



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to Allegany County Commissioners Grant Numbers MD-19636-I and MD-19636-R1

Report Prepared by Regis & Associates, PC

Report Number 25-25

June 2, 2025

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



Office of Inspector General

Appalachian Regional Commission

June 2, 2025

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 25-25 – Allegany County Commissioners

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant numbers MD-19636-I and MD-19636-R1 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 MD-19636-I; and Subsequent Grant Modification,
Number MD-19636-I-R1
for the Period from June 3, 2019; to January 14, 2024*

*Awarded to
Allegany County Commissioners*

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

Auditee: *Allegany County Commissioners*
As of Date: May 30, 2025


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 MD-19636-I; and subsequent grant modification number MD-19636-I-R1, awarded by the Appalachian Regional Commission (ARC), to Allegany County Commissioners (the Grantee); with a grant performance period of June 3, 2019, to January 14, 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 June 3, 2019, to January 14, 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 planning and fieldwork phases of the audit during the period from June 20, 2024, through April 4, 2025. We determined that Allegany County Commissioners' 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 Allegany County Commissioners' officials at the conclusion of our fieldwork. Allegany County Commissioners' response has been included as Attachment 1 to this report.

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

Regis & Associates, PC

Regis & Associates, PC
Washington, DC
May 30, 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 August 30, 2019, the Appalachian Regional Commission awarded Grant Number MD-19636-I, in the amount of \$400,000, to Allegany County Commissioners. As a condition of this award, the Grantee was required to contribute a matching amount of \$11,306,000 from both Federal¹, and Non-Federal (State and local)² sources. The grant's original period of performance was from June 3, 2019, through September 30, 2022. On September 16, 2020, ARC issued a Grant modification, Number MD-19636-I-R1 to increase the award amount to \$800,000 and the matching amount to \$12,368,140. Additionally, on December 30, 2021 ARC approved an amendment to extend the grant's period of performance to December 30, 2022. On December 28, 2022, ARC approved another amendment to extend the grant's period of performance to January 14, 2024. This performance audit engagement covers the period from June 3, 2019, to January 14, 2024.

The grant was awarded to Allegany County Commissioners, to aid in two projects, titled, "Locust Grove Sewage Improvements – Design" and "Locust Grove Sewage Improvements - Phase 1 Construction". "The project consists of installing new sewer pumps, wells, and other equipment at the Locust Grove pump station; replacing its mechanical, HVAC and electrical systems; and constructing a small structure to enclose the facilities."

Objective, Scope, and Methodology

Objective

The general objectives of the performance audit were to determine whether Allegany County Commissioners 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 MD-19636-I; and subsequent grant modification, MD-19636-I-R1. The grant and subsequent modification

¹ The Federal Source for matching herein refers to a Community Development Block Grant (CDBG), which provided matching funds for this project, in the amount of 1,600,000.

² Non-Federal sources for matching, herein refers to local matching funds and matching provided by the Maryland Department of the Environment (MDE), in the amount of \$10,763,140; and by the Grantee, in the amount of \$5,000.

were awarded to Allegany County Commissioners, to aid in two projects; titled “Locust Grove Sewage Improvements – Design” and “Locust Grove Sewage Improvements - Phase 1 Construction”.

The budgeted amounts for the grant and modification are presented below:

Exhibit – A: Schedule of Grant Budget					
Object Class Category	ARC	Matching			Total
	Federal (ARC)	Federal (CDBG)	Non-Federal (State)	Non-Federal (Local)	
Project Costs	\$ 800,000	\$ 1,600,000	\$ 10,763,140	\$ 5,000	\$ 13,168,140
Total	\$ 800,000	\$ 1,600,000	\$ 10,763,140	\$ 5,000	\$ 13,168,140

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 January 14, 2024, the Grantee had expended the entire grant budget of \$13,168,140.

Below, we have presented a Schedule of Claimed and Audit Recommended Cost as of January 14, 2024, which reflects the results of our audit.

Exhibit – B: Schedule of Claimed and Audit Recommended Costs

Object Class Category	Claimed Costs				Questioned Costs				Audit Recommended				Total
	ARC		Matching		ARC		Matching		ARC		Matching		
			Non-				Non-				Non-		
	Federal (ARC)	Federal (CDBG)	Non-Federal (State)	Federal (Local)	Federal (ARC)	Federal (CDBG)	Federal (State)	Non- (Local)	Federal (ARC)	Federal (CDBG)	Non-Federal (State)	Federal (Local)	
Project Costs	\$800,000	\$1,600,000	\$10,763,140	\$5,000	\$ -	\$ -	\$ -	\$ -	\$800,000	\$1,600,000	\$10,763,140	\$5,000	\$13,168,140
Total	\$800,000	\$1,600,000	\$10,763,140	\$5,000	\$ -	\$ -	\$ -	\$ -	\$800,000	\$1,600,000	\$10,763,140	\$5,000	\$13,168,140

- 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 \$12,363,140; which included \$1,600,000 from Federal sources, \$10,763,140 from State sources, and \$5,000 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. businesses improved.) 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 Single Audits performed for the periods ending June 30, 2019; June 30, 2020; June 30, 2021; 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.

Attachment 1: Grantee's Response



David J. Caporale, President
William R. Atkinson, Commissioner
Creade V. Brodie, Jr., Commissioner
Jason M. Bennett, CPA, Administrator
T. Lee Beeman, Esq, Attorney

May 30, 2025

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

Subject: Performance Audit of Grant Agreement Number MD-19636-I; and Subsequent Grant Modification, Number MD-19636-I-R1

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 the Allegany County Commissioners, it was a pleasure working with you and your team and we look forward to working with you in the future.

Sincerely,

Name: David J. Caporale

Signature: 

Title: President, Board of County Commissioners of Allegany County, Maryland

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