



Office of Inspector General

Appalachian Regional Commission

**Audit of Grant Award to
West Virginia Rural Water Association (WVRWA)
Grant Number WV-20899**

Report Prepared by Regis & Associates, PC

Report Number 25-14

January 16, 2025

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



Office of Inspector General

Appalachian Regional Commission

January 16, 2025

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 25-14 – West Virginia Rural Water Association (WVRWA)

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number WV-20899 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 WV-20899-22
for the Period from September 1, 2022, to April 30, 2023*

*Awarded to
West Virginia Rural Water Association*

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

Auditee: West Virginia Rural Water Association.
As of Date: January 7, 2025

 **REGIS**
ASSOCIATES, PC
MANAGEMENT CONSULTANTS &
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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 WV 20899-22, awarded by the Appalachian Regional Commission (ARC) to West Virginia Rural Water Association (the Grantee); with a grant performance period from September 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 September 1, 2022, to April 30, 2023.

The objectives of the 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 20, 2024, through September 30, 2024. We determined that, except for the matters identified as Findings 2024-001, 2024-002, 2024-003, and 2024-004 in the accompanying Findings, Recommendations, and Grantee's Response section of this report; West Virginia Rural Water Association'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 West Virginia Rural Water Association's officials at the conclusion of our fieldwork. West Virginia Rural Water Association's response has been included as Attachment 1 to this report.

West Virginia Rural Water Association
Performance Audit of ARC Grant Number WV-20899-22

Regis & Associates, PC appreciates the cooperation and assistance received from West Virginia Rural Water Association's and ARC's staff during this performance audit.

Regis & Associates, PC

Regis & Associates, PC
Washington, DC
January 7, 2025

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; health care, 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 September 16, 2022, the Appalachian Regional Commission awarded Grant Number WV-20899-22, titled "Drinking Water and Wastewater Utility Training and Assistance", in the amount of \$211,692, to West Virginia Rural Water Association. As a condition of this award, the Grantee was required to contribute a matching amount of \$57,000. The total matching contribution was to be made in the form of in-kind contributions, as approved by ARC. The original period of performance of the grant was from September 1, 2022, to November 30, 2023. This performance audit engagement covers the period from September 1, 2022, to April 30, 2023.

The purpose of the grant was to provide support for water and wastewater utility finance, management, and technical assistance in all 55 counties in West Virginia. The project included assistance with leak detection, asset management, rate analysis, loan portfolio servicing, cost of service, grant development, and the West Virginia Rural Water Association operator apprenticeship program. This initiative also facilitated the employment of a circuit rider to deliver these services, reducing water loss and leakages, and providing technical and financial assistance to communities planning infrastructure updates. Additionally, the program aimed to train and prepare a new generation of utility employees.

Objective, Scope, and Methodology

Objective

The general objectives of this performance audit were to determine whether West Virginia Rural Water Association expended grant funds, in accordance with applicable requirements; and to report any resulting findings and questioned cost related 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 WV-20899-22, titled "Drinking Water and Wastewater Utility Training and Assistance", which was awarded to West Virginia Rural Water Association.

The budgeted amounts for the grant are presented below:

Exhibit – A: Schedule of Grant Budget			
Object Class Category	Federal	Non-Federal	Total
Personnel	\$ 112,000	\$ -	\$ 112,000
Fringe Benefits	45,266	-	45,266
Travel	30,000	-	30,000
Supplies	-	-	-
Other	-	57,000	57,000
Total Direct Charges	\$ 187,266	\$ 57,000	\$ 244,266
Indirect Charges	24,426	-	24,426
Total	\$ 211,692	\$ 57,000	\$ 268,692

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 program’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, 2024-003, and 2024-004; in the accompanying Findings, Recommendations, and Grantee’s Response section of this report.
- 2) As of April 30, 2023, the Grantee had expended \$182,222 of the total approved budget amount of \$268,692. We questioned \$45,254 of the expended amount \$182,222, as described in findings 2024-003 and 2024-004, 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 April 30, 2023, which reflects the results of our audit:

