



## Office of Inspector General

Appalachian Regional Commission

### **Audit of Grant Award to Foundation for Appalachian Ohio Grant Number PW-18918-IM-C2**

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Report Prepared by Regis & Associates, PC

Report Number 26-06

November 4, 2025

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



# Office of Inspector General

Appalachian Regional Commission

November 4, 2025

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 26-06 – Foundation for Appalachian Ohio

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number PW-18918-IM-C2 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 three 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-18918-IM-C2-20  
for the Period from October 1, 2020, to July 31, 2024*

*Awarded to  
Foundation for Appalachian Ohio*

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

*Auditee: Foundation for Appalachian Ohio*

*As of Date: October 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 PW-18918-IM-C2-20, awarded by the Appalachian Regional Commission (ARC) to the Foundation for Appalachian Ohio (the Grantee); with a grant performance period of October 1, 2020, to July 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 1, 2020, to July 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 January 10, 2025, through May 30, 2025. We determined that, except for the matters identified as Findings 2025-001 in the accompanying Findings, Recommendations, and Grantee's Response section of this report; the Foundation for Appalachian Ohio'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 the Foundation for Appalachian Ohio's officials at the conclusion of our fieldwork. The Foundation for Appalachian Ohio's response has been included as Attachment 1 to this report.

*Regis & Associates, PC*

Regis & Associates, PC  
Washington, DC  
October 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 September 22, 2020, the Appalachian Regional Commission awarded Grant Number PW-18918-IM-C2-20, titled "Social Enterprise Ecosystem Impact (SEE-Impact)" in the amount of \$1,498,637 to the Foundation for Appalachian Ohio. As a condition of this award, the Grantee was required to contribute a matching amount of \$704,554. The total matching contribution was to be made in the form of cash, contributed services, or in-kind contributions; as approved by ARC. The original period of performance of the grant was from October 1, 2020, to September 30, 2023. On September 27, 2023, ARC approved an amendment to extend the grant's performance period to November 30, 2023. On June 27, 2024, ARC approved an amendment to extend the grant's period of performance to July 31, 2024. This performance audit engagement covers the period from October 01, 2020, to July 31, 2024.

The purpose of the grant was to strengthen the social enterprise sector in Ohio and West Virginia by providing technical assistance, expanding access to capital, and introducing methodologies to quantify social impact. SEE-Impact seeks to grow impact investment by engaging more investors and using Social Return on Investment (SROI) analysis to integrate social impact into traditional investment evaluations, thereby increasing funding opportunities and improving investor engagement.

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

### ***Objective***

The general objectives of the performance audit were to determine whether the Foundation for Appalachian Ohio 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-18918-IM-C2-20, titled "Social Enterprise Ecosystem Impact (SEE Impact)", which was awarded to the Foundation for Appalachian Ohio.

The budgeted amounts for the grant are presented below:

**Exhibit – A: Schedule of Grant Budget**

Object Class Category	Federal	Non-Federal	Total
Personnel	\$ 185,968	\$ 72,955	\$ 258,923
Fringe Benefits	27,043	9,693	36,736
Travel	4,389	1,952	6,341
Other	1,259,437	611,454	1,870,891
Total Direct Charges	\$ 1,476,837	\$ 696,054	\$ 2,172,891
Indirect Charges	21,800	8,500	30,300
<b>Total</b>	<b>\$ 1,498,637</b>	<b>\$ 704,554</b>	<b>\$ 2,203,191</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 is 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 Findings 2025-001; in the accompanying Findings, Recommendations, and Grantee's Response section of this report.
- 2) As of July 31, 2024, the Grantee had expended \$2,170,039 of the total approved budget amount of \$2,203,191.

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

**Foundation for Appalachian Ohio's Social Enterprise Ecosystem Impact Project  
Performance Audit of ARC Grant Number PW-18918- IM- C2-20**

**Exhibit – B: Schedule of Claimed and Audit Recommended Costs**

Object Class Category	Claimed Costs		Questioned Costs		Audit Recommended		
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Personnel	\$ 185,968	\$ 72,955	\$ -	\$ -	\$ 185,968	\$ 72,955	\$ 258,923
Fringe Benefits	27,043	9,693	-	-	27,043	9,693	36,736
Travel	4,389	1,952	1,870	692	2,519	1,260	3,779
Other	1,238,361	599,378	-	-	1,238,361	599,378	1,837,739
Total Direct Charges	\$ 1,455,761	\$ 683,978	\$ 1,870	\$ 692	\$ 1,453,891	\$ 683,286	\$ 2,137,177
Indirect Charges	21,800	8,500	-	-	21,800	8,500	30,300
<b>Total</b>	<b>\$ 1,477,561</b>	<b>\$ 692,478</b>	<b>\$ 1,870</b>	<b>\$ 692</b>	<b>\$ 1,475,691</b>	<b>\$ 691,786</b>	<b>\$ 2,167,477</b>

- 3) Internal guidelines, including program (internal) controls, were not adequate or operating effectively. The Grantee did not have adequate policies and procedures over the financial management of federal grants; as described in findings 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 generally accepted accounting principles in the United States of America (or applicable government accounting and reporting requirements), including ARC requirements.
- 5) We determined that the Grantee contributed \$691,782 of the required matching amount of \$704,554 as of July 31, 2024. These matching funds were properly supported and allowed under both federal and ARC requirements; except for the matters described in Finding 2025-001, in the accompanying Findings, Recommendations, and Grantee's Response section of this report.
- 6) We determined that the Grantee implemented effective policies and procedures to accurately capture, record, and report grant performance measures (i.e., the number of new jobs created, number of businesses improved, as well as the availability of capital sources invested in the private business sector to strengthen societal communities). 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 year ended December 31, 2023. The audit report did not contain any findings or recommendations related to the Grantee's management of federal assistance awards.



