



## Office of Inspector General

Appalachian Regional Commission

**Audit of Grant Award to  
O.S. Johnson Technical Institute d/b/a Johnson College  
Grant Number PA-20908**

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Report Prepared by Regis & Associates, PC

Report Number 25-11

December 17, 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 17, 2024

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 25-11 – O.S. Johnson Technical Institute d/b/a Johnson College

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number PA-20908 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 four 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 PA-20908  
for the Period from June 1, 2022, to November 30, 2023*

*Awarded to  
Johnson College*

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

Auditee: Johnson College  
As of Date: November 12, 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 PA-20908, awarded by the Appalachian Regional Commission (ARC), to O.S. Johnson Technical Institute, d/b/a Johnson College (the Grantee); with a grant performance period of June 1, 2022, to November 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 June 1, 2022, to November 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 planning and fieldwork phases of the audit during the period from March 6, 2024, through August 31, 2024. We determined that, except for the matters identified as findings 2023-001 and 2023-002 in the accompanying Findings, Recommendations, and Grantee's Response section of this report; Johnson College'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 Johnson College's officials at the conclusion of our fieldwork. Johnson College's response has been included as Attachment 1 to this report.

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

*Regis & Associates, PC*

Regis & Associates, PC  
Washington, DC  
November 12, 2024

1420 K Street, NW Suite 910, Washington, DC 20005; Tel 202-296-7101; Fax: 202-296-7284; [www.regiscpa.com](http://www.regiscpa.com)

**Johnson College**  
**Performance Audit of ARC Grant Number PA-20908**

**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 PA-20908, in the amount of \$140,000, to O.S. Johnson Technical Institute, d/b/a Johnson College. As a condition of this award, the Grantee was required to contribute a matching amount of \$140,000. The period of performance of the grant was from June 1, 2022, through May 31, 2023. On July 31, 2023, during the grant's liquidation period and prior to grant closeout, the Grantee requested an extension to the grant's period of performance, to November 30, 2023, to allow additional time to procure a piece of instructional equipment necessary for the program. On August 8, 2023, ARC approved an amendment to extend the grant's period of performance to November 30, 2023. This performance audit engagement covers the period from June 1, 2022, to November 30, 2023.

The grant was awarded to Johnson College to aid in a project titled, "Tools of the Trade: Supporting Tools for Workforce Training". This project was aimed at setting up a mobile laboratory and upgrading major instructional equipment and capabilities to deliver hands-on training to prepare students to fill essential, in demand jobs throughout the Appalachian Region.

**Objective, Scope, and Methodology**

*Objective*

The general objectives of the performance audit were to determine whether Johnson 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 PA-20908, titled "Tools of the Trade: Supporting Tools for Workforce Training", 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
Equipment	\$ 98,500	\$ 140,000	\$238,500
Supplies	41,500	-	41,500
<b>Total</b>	<b>\$ 140,000</b>	<b>\$ 140,000</b>	<b>\$ 280,000</b>

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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 2023-001 and 2023-002, in the accompanying Findings, Recommendations, and Grantee's Response section of this report.
- 2) As of November 30, 2023, the Grantee had expended \$275,404 of the total grant budgeted amount of \$280,000. We questioned \$72,122 of these costs, as detailed in Finding 2023-001; in the accompanying Findings, Recommendations, and Grantee's Response section of this report. This resulted in total audit recommended cost of \$203,282.

Below, we have presented a Schedule of Claimed and Audit Recommended Cost, as of November 30, 2023, which reflects the results of our audit.

**Exhibit – B: Schedule of Claimed and Audit Recommended Costs**

Object Class Category	As of November 30, 2023						
	Claimed Costs		Questioned Costs		Audit Recommended		
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Equipment	\$ 98,474	\$ 135,617	\$ -	\$ 72,122	\$ 98,474	\$ 63,495	\$ 161,969
Supplies	39,228	2,085	-	-	39,228	2,085	41,313
<b>Total</b>	<b>\$ 137,702</b>	<b>\$ 137,702</b>	<b>\$ -</b>	<b>\$ 72,122</b>	<b>\$ 137,702</b>	<b>\$ 65,580</b>	<b>\$ 203,282</b>

- 3) Internal guidelines, including program (internal) controls, were not adequate and operating effectively. The Grantee did not have adequate procedures over procurement; as described in finding 2023-001, in the accompanying Findings, Recommendations, and Grantee's Response section of this report.



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- 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 missing quarterly reports, as described in finding 2023-002, in the accompanying Findings, Recommendations, and Grantee's Response section of this report.
- 5) We determined that the Grantee contributed \$137,702 of the required matching amount of \$140,000, as of November 30, 2023. However, we questioned matching costs of \$72,122 as described in finding 2023-001, in the accompanying Findings, Recommendations, and Grantee's Response section of this report. This resulted in a total audit recommended matching cost of \$65,580.
- 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 in the program who completed the training.) 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.

**Findings, Recommendations and Grantee's Responses**

**Finding 2023-001 – Lack of Compliance with the Grantee's Procurement Policy and Procedures**

**Condition:**

During our testing of equipment procured by the Grantee, we noted that for one piece of equipment purchased, the Grantee failed to provide support that demonstrated compliance with its existing procurement policy related to "Small Purchases" which required the Grantee to obtain three price quotations.

On September 22, 2022, the Grantee awarded a contract to a vendor for the purchase of a trailer, in the amount of \$72,122. We noted that the Grantee obtained and documented only two price quotations from two different vendors; one dated April 20, 2022; and another one dated November 6, 2021.

