



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to Keystone College Grant Number PA-20970

Report Prepared by Regis & Associates, PC

Report Number 25-31

July 30, 2025

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



Office of Inspector General

Appalachian Regional Commission

July 30, 2025

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 25-31 – Keystone College

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number PA-20970 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-20970-I
for the Period from January 1, 2023, to December 31, 2023*

*Awarded to
Keystone College*

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

Auditee: *Keystone College*
As of Date: July 17, 2025


MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS
1420 K Street, NW
Suite 910
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-20970-I, awarded by the Appalachian Regional Commission (ARC) to Keystone College (the Grantee); with a grant performance period of January 1, 2023, to December 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 January 1, 2023, 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) 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 November 12, 2024, through May 31, 2025. We determined that, except for the matters identified as Findings 2025-001, 2025-002, and 2025-003 in the accompanying Findings, Recommendations, and Grantee's Response section of this report; Keystone 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 Keystone College's officials at the conclusion of our fieldwork. Keystone College's response has been included as Attachment 1 to this report.

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

Regis & Associates, PC

Regis & Associates, PC
Washington, DC
July 17, 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 6, 2022, the Appalachian Regional Commission awarded Grant Number PA-20970-I, in the amount of \$180,000, to Keystone College. As a condition of this award, the Grantee was required to contribute a matching amount of \$190,000. The grant's performance period was from January 1, 2023, through December 31, 2023. This performance audit engagement covers the period from January 1, 2023, to December 31, 2023.

The grant was awarded to Keystone College, to aid in a project titled, "Keystone College LEEP Project". The project's goal was "to provide funding to support the launch of the LEEP Project, a learn and earn education training model that will allow individuals without teaching certifications to work within partnering school districts with an emergency substitute certification and gain teaching credentials".

Objective, Scope, and Methodology

Objective

The general objectives of the performance audit were to determine whether Keystone 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-20970-I, titled "Keystone College LEEP Project", which was awarded to the Keystone College.

The budgeted amounts for the grant are presented below:

Exhibit – A: Schedule of Grant Budget			
Object Class Category	Federal	Non-Federal	Total
Personnel	\$ 45,000	\$ 35,000	\$ 80,000
Contractual	35,000	15,000	50,000
Other	100,000	140,000	240,000
Total Direct Charges	\$ 180,000	\$ 190,000	\$ 370,000
Total	\$ 180,000	\$ 190,000	\$ 370,000

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 matters described in Findings 2025-001, 2025-002, and 2025-003, in the accompanying Findings, Recommendations, and Grantee’s Response section of this report.
- 2) As of December 31, 2023, the Grantee had expended the total grant budgeted amount of \$370,000. We questioned \$80,000 of these costs, as detailed in Findings 2025-001, 2025-002 and 2025-003, in the accompanying Findings, Recommendations, and Grantee’s Response section of this report. This resulted in total audit recommended cost of \$290,000.

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	\$ 45,000	\$ 45,000	\$ 45,000	\$ -	\$ -	\$ 45,000	\$ 45,000
Contractual	35,000	5,000	35,000	-	-	5,000	5,000
Other	100,000	140,000	-	-	100,000	140,000	240,000
Total Direct Charges	\$ 180,000	\$ 190,000	\$ 80,000	\$ -	\$ 100,000	\$ 190,000	\$ 290,000
Total	\$ 180,000	\$ 190,000	\$ 80,000	\$ -	\$ 100,000	\$ 190,000	\$ 290,000

- 3) Internal guidelines, including program (internal) controls, were not adequate and operating effectively as described in Findings 2025-002 and 2025-003. In addition, the Grantee did not have written policies and procedures for applicable grant activities, that we considered to be adequate for administering the grant, as described in Finding 2025-001 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, except for the matters described in Findings 2025-001, 2025-002, and 2025-003 in the accompanying Findings, Recommendations, and Grantee's Response section of this report. We questioned \$80,000 of Federal costs, as a result of unsupported accounting transactions.
- 5) We determined that the Grantee contributed the required matching amount of \$190,000 as of December 31, 2023. These matching funds were properly supported and allowable under both Federal and ARC requirements.
- 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 number of organizations improved, and workers/trainees improved); as described in Finding 2025-001, 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 periods ended on May 31, 2023, and May 31, 2022. The audit reports contained findings and recommendations related to Grantee's management of Federal assistance awards, although none related to the ARC grant.

Findings, Recommendations, and Grantee's Responses

Finding 2025-001 – Lack of Written Policies and Procedures Over the Management of Federal Awards

Condition:

During our audit, we noted that the Grantee did not have written policies and procedures related to the management of Federal awards; including processes for payment, allowable cost determination, and internal control over compliance requirements.

For example, during our testing of selected payroll and other expenses charged to the Grant, we found no evidence of supervisory review in all of the selected samples. Additionally, we noted that personnel costs, totaling \$22,225, were misclassified and reported as contractual costs. Finally, we noted that the Grantee did not maintain time and effort records to support \$45,000 of total personnel costs charged to the grant.

Criteria:

Per 2 CFR 200, Subparts D (Post Federal Award Requirements) and E (Cost Principles) non-Federal entities must have certain written policies, procedures, and standards of conduct surrounding the management of Federal awards, such as procedures for determining the allowability of costs in accordance with Subpart E (2 CFR § 200.302(b)(7) and 2 CFR 200.403).