## Findings, Recommendations, and Grantee's Response

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

#### Condition:

During our testing, we observed that the Grantee did not have written policies and procedures for managing federal awards and for determining the allowability and allocability of costs charged to the ARC Grant. For example, the Grantee did not provide adequate supporting documentation for in-kind match contribution. Specifically, no documentation was provided to substantiate the basis for determining the value and allowability of these contributions. In addition, we noted that supporting documentation, such as the travel expense reimbursement form, payment voucher, invoices, and proof of payment, was missing for three transactions, totaling \$2,562.

#### Criteria:

The provisions of 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.

Per 2 CFR section §200.306(b), *Cost Sharing*, “for all Federal awards, any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of the non- Federal entities' cost sharing or matching when such contributions meet all of the criteria under this section." Additionally, per 2 CFR §200.306(b)(1), such contributions "are verifiable from the non-Federal entity's records.

Per 2 CFR § 200.302(b)(3), *Financial Management*, states that the non-Federal entity must maintain records that sufficiently identify the amount, source, and expenditure of Federally funded activities. These records must contain information necessary to identify Federal awards, authorizations, financial obligations, unobligated balances, as well as assets, expenditures, income, and interest. All records must be supported by source documentation.

Pursuant 2 CFR § 200.403(g), *Factors Affecting Allowability of Costs*, states that costs charged to Federal awards are adequately documented.

#### Questioned Costs:

The total cost questioned is \$2,562, which includes \$1,870 in federal costs and \$692 in Non-federal matching costs.

#### Cause:

The Grantee's existing financial policies and procedures did not specifically address requirements for managing federal awards. In addition, the in-kind match valuation was not formally documented when established by the former CFO at the start of the grant. Also, some supporting documentation was lost due to a 2023 flood in the basement of the office where the records were stored.

**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. Failure to retain documentation that substantiates travel expenditures and the basis for determining the value of in-kind match contributions may result in unallowable or inaccurate expenditures being 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, in accordance with the Uniform Guidance.

Recommendation 02: We recommend that the Grantee retain documentation that substantiates travel expenses and the basis for determining the value of in-kind match contribution.

Recommendation 03: We recommend that the Grantee works with ARC, to resolve the \$2,562 of questioned cost.

**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



October 17, 2025

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

**Subject: Performance Audit of Grant Agreement Number PW-18918- IM-C2-20**

We are providing this letter in connection with the subject audit performed by Regis & Associates, PC on behalf of the Appalachian Regional Commission (ARC). Please see below the response for each recommendation on behalf of the Foundation for Appalachian Ohio (FAO).

**Recommendation 01:** FAO has detailed, written financial policies and procedures. We stepped in as the prime applicant when an Ohio accredited university was not able to serve as prime on multiple awards, and worked together to ensure sufficient procedures were in place to accurately manage the grant. As a result of this audit, FAO is working to update our policies to ensure compliance with federal awards. We will work with ARC to verify all required procedures are listed.

**Recommendation 02:** The matching in-kind contribution for FAO's portion of the grant was based on the rules listed below and was included in our submitted and approved application and budget to ARC. We did not have a formal document explaining the calculation, as it was established by the grant. The grant was started in 2021 and setup by FAO's then Chief Financial Officer, who retired during the grant period in early 2022.

*To determine the match rate for an ARC multi-county project, special matching rules apply:*

1. *If there is a distressed county in the project and:*
  - a. *At least half of the counties are distressed, the project may be funded at up to 80% of project costs;*
  - b. *At least half of the counties are some combination of distressed and at-risk, ARC assistance can be the higher of 70% of project costs or the average percentage applicable to the various counties in the project;*
  - c. *Fewer than half the counties are distressed, ARC assistance can be the higher of 50% of project costs or the average percentage applicable to the various counties in the project.*

2. *If there is no competitive county or attainment county in a project, and at least half the counties are at-risk, the project may be funded at up to 70% of project costs.*
3. *All other multi-county projects shall be funded at the average percentage applicable to the various counties in the project (i.e., 80%, 70%, 50%, 30%, or 0%); except that the portion of a project that is attributable to an attainment county in a project that does not include a distressed county shall be considered ineligible for ARC assistance and may not be considered for matching purposes. This particular grant covered the following counties:*

*OH Athens Distressed  
OH Gallia At-Risk  
OH Jackson At-Risk  
OH Meigs Distressed  
OH Morgan At-Risk  
OH Vinton At-Risk  
WV Braxton Distressed  
WV Calhoun Distressed  
WV Clay Distressed  
WV Gilmer Distressed  
WV Lewis Transitional  
WV Roane Distressed  
WV Wayne At-Risk  
WV Wirt At-Risk  
WV Wood Transitional*

*In this case, because more than half the counties were not distressed (7/15) we had a higher match percentage of 28%.*

**Recommendation 03:** FAO has policies and procedures in place for purchases and accounts payable. Every invoice and payment voucher is submitted to Finance to approve and submit for payment. Invoices do not get paid without being reviewed by two Finance staff. FAO had a flood in the office basement in 2023 where all records are stored per our retention policy. The entire basement was revamped to prevent any future damages if a similar situation occurred. Records were reorganized and damaged documents went through a restorative process with a third party. We could not locate the three payment vouchers and invoices from that time which leads to believe that they were misplaced or destroyed. The three invoices were documented in our General Ledger and on our grant reporting spreadsheet. Since 2024, FAO has begun to keep digital records of all financial related transactions.

Sincerely,



Kelly Ayers, CPA  
Senior Director of Finance