



## **Office of Inspector General**

Appalachian Regional Commission

**Audit of Grant Award to  
Hagerstown Goodwill Industries, Inc.  
Grant Number MD-21338**

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Report Prepared by Regis & Associates, PC

Report Number 26-21

March 4, 2026

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



# Office of Inspector General

Appalachian Regional Commission

March 4, 2026

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 26-21 – Hagerstown Goodwill Industries, Inc.

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number MD-21338 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 four 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 MD-21338-I  
for the Period from August 1, 2023, to November 15, 2025*

*Awarded to  
Hagerstown Goodwill Industries, Inc.*

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

Auditee: Hagerstown Goodwill Industries, Inc.  
As of Date: February 23, 2026



MANAGEMENT CONSULTANTS &  
CERTIFIED PUBLIC ACCOUNTANTS  
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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 MD-21338-I, awarded by the Appalachian Regional Commission (ARC), to Hagerstown Goodwill Industries, Inc. (the Grantee); with a grant performance period of August 1, 2023, to June 30, 2026. 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 August 1, 2023, to November 15, 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 5, 2025, through December 15, 2025. We determined that, except for the matters identified as Findings 2025-001 and 2025-002 in the accompanying Findings, Recommendations, and Grantee's Response section of this Report, Hagerstown Goodwill Industries, Inc.'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 Hagerstown Goodwill Industries, Inc.'s officials at the conclusion of our fieldwork. Hagerstown Goodwill Industries Inc.'s response has been included as Attachment 1 to this report.

Regis & Associates, PC appreciates the cooperation and assistance received from Hagerstown Goodwill Industries, Inc.'s and ARC's staff during this performance audit.

*Regis & Associates, PC*

Regis & Associates, PC  
Washington, DC  
February 23, 2026

## 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 August 1, 2023, the Appalachian Regional Commission awarded Grant Number MD-21338-I, in the amount of \$478,000, to Hagerstown Goodwill Industries, Inc. As a condition of this award, the Grantee was required to contribute a matching amount of \$478,000. The grant’s performance period was from August 1, 2023, through June 30, 2024. On August 13, 2025, Hagerstown Goodwill Industries, Inc. requested an extension of the grant’s period of performance. On October 24, 2025, the ARC approved an amendment extending the grant’s period of performance to June 30, 2026. This performance audit engagement covers the period from August 1, 2023, November 15, 2025.

The purpose of the grant was to provide funding for the purchase of HVAC and refrigeration equipment, to enable the operation of a new grocery store in Hagerstown, Maryland; as well as to implement a workforce training program.

## Objective, Scope, and Methodology

### *Objective*

The general objectives of the performance audit were to determine whether Hagerstown Goodwill Industries, Inc. 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 MD-21338-I, titled “Hagerstown Health Hub: Grocery Store Initiative”, which was awarded to the Grantee.

The budgeted amounts for the grant are presented below:

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

<u>Object Class Category</u>	<u>Federal</u>	<u>Non-Federal</u>	<u>Total</u>
Equipment	\$ 478,000	\$ 478,000	\$ 956,000
<b>Total</b>	<b>\$ 478,000</b>	<b>\$ 478,000</b>	<b>\$ 956,000</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 Findings 2025-001 and 2025-002; in the accompanying Findings, Recommendations, and Grantee’s Response section of this report.
- 2) As of November 15, 2025, the Grantee had expended \$820,015, which is \$135,985 less than the grant’s budgeted amount of \$956,000. The project was still pending completion as of November 15, 2025.

Below, we have presented a Schedule of Claimed and Audit Recommended Cost as of November 15, 2025, which reflects the results of our audit.

