



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to

1 East Kentucky Corporation (dba One East Kentucky)

Grant Number KY-20138

Report Prepared by Regis & Associates, PC

Report Number 26-12

January 5, 2026

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



Office of Inspector General

Appalachian Regional Commission

January 5, 2026

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 26-12 – 1 East Kentucky Corporation (dba One East Kentucky)

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number KY-20138 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 therein. 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 KY-20138-I
for the Period from October 1, 2020, to December 31, 2023*

*Awarded to
1 East Kentucky Corporation
(dba One East Kentucky)*

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

Auditee: *1 East Kentucky Corporation (dba One East Kentucky)*
As of Date: December 18, 2025

REGIS
ASSOCIATES, PC
MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS
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MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS

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-20138-I, awarded by the Appalachian Regional Commission (ARC) to 1 East Kentucky Corporation (dba One East Kentucky) (the Grantee or One East Kentucky); with a grant performance period of October 1, 2020, 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 October 1, 2020, 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 February 18, 2025, through September 30, 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, One East 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 One East Kentucky's officials at the conclusion of our fieldwork. Their response has been included as Attachment 1 to this report.

Regis & Associates, PC appreciates the cooperation and assistance received from One East Kentucky's and ARC's staff during this performance audit.

Regis & Associates, PC

Regis & Associates, PC

Washington, DC

December 18, 2025

1420 K Street, NW Suite 910, Washington, DC 20005; Tel 202-296-7101; Fax: 202-296-7284; 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 16, 2020, the Appalachian Regional Commission awarded Grant Number KY-20138-I, in the amount of \$1,230,800, to One East Kentucky. As a condition of this award, the Grantee was required to contribute a matching amount of \$307,700 from Non-federal sources. The period of performance of the grant was from October 1, 2020, through October 1, 2023.

On August 5, 2022, ARC approved an amendment to reallocate a portion of the grant's budgeted cost from travel to personnel. It also changed the project's scope to include the development of economic development plans focused on attracting new businesses. As the project progressed, the Grantee recognized that a focus on downtown revitalization would better serve its economic development goals. Accordingly, the project was amended to emphasize downtown revitalization activities. The amendment also included a change in key personnel. On September 5, 2022, ARC approved a second amendment to reallocate \$14,589 from travel cost to personnel cost, which had been requested as part of amendment one on August 5, 2022.

On September 21, 2023, ARC approved a third amendment to reallocate \$8,500 from travel costs to fringe benefits. This increased the fringe benefits budget to \$26,500 and decreased the travel cost to \$12,911. On September 29, 2023, ARC approved a fourth amendment to extend the grant's period of performance to December 31, 2023. On February 16, 2024, ARC approved a fifth amendment to revise the grant's Non-federal matching budgeted line items (personnel, fringe benefits, travel, contractual and "Other"). This amendment did not increase or decrease the total agreed matching amount.

The grant was awarded to One East Kentucky, to aid in a project titled, "Opportunity East Kentucky: Industry Cluster Growth Initiative". This project was to establish a business retention and expansion (BR&E) program specifically focused on growing targeted industries and supporting future development of its industries recruitment pipeline.

Objective, Scope, and Methodology

Objective

The general objectives of the performance audit were to determine whether One East 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-20138-I; titled “Opportunity East Kentucky: Industry Cluster Growth Initiative”, which was awarded to the Grantee.

The budgeted amounts for the grant are presented below:

Object Class Category	Federal	Non-Federal	Total
Personnel	\$ 164,589	\$ 122,476	\$ 287,065
Fringe Benefits	26,500	4,232	30,732
Travel	12,911	8,774	21,685
Contractual	872,000	171,235	1,043,235
Other	154,800	983	155,783
Total Direct Charges	\$ 1,230,800	\$ 307,700	\$ 1,538,500
Total	\$ 1,230,800	\$ 307,700	\$ 1,538,500

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.

One East Kentucky
Performance Audit of ARC Grant Number KY-20138-I

2) We determined that the grant funds were expended, as provided for in the approved grant budget. As of December 31, 2023, the Grantee had claimed \$1,411,442 of the grant's budgeted amount of \$1,538,500. We, however, recommended adjustments to the reported non-federal matching contribution, as explained in item number 5 below.