**Questioned Costs:**

We questioned the total matching cost of \$72,122, which was provided by the Grantee and incurred to purchase the equipment. This amount was also reported to ARC.

**Criteria:**

Pursuant to Tab 1 of Johnson College's *Expenditure and Contractual policy*, "for all purchase with an estimated cost of \$25,000, the Grantee should engage in a competitive bidding process, which requires at least three bids from companies that the Grantee believes can perform the work".

Section 2 CFR 200.320(2)(i) defines "small purchase" as: "The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity".

**Cause:**

The Grantee stated that it was unable to locate the documentation for the quotation, due to employee turnover. The employee, who was responsible for receiving and documenting quote, is no longer employed by the Grantee.

**Effect:**

Non-compliance with procurement policies may lead to a lack of transparency and accountability in the procurement process. This practice may also result in procuring services at unreasonable prices; and, therefore, not realizing value for grant funds expended.

**Recommendations:**

Recommendation 01: We recommend that Johnson College implement its existing procurement policy, by requiring that the minimum number of price quotations are received and documented for each procurement action.

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Recommendation 02: We recommend that Johnson College work with ARC, to resolve the \$72,122 of questioned matching costs.

**Grantee's Response:** The Grantee concurred with the audit result. See the Grantee's full response in Attachment 1.

**Auditor's Response:** Since the Grantee concurred with this finding, no additional comment is necessary.

**Finding 2023-002 – Lack of Compliance with the Grant Reporting Requirements**

**Condition:**

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

The Grantee did not submit two of the five required SF-270 Request for Advance or Reimbursement reports for the periods summarized in the table 1 below:

Table 1 – Reporting Dates and Due Dates of SF-270 Request for Advance or Reimbursement reports

Report No.	Report period end date	Due date
3	4/30/2023	5/30/2023
4	8/31/2023	9/30/2023

**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 SF-270 Request for Advance or Reimbursement report is to be submitted with the progress reports at the same interval for both interim and final periods.

**Cause:**

The Grantee was under the impression that since it received a no-cost extension, extending the grant’s period of performance from May 31, 2023, to November 30, 2023; it did not need to submit any more SF-270 Request for Advance or Reimbursement reports until after the grant ended on November 30, 2023. It, therefore, submitted the final report on December 21, 2023.

**Effect:**

Grant progress reporting is a tool that is 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 submitted to ARC in a timely manner, it deprives ARC of the ability to provide effective oversight of the project being implemented.

**Recommendations:**

Recommendation 03: Since the grant period had ended and the reporting section of ARC portal is no longer accessible, we recommend that Johnson College’s management communicate with the ARC grant coordinator to request access to the portal in order to resubmit the missing SF-270 and Performance Progress reports.

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Recommendation 04: We recommend that Johnson College's management review and update its internal grant management procedures to include clearer guidelines on reporting during all phases of a grant, including during no-cost extension periods. Additionally, grant staff should receive training to ensure that they are aware of their reporting responsibilities.

**Grantee's Response:** The Grantee concurred with the audit result. See the Grantee's full response in Attachment 1.

**Auditor's Response:** Since the Grantee concurred with this finding, no additional comment is necessary.

**Attachment 1: Grantee's Response**



**MEMORANDUM**

**To:** Fidel Wambura, CPA, Senior Manager, Regis and Associates PC  
**From:** Liz Renda, Chief Financial Officer, Johnson College  
**Date:** November 12, 2024  
**Subject:** Response to Performance Audit Report for ARC Grant PA-20908 (June 1, 2022 - November 30, 2023)

Johnson College has received the *Report on the Performance Audit of the ARC Grant PA-20908* for the period from June 1, 2022, to November 30, 2023. We have reviewed the report and we concur with the results of the audit.

Throughout the administration and execution of this grant, the College made every effort to adhere to the terms and conditions outlined in the grant agreement, as understood at the time. We would like to emphasize that no fraudulent activity or misuse of federal funds was intended.

Below are our responses to the findings:

**Finding 2023-001 – Lack of Compliance with the Grantee's Procurement Policy and Procedures**

The College conducted a bid process; and those documents, the bid from the company that the College purchased the trailer from, Vendor One; as well as vendor two, were provided to Regis. Because of the specifications of the trailer and what was needed, the availability of interested parties was very limited. Vendor Two was unable to provide the trailer within the timeline of the grant period, so the College proceeded with the purchase from Vendor One, as they were the only other company that could provide the equipment within the time constraints.

Although certain requests for quotes were not responded to or properly documented due to staff transitions, the College did make diligent efforts to request quotes, ultimately securing two official quotes that were used in selecting the vendor.

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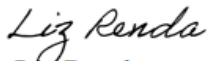
**Finding 2023-002 – Lack of Compliance with the Grant Reporting Requirements**

The College provided timely reporting for 9/30/22 and 1/30/23, as required by ARC. The next report due was the FINAL report for 5/30/23. Since the grant period was extended, that would make the final report due after the 11/30/23 close. The College's understanding was that the 12/30/23 report would be its final report and did not realize that interim reports were still due. ARC program officers usually send reminder notices of upcoming report deadlines, and none were received for this grant (nothing shows in the report tab of the grant history). Going forward, the College now understands that four-month reporting continues, regardless of any extension.

As part of our commitment to compliance, institutional corrections have been implemented to address these issues. Moving forward, we do not anticipate any further concerns.

Please feel free to reach out if you require any additional information.

Sincerely,



Liz Renda  
Chief Financial Officer  
Johnson College