Exhibit – B: Schedule of Claimed and Audit Recommended Costs As of April 30, 2023							
Object Class Category	Claimed Costs		Questioned Costs		Audit Recommended		Total
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	
Personnel	\$ 69,702	\$ -	\$ 834	\$ -	\$ 68,868	\$ -	\$ 68,868
Fringe Benefits	54,589	-	-	-	54,589	-	54,589
Travel	12,241	-	-	-	12,241	-	12,241
Supplies	1,271	-	-	-	1,271	-	1,271
Other	-	44,420	-	44,420	-	-	-
Total	\$ 137,803	\$ 44,420	\$ 834	\$ 44,420	\$ 136,969	\$ -	\$ 136,969

- 3) Internal guidelines, including program (internal) controls, were not adequate or operating effectively. The Grantee did not have written policies and procedures over the financial management of Federal grants; as described in findings 2024-001 through 2024-004; 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 generally accepted in the United States of America (or other applicable accounting and reporting requirements), including ARC requirements.
- 5) We determined that the Grantee contributed \$44,420 of the required matching amount of \$57,000, as of April 30, 2023. However, we questioned the entire reported matching amount of \$44,420, as described in finding 2024-002, in the accompanying Findings, Recommendations, and Grantee's Response section of this report.
- 6) We determined that the Grantee did not have written policies and procedures in place to accurately capture, record, and report grant performance measures (i.e., the number of communities improved, and the number of communities served) as described in Finding 2024-001, in the accompanying Findings, Recommendations, and Grantee's Response section of this report.
- 7) We verified that the Grantee had a Single Audit performed for the period ended December 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 Response

Finding 2024-001 – Lack of Written Policies and Procedures for Federal Awards

Condition:

During our testing, we observed that the Grantee did not have written policies and procedures for managing Federal awards and determining the allowability and allocability of costs charged to the ARC Grant. For instance, the Grantee did not submit two of the four required SF-270 *Request for Advance or Reimbursement* reports and Performance Progress reports in a timely manner. The other two SF-270 *Request for Advance or Reimbursement* reports were not submitted. The table below presents the reporting dates, due dates, submission dates, and the number of days each report was late

Table-1 Reporting dates, due dates, submission dates, and the number of days late

Sequence No.	(A) Report period end date	(B) Due date	(C) Submission date	(D)= (C) - (B) Number of Days late
1	12/31/2022	1/30/2023	3/6/2023	35
2	4/30/2023	5/30/2023	9/13/2023	106
3	8/31/2023	9/30/2023	Not submitted	
4	11/30/2023	12/30/2023	Not submitted	

Criteria:

The provisions of 2 CFR 200, Subparts D (*Post Federal Award Requirements*) and E (*Cost Principles*); require that non-Federal entities have certain written policies, procedures, and standards of conduct surrounding the management of Federal awards.

Pursuant 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 Performance and Progress reports, at the same interval, for both interim and final periods.

Questioned Costs:

None.

Cause:

Aside from the Employee Handbook, the Grantee stated that it did not have formal written policies and procedures in place. The Grantee believed that the policies and procedures in its Employee Handbook were adequate for providing guidance on grants management activities.

Effect:

The lack of written policies and procedures for managing Federal awards may result in non-compliance with Federal regulations, thereby increasing the risk of improper cost allocation or unallowable expenses being charged to the grant. It also undermines the importance of documenting internal controls and procedures that go beyond general employee guidelines. Furthermore, the late or no submission of reports to ARC deprives ARC of its ability to provide effective oversight of the project being implemented

Recommendation:

Recommendation 01: We recommend that the Grantee develop and implement written policies and procedures surrounding the management of Federal Awards, in accordance with the Uniform Guidance.

Recommendation 02: We recommend that the Grantee submits the outstanding SF-270 and Performance Progress reports for the periods ending August 31, 2023, and November 30, 2023, to ensure compliance with ARC agreement.

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 our audit result, no additional comment is necessary.

Finding 2024-002 – Lack of Proper Documentation and Reporting of Matching Costs

Condition:

As part of our procedures, we reviewed the in-kind matching expenses reported to ARC, and noted that the Grantee reported a total match amount of \$44,420 to ARC. However, we observed that the Grantee recorded the matching contribution as \$13,660 in the general ledger. We requested the supporting documentation for a sample of matching contribution transactions, but the Grantee failed to provide any supporting documentation. As a result, we questioned the entire reported matching amount of \$44,420.

