



## Office of Inspector General

Appalachian Regional Commission

**Audit of Grant Award to  
Erie Area Council of Governments  
Grant Number PW-20839**

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Report Prepared by Regis & Associates, PC

Report Number 25-32

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 25-32 – Erie Area Council of Governments

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number PW-20839 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 two 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 PW-20839-TA-I  
for the Period from October 1, 2022; to October 31, 2023*

*Awarded to  
Erie Area Council of Governments*

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

Auditee: *Erie Area Council of Governments*  
As of Date: July 14, 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 PW-20839-TA-I, awarded by the Appalachian Regional Commission (ARC) to Erie Area Council of Governments (the Grantee); with a grant performance period of October 1, 2022, to 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, 2022, 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 September 11, 2024, through May 30, 2025. We determined that, except for the matters identified as Finding 2025-001 in the accompanying Findings, Recommendations, and Grantee's Response section of this report; Erie Area Council of Government'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 Erie Area Council of Government's officials at the conclusion of our fieldwork. Erie Area Council of Government's response has been included as Attachment 1 to this report.



Regis & Associates, PC  
Washington, DC  
July 14, 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 September 22, 2022, the Appalachian Regional Commission awarded Grant Number PW-20839-TA-I, in the amount of \$50,000, to Erie Area Council of Governments. As a condition of this award, the Grantee was required to contribute a matching amount of \$50,000. The period of performance of the grant was from October 1, 2022, through October 31, 2023. This performance audit engagement covers the period from October 1, 2022, to October 31, 2023.

The purpose of the grant was "to develop a broadband feasibility study which analyzes existing broadband infrastructure and coverage gaps, and recommends implementation strategies for expanding and improving local internet access throughout the County".

## Objective, Scope, and Methodology

### *Objective*

The general objectives of this performance audit were to determine whether Erie Area Council of Governments 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 PW-20839-TA-I, titled "Erie County Broadband Expansion Feasibility Study", which was awarded to the Grantee.

The budgeted amounts for the grant are presented below:

<b>Exhibit – A: Schedule of Grant Budget</b>			
<b>Object Class Category</b>	<b>Federal</b>	<b>Non-Federal</b>	<b>Total</b>
Personnel	\$ 2,567	\$ 2,567	\$ 5,134
Contractual	47,433	47,433	94,866
Total Direct Charges	\$ 50,000	\$ 50,000	\$ 100,000
<b>Total</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 100,000</b>

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 Finding 2025-001; in the accompanying Findings, Recommendations, and Grantee’s Response section of this report.
- 2) As of October 31, 2023, the grant funds were expended, as provided for in the approved grant budget.

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		
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Personnel	\$ 2,567	\$ 2,567	\$ 2,567	\$ 2,567	\$ -	\$ -	\$ -
Contractual	47,433	47,433	-	-	47,433	47,433	94,866
Total Direct Charges	\$ 50,000	\$ 50,000	\$ 2,567	\$ 2,567	\$ 47,433	\$ 47,433	\$ 94,866
<b>Total</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 2,567</b>	<b>\$ 2,567</b>	<b>\$ 47,433</b>	<b>\$ 47,433</b>	<b>\$ 94,866</b>

- 3) Internal guidelines, including program (internal) controls, were not adequate and operating effectively. The Grantee did not have written policies and procedures over the financial management of Federal grants; 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.
- 5) We determined that the Grantee had contributed the required matching amount of \$50,000, as of October 31, 2023. 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 in place to accurately capture, record, and report grant performance measures (i.e., the number of communities improved, and the number of communities 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 did not meet the requirements for the performance of a Single Audit; and thus, it was not subject to the Single Audit Act's requirements, under the Uniform Guidance.



## Findings, Recommendations, and Grantee's Response

### Finding 2025-001 – Lack of Written Policies and Procedures for Federal Awards

#### Condition:

During our audit, 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, during our testing of a payroll transaction, we noted that the Grantee did not maintain time records for employees, which supported actual time spent and charged to the ARC grant. The Grantee also did not have timekeeping policies and procedures to track, review, and approve time charged to the Grantee, to ensure that the time charged to the grant was accurately reported and claimed.

#### Criteria:

Per 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, 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 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:

\$5,134

#### Cause:

The Grantee stated that it did not have formal written policies and procedures in place for managing Federal awards. The Grantee believed that its general policies, adopted from the Second-Class Township Code, and its procedures were adequate for providing guidance on managing Federal grant activities.

In addition, the personnel costs charged to the grant were related to the former Executive Director, who was no longer employed by the Grantee at the time of the audit. The current Executive Director indicated that no supporting documentation, such as timesheets or records of time allocation, was available to justify the charges. As a result, he was unable to provide further clarification or support.

#### 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.

Furthermore, failure to ensure the completeness and accuracy of the records used to charge or allocate costs to the grant may result in unallowable or unauthorized cost being incurred and charged to the grant.

**Recommendation:**

Recommendation 01: We recommend that the Grantee develop and implement written policies and procedures surrounding the management of Federal awards; specifically addressing the reasonableness, allocability, and allowability of costs incurred and charged to grants, as required by Federal regulations.

Recommendation 02: We recommend that the Grantee work with ARC, to resolve the \$5,134.

**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



**ERIE AREA COUNCIL OF GOVERNMENTS**

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*Leading intergovernmental collaboration for the Erie Region.*

July 14, 2025

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

Subject: Performance Audit of Grant Agreement Number PW-20839-TA-I

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

I have reviewed the audit findings and concur with the audit result. On behalf of Erie Area Council of Government, it was a pleasure working with you and your team and we look forward to working with you in the future.

Sincerely,

John Bartnicki  
Executive Director EACOG

*Member Governments:*

Boroughs of: Albion • Cranesville • Edinboro • Girard • Mill Village • Platea • Union City • Wattsburg • Wesleyville  
City of Erie • County of Erie • City of Corry

Townships of: Amity • Elk Creek • Fairview • Franklin • Girard • Greene • Greenfield • Harborcreek • Lawrence Park  
LeBoeuf • McKean • Millcreek • North East • Springfield • Summit • Union • Venango • Waterford

*Associate Member: Summit Township Water Authority*