



## Office of Inspector General

Appalachian Regional Commission

### **Audit of Grant Award to Challenger Learning Center of Kentucky Grant Number KY-20126**

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Report Prepared by Regis & Associates, PC

Report Number 25-38

September 10, 2025

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



# Office of Inspector General

Appalachian Regional Commission

September 10, 2025

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 25-38 – Challenger Learning Center of Kentucky

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number KY-20126 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 one recommendation in the report. Within the next 30 days, please provide me with your management decision describing the specific action that you will take to implement the recommendation.

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 KY-20126-20  
for the Period from October 15, 2020, to May 31, 2024*

*Awarded to  
Challenger Learning Center of Kentucky*

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

*Auditee: Challenger Learning Center of Kentucky  
As of Date: September 8, 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 KY-20126-20, awarded by the Appalachian Regional Commission (ARC) to Challenger Learning Center of Kentucky (the Grantee); with a grant performance period of October 15, 2020, to May 31, 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 October 15, 2020, to May 31, 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 the planning and fieldwork phases of the audit during the period from November 13, 2024, through June 19, 2025. We determined that, except for the matter identified as Finding 2025-001 in the accompanying Findings, Recommendations, and Grantee's Response section of this report; Challenger Learning Center of Kentucky'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 Challenger Learning Center of Kentucky's officials at the conclusion of our fieldwork. Challenger Learning Center of Kentucky's response has been included as Attachment 1 to this report.

Regis & Associates, PC appreciates the cooperation and assistance received from Challenger Learning Center of Kentucky's and ARC's staff during this performance audit.

*Regis & Associates, PC*

Regis & Associates, PC  
Washington, DC  
September 8, 2025

1420 K Street, NW Suite 910, Washington, DC 20005; Tel 202-296-7101; Fax: 202-296-7284; [www.regiscpa.com](http://www.regiscpa.com)

## **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 14, 2020, the Appalachian Regional Commission awarded Grant Number KY-20126-20, in the amount of \$800,000, to Challenger Learning Center of Kentucky. As a condition of this award, the Grantee was required to contribute a matching amount of \$200,000. The period of performance of the grant was from October 15, 2020, through September 30, 2022. On March 8, 2022, ARC approved an amendment to extend the grant's period of performance to September 30, 2023. Then, on April 18, 2023, ARC approved a second amendment to extend the grant's period of performance to March 31, 2024. Finally, on February 21, 2024, ARC approved a third amendment to extend the grant's period of performance to May 31, 2024. This performance audit engagement covers the period from October 15, 2020, to May 31, 2024.

The grant was awarded to Challenger Learning Center of Kentucky, to aid in a project titled, "Moon, Mars and Beyond, Gateway to Tomorrow". This project was to enhance Science, Technology, Engineering, and Math (STEM) education in Appalachian Kentucky; and provide K-12 students with innovative learning opportunities that will introduce them to STEM career paths at an early age.

## **Objective, Scope, and Methodology**

### ***Objective***

The general objectives of the performance audit were to determine whether Challenger Learning Center of Kentucky 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 KY-20126-20, titled "Moon, Mars and Beyond, Gateway to Tomorrow", 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	\$ 131,425	\$ 43,250	\$ 174,675
Fringe Benefits	38,975	19,396	58,371
Equipment	629,600	5,724	635,324
Supplies	-	113,630	113,630
Contractual	-	18,000	18,000
Total Direct Charges	\$ 800,000	\$ 200,000	\$ 1,000,000
<b>Total</b>	<b>\$ 800,000</b>	<b>\$ 200,000</b>	<b>\$ 1,000,000</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 matter described in Finding 2025-001; in the accompanying Findings, Recommendations, and Grantee's Response section of this report.
- 2) As of May 31, 2024, the Grantee had expended \$1,048,781, which was \$48,781 more than the grant's budgeted amount of \$1,000,000.



Below, we have presented a Schedule of Claimed and Audit Recommended Cost as of May 31, 2024, which reflects the results of our audit.

**Exhibit – B: Schedule of Claimed and Audit Recommended Costs  
As of May 31, 2024**

Object Class Category	Claimed Costs		Questioned Costs		Audit Recommended		
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Personnel	\$ 131,425	\$ 72,432	\$ -	-	\$ 131,425	\$ 72,432	\$ 203,857
Fringe Benefits	38,975	19,396	-	-	38,975	19,396	58,371
Equipment	629,600	36,974	-	-	629,600	36,974	666,574
Supplies	-	101,979	-	-	-	101,979	101,979
Contractual	-	18,000	-	-	-	18,000	18,000
Total Direct Charges	\$ 800,000	\$ 248,781	\$ -	\$ -	\$ 800,000	\$ 248,781	\$ 1,048,781
<b>Total</b>	<b>\$ 800,000</b>	<b>\$ 248,781</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 800,000</b>	<b>\$ 248,781</b>	<b>\$ 1,048,781</b>

- 3) Internal guidelines, including program (internal) controls, were adequate and operating effectively, except for the matter 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, as of May 31, 2024; the Grantee had contributed a matching amount of \$248,781, which was \$48,781 more than the required matching contribution amount of \$200,000. 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 (that included the number of schools, students, and teachers who participated in the STEM programs). 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, was not subject to the Single Audit requirements under the Uniform Guidance.

## **Findings, Recommendations, and Grantee's Response**

### **Finding 2025-001 – Lack of Written Policies and Procedures Over the Management of 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 example, during our testing of selected payroll and other than payroll expenses, we noted that the Grantee did not maintain evidence of supervisory review and approval of; 1) timesheets for employees who worked under the grant and 2) invoices for purchases that were submitted for reimbursement from 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).

#### **Questioned Costs:**

None

#### **Cause:**

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

The Grantee noted that only four staff worked on the grant, and since it was a small office, all decisions and approvals were discussed among themselves and via email. However, they did not keep formal records of grant expenses approvals.

#### **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 and performance reporting. This may also increase the risk of improper cost allocation or unallowable expenses being charged to the grant.

#### **Recommendation:**

Recommendation 1: 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.

**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**



The Challenger Learning Center of Kentucky

September 8, 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 KY-20126-20**

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 Challenger Learning Center of Kentucky it was a pleasure working with you and your team and we look forward to working with you in the future.

**Please see below the response for each recommendation.**

The Challenger Learning Center of Kentucky (CLCKY) acknowledges and agrees with the recommendation that more written policies and controls are necessary. The CLCKY has begun updating and adding new formal written processes and procedures for the management of grant funds as well as other key areas.

Sincerely,

A handwritten signature in blue ink, appearing to read "C. B. H.", written over a horizontal line.

Assistant Director  
Challenger Learning Center of Kentucky