**Exhibit – B: Schedule of Claimed and Audit Recommended Costs  
As of November 15, 2025**

Object Class Category	Claimed Costs		Questioned Costs		Audit Recommended		
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Equipment	\$ 396,000	\$ 424,015	\$ 396,000	-	\$ -	\$ 424,015	\$ 424,015
<b>Total</b>	<b>\$ 396,000</b>	<b>\$ 424,015</b>	<b>\$ 396,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 424,015</b>	<b>\$ 424,015</b>

- 3) Internal guidelines, including program (internal) controls, were not adequate and operating effectively. The Grantee did not have adequate policies and procedures over financial management of federal grants; as described in Findings 2025-001 and 2025-002; 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 that the Grantee did not submit SF-

270, *Request for Advance or Reimbursement Reports*, in a timely manner, as described in finding 2025-002 in the accompanying Findings, Recommendations, and Grantee's Response section of this report.

- 5) We determined that, as of November 15, 2025, the Grantee and its project partners contributed a matching amount of \$424,015, which is \$53,985 less than the Grantee's matched fund budget of \$478,000. However, because the project was still in progress, we could not conclude as to whether the matching contribution requirement was met.
- 6) We determined that the Grantee had effective policies and procedures to accurately capture, record, and report grant performance measures (i.e. communities served, communities improved; workers/trainees served, and workers/trainees improved). However, because the project was still in progress, we could not conclude as to whether the performance measures were met.
- 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 – The Grantee did not comply with the Contract Agreement regarding contracting services and/or equipment purchases.**

### Condition:

During the audit, we noted that the Grantee approved a sole source quotation on November 2, 2023, for the procurement and installation of grocery refrigeration units, amounting to \$759,072. This contract was awarded, without soliciting multiple bids through a competitive bidding process.

We requested documentation to support the Grantee's justification for selecting the vendor, including requests for proposals/invitations for bids, winning and losing bids, bid evaluations, pre-bids and sign-in sheets, contract agreements, and board resolutions for awards. However, the Grantee did not provide any documentation to support its decision of selecting the vendor.

### Criteria:

Federal and state procurement regulations, including the Uniform Guidance (2 CFR 200.320 (b), *formal procurement methods*), require that Grantees utilize a competitive bidding process (i.e., sealed bids or competitive proposals) for contracts/purchases exceeding \$250,000 thresholds. Sole-source contracting is only permissible under specific justifiable circumstances that must be well-documented.

Pursuant to 2 CFR 200.318(i), *General procurement standards*: "The Non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

The terms and conditions outlined in Article 5 of the Contract Agreement regarding contracting procedures for services and/or equipment purchases states that Grantee shall assure that: (1) all contracting shall be at prices and on terms most advantageous to the Grantee and to the project; and (2) all interested parties shall have a full and fair chance at doing business with the Grantee. Grantee shall arrange for all contracting, through competitive bidding; or, if permitted by state law, other negotiating and contracting procedures that will ensure compliance with (1) and (2) above.

### Questioned Costs:

We questioned \$396,000, which was the federally funded amount of the grocery refrigeration units acquired.

### Cause:

The Grantee stated that the vendor was recommended by a similar organization and was already familiar with the Project Manager. As the largest wholesale grocery company in the U.S., the vendor was capable of providing comprehensive, end-to-end services needed for the grocery store. The Grantee further stated that the decision to engage the vendor was made early in the project, before ARC funding was secured. The Grantee stated that pursuing a competitive bidding process later was not feasible, due to work that was already completed, potential harm to key partnerships, and risk of project delays.

The Grantee further stated that, due to turnover within the project team, including the departure of the CFO and Project Manager, they are experiencing difficulty in locating the documentation related to the selection of the vendor for the grocery store design and equipment services.<sup>1</sup>

**Effect:**

The failure to prepare and/or obtain written approval and justification for the sole-source procurement results in a lack of transparency and accountability in the procurement process. This practice may also result in procuring services at unreasonable prices; thereby contributing to fraud, waste, and/or abuse of federal funds.

Furthermore, failure to adhere to federal requirements related to the competitive bidding process may result in noncompliance with federal and state regulations. This could lead to financial penalties, reduced eligibility for future grant funding, and concerns regarding the integrity and fairness of the procurement.

**Recommendation:**

Recommendation 01: We recommend that the Grantee revise its procurement policies and procedures, to ensure strict adherence to competitive bidding requirements for future projects.