Per 2 CFR 200.430(g), “charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control, reasonably reflect total activity for which the employee is compensated and be incorporated into the official records of the non-federal entity”.

Questioned Costs:

We questioned the \$45,000 of total personnel costs that the Grantee incurred.

Cause:

The Grantee did not have formally documented written policies and procedures for the management of Federal awards.

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 errors in the grant's financial, performance, and compliance management; as well as having an adverse effect on the administration of necessary internal controls. It may also increase the risk of improper cost allocation or unallowable expenses being charged to the grant.

Recommendations:

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

Recommendation 02: We recommend that the Grantee work with ARC, to resolve the \$45,000 of questioned 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 our audit result, no additional comment is necessary.

Finding 2025-002 – Noncompliance with Federal Procurement Requirements

Condition:

During our testing of procurement actions related to one contract that was awarded by the Grantee in the amount of \$35,000, we noted that the Grantee did not follow procurement procedures, as required by Federal guidelines. Specifically, the Grantee did not obtain or document price or rate quotes from an adequate number of qualified sources, as required by the “small purchase” criteria of procurement in the Federal guidelines. Additionally, we noted that the Grantee did not maintain supporting documentation to support the selection of the contractor and the contract award.

Criteria:

Per 2 CFR 200.320(b), small purchase procedures are used for the acquisition of goods or services when the aggregate dollar amount exceeds the micro-purchase threshold of \$10,000 but does not exceed the simplified acquisition threshold of \$250,000. Price or rate quotations must be obtained from an adequate number of qualified sources, and the organization must maintain records of the quotes received, the selection process, and the rationale for the vendor selected.

Questioned Costs:

We questioned the \$35,000¹ of contractual costs that the Grantee incurred on the contract.

Cause:

The Grantee did not have procurement policies and procedures in place, to ensure that proper procurement methods were utilized before entering into the contract.

Effect:

Failure to execute contracts without an adequate procurement process and to obtain and document competitive quotes may increase the risk of the Grantee procuring services at unreasonable prices; thereby contributing to fraud, waste, and/or abuse of Federal funds. In addition, the lack of policies and procedures resulted in a failure to maintain adequate supporting documentation, which resulted in a lack of transparency and accountability in the procurement process.

Recommendations:

Recommendation 03: We recommend that the Grantee work with ARC, to resolve the \$35,000 of questioned costs.

Furthermore, the Grantee should also implement Recommendation 01 related to Finding 2025-001 above.

¹ A subsequent finding (Finding 2025-03) also relates to \$12,775 of this questioned cost amount and will also need to be addressed.”

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 2025-003 – Unsupported Pre-Award Costs

Condition:

During our testing of expenditures charged to the Federal grant, we identified costs totaling \$12,775 that were incurred and paid to a contractor prior to the grant's approved start date of January 1, 2023. Specifically, we noted that invoices, dated October 2022 and November 2022, were submitted by the contractor for these costs, as summarized below:

1. **October 2022** – \$7,825
2. **November 2022** – \$4,950

Criteria:

Per 2 CFR 200.458, "Pre-award costs are those incurred prior to the effective date of the Federal award or subaward directly pursuant to the negotiation and in anticipation of the Federal award where such costs are necessary for efficient and timely performance of the scope of work. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency".

Questioned Costs:

We questioned \$12,775² in pre-award cost, which is included in the \$35,000 of questioned costs, in Finding 2025-002.

Cause:

The pre-award expenditure incurred and charged to the grant by the Grantee, was a result of a misunderstanding of the grant's deliverables.

Effect:

The pre-award costs that were not properly approved resulted in unallowable cost being charged to the grant, and inaccurate financial reporting.

Recommendation:

Recommendation 04: We recommend that the Grantee work with ARC to resolve \$12,775 of unallowed pre-award cost following the resolution of Recommendation 3 as the funds are included as part of the \$35,000 questioned in Finding 2025-002.

² This amount is included in the previous finding's questioned cost (Finding 2025-002), which will also need to be addressed.

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



One College Green, P.O. Box 50, La Plume, Pennsylvania 18440-0200



Alumni Hall

July 17, 2025

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

Subject: Performance Audit of Grant Agreement Number PA-20970-I

We are providing this letter in connection with the subject audit performed by Regis & Associates, PC on behalf of the Appalachian Regional Commission (ARC).

The Keystone College team appreciated the time and detailed information received from the auditors and will incorporate the guidance offered in future work. Keystone College has taken corrective measures to address the audit findings and recommendations, including:

- Establishing and implementing formal written policies and procedures for Federal Grants in line with the Uniform Guidance that include: maintaining time and effort records; maintaining supporting documentation to support the procurement of contractors; and written authorization for all expenses.
- Engaging in outreach ARC to address any of their concerns and make any necessary revisions.

We have reviewed and concur with the audit result. On behalf of the Keystone College LEEP Project, it was a pleasure working with you and your team. We look forward to working with you in the future.

Sincerely,

A handwritten signature in cursive script that reads "Frances Langan".

Frances G. Langan, Ed.D.
Senior Advisor to the President
Keystone College