



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to Scottsboro Water Sewer and Gas Board Grant Number AL-21686

Report Prepared by Regis & Associates, PC

Report Number 26-13

January 7, 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 7, 2026

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 26-13 – Scottsboro Water Sewer and Gas Board

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number AL-21686 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. The auditors issued no recommendations in the 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.

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 AL-21686-I
for the Period from April 1, 2024, to May 1, 2025*

*Awarded to
Scottsboro Water, Sewer & Gas Board*

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

Auditee: *Scottsboro Water Sewer & Gas Board*
As of Date: December 30, 2025

REGIS
ASSOCIATES, PC
MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS
1420 K Street, NW
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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 AL-21686-I, awarded by the Appalachian Regional Commission (ARC), to Scottsboro Water, Sewer & Gas Board (the Grantee); with a grant performance period of April 1, 2024, to April 1, 2027. 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 April 1, 2024, to May 1, 2025.

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 August 21, 2025, through November 25, 2025. We determined that Scottsboro Water, Sewer & Gas Board'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 Scottsboro Water, Sewer & Gas Board's officials at the conclusion of our fieldwork. Scottsboro Water, Sewer & Gas Board's response has been included as Attachment 1 to this report.

Regis & Associates, PC

Regis & Associates, PC
Washington, DC
December 30, 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 March 28, 2024, the Appalachian Regional Commission awarded Grant Number AL-21686-I, in the amount of \$1,000,000, to Scottsboro Water, Sewer & Gas Board. As a condition of this award, the Grantee was required to contribute a matching amount of \$1,000,000 from non-federal sources. The period of performance of the grant was from April 1, 2024, through April 1, 2027. This performance audit engagement covers the period from April 1, 2024, to May 1, 2025.

On December 6, 2024, ARC approved an amendment to increase the “construction” budget line item by \$30,780, from \$1,735,000 to \$1,765,780. This increase was partially offset by the same amendment, which authorized Scottsboro Water, Sewer, & Gas Board to transfer \$15,000 from the “contingency” budget line item to the “construction” budget line item. As a result, the amendment increased the total project cost by \$15,780, from \$2,000,000 to \$2,015,780. This increase was fully funded by the Grantee, through an increase to the matching amount allocated to the “construction” budget line item. This increased the required matching amount by \$15,780, from the initial required amount of \$1,000,000, to \$1,015,780.

The grant was awarded to Scottsboro Water, Sewer & Gas Board, to aid in a project titled, “Jackson County Water Infrastructure Expansion”. The project was to install 6,000 linear feet of 16-inch ductile iron water main; and a 1,000 gallon-per-minute pumping station within Scottsboro Water, Sewer & Gas Board’s distribution system, in order to stabilize the public water service in the western portion of Jackson County.

Objective, Scope, and Methodology

Objective

The general objectives of this performance audit were to determine whether Scottsboro Water, Sewer & Gas Board 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 AL- 21686-I; titled “Jackson County Water Infrastructure Expansion”, which was awarded to the Grantee.

The budgeted amounts for the grant are presented below:

Exhibit- A: Schedule of Grant Budget

Object Class Category	Federal	Non-Federal	Total
Administrative and Legal Expenses	\$ 25,000	\$ 25,000	\$ 50,000
Engineering Fees	75,000	75,000	150,000
Project Inspection Fees	25,000	25,000	50,000
Construction	<u>875,000</u>	<u>890,780</u>	<u>1,765,780</u>
Total	\$ 1,000,000	\$ 1,015,780	\$ 2,015,780

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.
- 2) We determined that the grant funds were expended, as provided for in the approved grant budget. As of May 1, 2025, the Grantee had claimed \$1,755,554 of the grant's budgeted amount of \$2,015,780.

Below, we have presented a Schedule of Claimed and Audit Recommended Cost as of May 1, 2025, which reflects the results of our audit.

Exhibit - B: Schedule of Claimed and Audit Recommended Costs as of May 1, 2025

Object Class Category	Claimed Costs		Questioned Costs		Audit Recommended		
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Administration Expense	\$ 17,500	\$ 17,500	\$ -	\$ -	\$ 17,500	\$ 17,500	\$ 35,000
Engineering Fees	75,483	75,482	-	-	75,483	75,482	150,965
Project Inspection Fees	5,160	5,160	-	-	5,160	5,160	10,320
Construction	<u>779.259</u>	<u>780.010</u>	<u>-</u>	<u>-</u>	<u>779.259</u>	<u>780.010</u>	<u>1,559,269</u>
Total	<u>\$ 877,402</u>	<u>\$ 878,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 877,402</u>	<u>\$ 878,152</u>	<u>\$ 1,755,554</u>

- 3) Internal guidelines, including program (internal) controls, were adequate and operating effectively. The Grantee has written policies and procedures for applicable grant activities, which we considered adequate for administering the grant.
- 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 contributed a matching amount of \$878,152 of the required matching contribution of \$1,015,780 as of May 1, 2025. 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 (i.e., Linear Feet Constructed). 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 Single Audits performed for the periods ended September 30, 2023, and September 30, 2024. The audit reports did not contain any findings or recommendations related to the Grantee's management of federal assistance awards.

Attachment 1: Grantee's Response



December 30, 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 AL- 21686-I

We are providing this letter in connection with the performance audit of Grant Agreement Number AL-21686-I conducted by Regis & Associates, PC on behalf of the Appalachian Regional Commission (ARC).

We have reviewed the draft audit report and concur with the audit results and conclusions presented. We appreciate the professionalism demonstrated throughout the audit process.

On behalf of the Scottsboro Water, Sewer & Gas Board, it was a pleasure working with you all.

Sincerely,

Name: Jim Green Jr.
Signature: 
Title: General Manager

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