Recommendation 02: We recommend that the Grantee maintain adequate documentation justifying all sole-source vendor selection to ensure compliance with all applicable regulations.

Recommendation 03: We recommend that the Grantee work with ARC, to solve the \$396,000 of questioned costs.

**Grantee's Response:**

The Grantee concurred with the audit result. See the Grantee's full response on Attachment 1.

**Auditor's Response:**

Since the Grantee has concurred with our audit result, no additional comment is necessary.

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<sup>1</sup> The Grantee provided responses on 9/26/2025, regarding the (1) grant extension update, (2) the revised SF-270 Report #3, and (3) the procurement process.

**Finding 2025-002 – Non-Compliance with the SF-270 Reporting Requirements**

**Condition:**

The Grantee did not submit six of eight SF-270 quarterly reports in a timely manner. The Grantee submitted only one SF-270 report, covering the period from July 1, 2024, through August 31, 2025. On August 13, 2025, the Grantee requested an extension of time to submit the SF-270 report for that period; however, ARC denied the request because it was submitted after the original performance period had ended. The period-ending dates, due dates, submission dates, and the number of days each report was late; are summarized in Table 1, *SF-270 Quarterly Reports*, below:

Sequence No.	(A) Report Beginning date	(B) Report Period End Date	(C) Due date (Period end+30 days)	(D) Report Submission date	(C)= (D) - (C) No. of Days late	Period Covered by Report
1	12/1/2023	3/31/2024	4/30/2024	1/11/2024	-110	3 months
2	4/1/2024	6/30/2024	7/30/2024	8/1/2024	2	3 months
3	7/1/2024	9/30/2024	10/30/2024	11/10/2025	376	14 months
4	10/1/2024	12/31/2024	1/30/2025		284	
5	1/1/2025	3/31/2025	4/30/2025		194	
6	4/1/2025	6/30/2025	7/30/2025		103	
7	7/1/2025	8/31/2025	9/30/2025		41	
8	9/1/2025	11/15/2025	12/15/2025	11/24/2025	-21	76 days

**Questioned Costs:**

None.

**Criteria:**

Pursuant to 2 CFR 200.329(c), *Monitoring and Reporting Program Performance*: “the non-federal entity must submit performance reports at the interval required by Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity..... Reports submitted quarterly or semiannually must be due no later than 30 calendar days after the report period”.

The Appalachian Regional Commission (ARC) grant agreement and manual require the Grantee to submit the quarterly financial and narrative reports, including SF-270, within 30 days of the end of the reporting period.

**Cause:**

The Grantee stated that the SF-270 reports covering the period from July 1, 2024, through August 31, 2025, have been completed. However, they were unable to be submitted through the ARCnet portal because the grant end date has passed, and the portal will not allow submission until the grant end date is formally extended.

**Effect:**

Quarterly reporting is a tool that is used to monitor a project's financial status and progress towards completion. For reporting to be effective, it needs to be timely and accurate. When reports are not prepared in a timely manner, the Grantee does not have the necessary information to adjust its activities or resources if a situation requires it. When reports are not submitted to ARC in a timely manner, this deprives ARC of the ability to provide effective oversight of the project being implemented, which may also hinder the Grantee's ability to obtain additional funding from ARC.

**Recommendation:**

Recommendation 04: We recommend that the Grantee develop procedures to hold their partners accountable for preparing and submitting quarterly reports in a timely manner.

**Grantee's Response:**

The Grantee concurred with the audit result. See the Grantee's full response on Attachment 1.

**Auditor's Response:**

Since the Grantee has concurred with our audit result, no additional comment is necessary.

**Attachment 1: Grantee's Response**



February 23, 2026.

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

Subject: Performance Audit of Grant Agreement Number MD-21338-I

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 Hagerstown Goodwill Industries, Inc., it was a pleasure working with you and your team and we look forward to working with you in the future.

Sincerely,

A handwritten signature in cursive that reads 'Nicolas Kline' is followed by the date '2/23/26' written in a similar cursive style.

Nicolas Kline  
*Vice President of Mission Advancement*

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