation:

Recommendation 01: We recommend that the North Central Pennsylvania Regional Planning and Development Commission develop procedures to prepare and submit its SF-270 and Performance Progress Reports in a timely manner.

Grantee's Response:

The Grantee concurred with the audit results. See the Grantee's full response in Attachment 1.

Auditor's Response:

Since the Grantee concurred with our audit results, no additional comment is necessary.

Attachment 1: Grantee's Response



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November 7, 2024

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

Subject: Performance Audit of Grant Agreement Number PA-20608

We are providing this letter in response to the performance audit conducted by Regis & Associates, PC on behalf of the Appalachian Regional Commission (ARC) for Grant Agreement Number PA-20608. I have reviewed the audit findings results.

Finding 2024-001 – Non-compliance with the Reporting Requirements

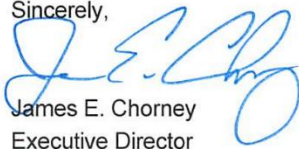
Condition: The audit identified that two SF-270 Request for Advance or Reimbursement reports and one ARC Performance Report were submitted past the required due dates. The reports were due on August 30, 2022, and July 30, 2023, but were submitted on August 31, 2022, and August 10, 2023, respectively. We understand the importance of timely reporting and acknowledge the recommendation to develop procedures for more timely submission of the SF-270 and Performance Progress Reports.

In response, we have created and implemented an internal grant reporting tracking worksheet, which has been made available on our shared network. This tool enables all relevant staff to track, update, and manage report deadlines actively, ensuring timely submission of all required documents in future grant cycles.

We are confident that these measures will improve our reporting compliance and support efficient grant management practices moving forward.

On behalf of North Central Pennsylvania Regional Planning and Development Commission, thank you again for your support and insights throughout this audit process.

Sincerely,


James E. Chorney
Executive Director

Serving Cameron, Clearfield, Elk, Jefferson, McKean and Potter Counties