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			Recommended Adjustment			Audit Recommended		
	Federal	Non-Federal	Total	Federal	Non-Federal	Total	Federal	Non-Federal	Total
Personnel	\$ 153,193	\$ 122,476	\$ 275,669	\$ -	\$ 72,023	\$ 72,023	\$ 153,193	\$ 50,453	\$ 203,646
Fringe Benefits	26,500	4,232	30,732	-	-	-	26,500	4,232	30,732
Travel	-	8,774	8,774	-	8,774	8,774	-	-	-
Contractual	820,695	274,514	1,095,209	-	-	-	820,695	274,514	1,095,209
Other	75	983	1,058	-	-	-	75	983	1,058
Total Direct Charges	\$ 1,000,463	\$ 410,979	\$ 1,411,442	\$ -	\$ 80,797	\$ 80,797	\$ 1,000,463	\$ 330,182	\$ 1,330,645
Total	\$ 1,000,463	\$ 410,979	\$ 1,411,442	\$ -	\$ 80,797	\$ 80,797	\$ 1,000,463	\$ 330,182	\$ 1,330,645

- 3) Internal guidelines, including program (internal) controls, were not adequate and operating effectively. The Grantee did not have adequate procedures over allowable cost, 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 missing supporting documentation required for reporting, as described in finding 2025-001, in the accompanying Findings, Recommendations, and Grantee's Response section of this report.
- 5) As of December 31, 2023, the Grantee and its project partners reported on the Form SF-270 a matching funding contribution in the amount of \$410,979, which was \$103,279 more than the required match of \$307,700. However, the Grantee was only able to provide support for \$330,182 of the total reported matching contribution. The remaining reported contribution of \$80,797 was not adequately supported. Therefore, we recommended an adjustment to the final report submitted to ARC to eliminate the overstated amount of \$80,797, as 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., business created, business served, and business improved; communities served, and communities improved; jobs created, and jobs retained; private investments leveraged; and plans/reports). 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 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 all employees who worked under the grant, and 2) invoices for all purchases that were submitted for reimbursement from the grant.

Additionally, during our testing over matching funds reporting, we noted that the Grantee reported total matching funds expenditure of \$410,979 on the Form SF-270 submitted to ARC. However, based on the documentation and support provided, we were only able to substantiate \$330,182 as eligible matching funds expended. The Grantee was unable to provide supporting documentation for the remaining \$80,797 reported to ARC.

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 § 200.302(b)(3), recipients' financial management systems must provide records that identify, adequately, the source and application of funds.

2 CFR § 200.403(g) and 2 CFR § 200.334, also requires costs to be adequately documented in order to be allowable, and that recipients must retain records that support all expenditures.

Questioned Costs:

None.

Cause:

The Grantee did not have formally documented written policies and procedures for the management of federal awards. Furthermore, the Grantee did not maintain adequate record-retention practices to support reported expenditures due to inadequate oversight of matching contribution documentation requirements.

Effect:

- 1) The reliability of reported payroll and other-than-payroll expenditures is diminished due to lack of formal and documented written policies and procedures that require evidence of supervisory review and approval for employee timesheets and reimbursable invoices. Without documented approval, there is an increased risk that unallowable, inaccurate, or unsupported costs were charged to the grant.
- 2) The Grantee's Form SF-270 reported a matching contribution that was overstated by \$80,797.

Recommendation:

Recommendation 01: We recommend that the Grantee develop written policies and procedures regarding the management of federal awards, in accordance with the Uniform Guidance.

Recommendation 02: We recommend that the Grantee revise the final Form SF-270 report issued to ARC to reflect the correct matching amounts.

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



MEMORANDUM

Date: December 18, 2025

TO: Fidel Wambura, CPA, Senior Manager, Regis & Associates, PC
Robin Campbell, Manager, Regis & Associates, PC

FROM: Colby Kirk, One East Kentucky.

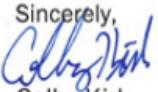
RE: Performance Audit of Grant Agreement Number Grant Number KY-20138-I

One East Kentucky has reviewed the grant audit draft report for Grant Agreement Number Grant Number KY-20138-I including the recommendations prepared and presented to us by Regis & Associates, PC. We concur with the report that was submitted and the audit result.

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

- I agree to develop written policies and procedures regarding the management of federal awards, in accordance with the Uniform Guidance.
- I agree to revise the final Form SF-270 report issued to ARC to reflect the correct matching amounts.

Thank you for the opportunity to review and respond to the report.

Sincerely,

Colby Kirk
President & CEO