Criteria:

Per 2 CFR section §200.306(b), For all Federal awards, any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of the non-Federal entities' cost sharing or matching when such contributions meet all of the criteria under this section." Additionally, per 2 CFR §200.306(b)(1), such contributions "are verifiable from the non-Federal entity's records.

Questioned Costs:

We questioned the total reported matching amount of \$44,420.

Cause:

The Grantee did not have policies and procedures in place to reasonably determine the value of in-kind matching expenses and ensure that the costs charged to the grant were allowable, reasonable, and adequately supported.

Effect:

The lack of proper policies and procedures over determining and supporting the value of in-kind matching contributions resulted in overstating the matching contribution by \$44,420, in the financial reporting to ARC. This also resulted in non-compliance with the grant provisions. Furthermore, failure to maintain adequate documentation supporting matching contributions increases the risk of inadequate project funding; thus increasing the probability of the projects not achieving their intended outcomes.

Recommendations:

Recommendation 03: We recommend that the Grantee work with ARC to resolve the questioned costs of \$44,420.

Furthermore, the Grantee should implement Recommendation 01 related to Finding 2024-001 above.

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 our audit result, no additional comment is necessary.

Finding 2024-003 – Deficiency in Internal Control over Payroll Expense

Condition:

As part of our procedures, we reviewed payroll records and expenses submitted for reimbursement. During this process, we identified a salary transaction in the amount of \$834, for the period ending December 31, 2022, that was charged twice in the SF 270 *Report Request for Reimbursement* report. ARC, therefore, reimbursed \$1,688 for that transaction, thereby resulting in the Grantee overdrawing grant funds of \$834.

Criteria:

2 CFR Part 200.430(g)(1), *Compensation-personal services*, states that the charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

Questioned Costs:

We questioned \$834 of payroll expenses that was reimbursed by ARC.

Cause:

The Grantee did not have adequate policies and procedures in place to ensure accurate tracking of expenditures incurred during the grant period.

Effect:

Failure to ensure the completeness and accuracy of the records used to charge or allocate costs to projects may result in inaccurate financial reporting to ARC, which may lead to inaccurate payments to the Grantee.

Recommendations:

Recommendation 04: We recommend that the Grantee work with ARC to resolve the \$834 of costs questioned related to the unallocable payroll costs.

Furthermore, the Grantee should also implement Recommendation 01 related to Finding 2024-001 above.

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 our audit result, no additional comment is necessary.

Finding 2024-004 – Deficiency in Internal Control over Budgeted Expenditures

Condition:

During our review of the Grantee's approved budget and submitted SF-270 *Request for Advance or Reimbursement* reports, we identified that expenses in the total amount of \$1,271 were reported under the "Supplies" line item. However, these expenses were not included in the approved budget for the project that was submitted to ARC.

Criteria:

Per 2 CFR Part §200.308, *Revision of budget and program plans*, states: "Recipients are required to report deviations from budget or project scope or objective and request prior approvals for budget and program plan revisions in accordance with this section."

Questioned Costs:

None

Cause:

The Grantee stated that this was due to an error in record keeping. This also was due to a lack of internal controls to prevent such an error and ensure that expenditures are consistently aligned with the approved budget.

Effect:

This condition may result in a lack of transparency in the financial reporting process and potential non-compliance with Federal regulations. It may also result in inaccurate expenses being charged to the government.

Recommendation:

Recommendation 05: We recommend that the Grantee establish and implement effective internal control procedures to ensure that expenditures align with the approved budget. This should include processes for monitoring budget deviations and obtaining the necessary approvals for any revisions, particularly for transfers between budget categories that exceed allowable thresholds.

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 our audit result, no additional comment is necessary.

Attachment 1: Grantee's Response



West Virginia Rural Water Association

100 Young Street • Scott Depot, WV 25560-7839 • 304/201-1689

January 07, 2025

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

Subject: Performance Audit of Grant Agreement Number WV-20899-22

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 finding and concur with the audit result. On behalf of West Virginia Rural Water Association, it was a pleasure working with you and your team and we look forward to working with you in the future.

Sincerely,

Todd Grinstead
Executive Director