



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to Wise County Public Service Authority Grant Number VA-20403

Report Prepared by Regis & Associates, PC

Report Number 25-22

March 17, 2025

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



Office of Inspector General

Appalachian Regional Commission

March 17, 2025

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 25-22 – Wise County Public Service Authority

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number VA-20403 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 issued no recommendations in the 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.

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 VA-20403
for the Period from October 1, 2021 to October 31, 2023*

*Awarded to
Wise County Public Service Authority*

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

Auditee: *Wise County Public Service Authority*
As of Date: March 7, 2025


MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS
1420 K Street, NW
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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 VA-20403, awarded by the Appalachian Regional Commission (ARC) to Wise County Public Service Authority (the Grantee); with a grant performance period of October 1, 2021, to September 30, 2024. However, the project was completed on October 31, 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 October 1, 2021, to October 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) 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 July 8, 2024, through February 15, 2025. We determined that Wise County Public Service Authority'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 Wise County Public Service Authority's officials at the conclusion of our fieldwork. Wise County Public Service Authority's response has been included as Attachment 1 to this report.

Regis & Associates, PC appreciates the cooperation and assistance received from Wise County Public Service's and ARC's staff during this performance audit.

Regis & Associates, PC

Regis & Associates, PC
Washington, DC
March 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, 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 October 1, 2021, the Appalachian Regional Commission awarded Grant Number VA-20403, in the amount of \$500,000 to Wise County Public Service Authority. As a condition of this award, the Grantee was required to contribute a matching amount of \$590,719 from both Federal¹ and Non-Federal² (local) sources. On December 21, 2023, ARC approved a budget amendment to reduce the match amount by \$38,136, resulting in a required matching amount of \$552,583. The grant performance period was from October 1, 2021, through September 30, 2024; however, the project was completed ahead of schedule on October 31, 2023. This performance audit engagement covers the period from October 1, 2021, through October 31, 2023.

The grant was awarded to Wise County Public Service Authority, to aid in a project titled, "Hamiltontown Sewer Project." The objective of this project was to enhance sewer infrastructure, by constructing new sewer lines.

Objective, Scope, and Methodology

Objective

The general objectives of the performance audit were to determine whether Wise County Public Service Authority expended grant funds in accordance with applicable requirements; and to report any resulting findings and questioned cost relating to internal controls and 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 VA-20403, titled "Hamiltontown Sewer Project," which was awarded to the Grantee.

¹ Federal Sources for matching herein refers to a Community Development Block Grant (CDBG), which provided matching funds for this project, in the amount of \$357,500.

² Non-Federal sources for matching herein refers to local matching funds and matching provided by the Grantee, in the amount of \$195,083.

The budgeted amounts for the grant are presented below:

Exhibit – A: Schedule of Grant Budget				
Object Class Category	ARC	Matching		Total
	Federal (ARC)	Federal (CDBG)	Non-Federal (Local)	
Administrative and Legal Expenses	\$ -	\$ 40,000	\$ -	\$ 40,000
Architectural and engineering fees	103,482	-	50,401	153,883
Construction	396,518	317,500	144,682	858,700
Total	\$ 500,000	\$ 357,500	\$ 195,083	\$ 1,052,583

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 October 31, 2023, the Grantee had expended \$1,052,583 of the grant’s approved budgeted amount of \$1,052,583.

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

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

Object Class Category	Claimed Costs			Questioned Costs			Audit Recommended			Total
	ARC	Matching		ARC	Matching		ARC	Matching		
	Federal (ARC)	Federal (CDBG)	Non-Federal (Local)	Federal (ARC)	Federal (CDBG)	Non-Federal (Local)	Federal (ARC)	Federal (CDBG)	Non-Federal (Local)	
Administrative and Legal Expenses	\$ -	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,000	\$ -	\$ 40,000
Architectural and engineering fees	103,482	-	50,401	-	-	-	103,482	-	50,401	153,883
Construction	396,518	317,500	144,682	-	-	-	396,518	317,500	144,682	858,700
Total	\$ 500,000	\$ 357,500	\$ 195,083	\$ -	\$ -	\$ -	\$ 500,000	\$ 357,500	\$ 195,083	\$ 1,052,583

- 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 and its project partners contributed the required matching amount of \$552,583, which included \$357,500 from Federal sources and \$195,083 from local sources. 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., number of households with new sewer service served). 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 periods ending June 30, 2022, and 2023. These audit reports contained findings and recommendations; however, they were not related to the Grantee's management of Federal assistance awards.

Attachment 1: Grantee's Response



March 7, 2025

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

Subject: Performance Audit of Grant Agreement Number VA-20403

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 Wise County Public Service Authority, it was a pleasure working with you and your team and we look forward to working with you in the future.

Sincerely,

Michael Hatfield – County Administrator