



## Office of Inspector General

Appalachian Regional Commission

### **Audit of Grant Award to Southwest Virginia Community College Grant Number PW-19722**

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Report Prepared by Regis & Associates, PC

Report Number 24-07

November 17, 2023

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



# Office of Inspector General

Appalachian Regional Commission

November 17, 2023

TO: Brandon McBride, Executive Director

FROM: Philip M. Heneghan, Inspector General

SUBJECT: Audit Report 24-07 – Southwest Virginia Community College

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number PW-19722 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 decisions describing the specific actions 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 PW-19722-IM  
for the Period from October 1, 2019 to July 31, 2023*

*Awarded to  
Southwest Virginia Community College*

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

*Auditee: Southwest Virginia Community College  
As of Date: November 9, 2023*

  
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 PW-19722-IM, awarded by the Appalachian Regional Commission (ARC) to Southwest Virginia Community College (the Grantee); with a grant performance period of October 1, 2019, to September 30, 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, 2019, to July 31, 2023.

The objectives of this 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 February 13, 2023, through September 7, 2023. We determined that, except for the matters identified as Finding 2022-001, in the accompanying Findings, Recommendations, and Grantee's Response section of this report; Southwest Virginia Community College's financial management, administrative procedures, and related internal controls, were adequate to manage ARC's grant funds. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions, based on our audit objectives.

We discussed the results of this performance audit with Southwest Virginia Community College's officials at the conclusion of our fieldwork. Southwest Virginia Community College's response has been included

as Attachment 1 to this report. Regis & Associates, PC appreciates the cooperation and assistance received from Southwest Virginia Community College and ARC staff, during this performance audit.

*Regis & Associates, PC*

Regis & Associates, PC  
Washington, DC  
November 9, 2023

## **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 20, 2019, the Appalachian Regional Commission awarded Grant Number PW-19722-IM, in the amount of \$588,072, to Southwest Virginia Community College. As a condition of this award, the Grantee was required to contribute a matching amount of \$447,367. 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, 2019, through September 30, 2022. On May 20, 2022, ARC approved an amendment to Grant Number PW-19722-IM, to extend the period of performance to September 30, 2023. This performance audit engagement covers the period from October 1, 2019, through July 31, 2023. The original award and amendments resulted in a total grant budget of \$1,035,439.

The grant was awarded to Southwest Virginia Community College (SWCC), to aid in a project titled, "SWCC Automotive Service Excellence (ASE) Center". This project was funded to provide education and training, matched to the region's current sectors and jobs, while increasing access to advanced skills training for the jobs of the future. The grant created an Automotive Diagnostics and Repair Career Studies Certificate program that consisted of a credit-based, fast-track curriculum to prepare students for entry-level automobile technician positions. The project paid for equipment and supplies needed to provide the training, as well as initial personnel and program certification costs.

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

### ***Objective***

The general objectives of the performance audit were to determine whether Southwest Virginia Community College 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-19722-IM, titled "SWCC Automotive Service Excellence (ASE) Center", which was awarded to the Grantee. The original term of the grant was from October 1, 2019, through September 30, 2022. However, the grant period of performance was extended by amendment to September 30, 2023.

The budgeted amounts for the grant are presented below:

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

Object Class Category	Federal	Non-Federal	Total
Personnel	\$ 195,267	\$ 93,389	\$ 288,656
Fringe Benefits	115,463	-	115,463
Travel	10,100	4,465	14,565
Contractual	1,250	1,750	3,000
Equipment	230,992	205,763	436,755
Supplies	35,000	142,000	177,000
Total Direct Charges	\$ 588,072	\$ 447,367	\$ 1,035,439
<b>Total</b>	<b>\$ 588,072</b>	<b>\$ 447,367</b>	<b>\$ 1,035,439</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 Finding 2022-001 in the accompanying Findings, Recommendations, and Grantee’s Response section of this report.
- 2) As of July 31, 2023, the Grantee had expended \$790,862 of the grant’s budgeted amount of \$1,035,439.

Below, we have presented a Schedule of Claimed and Audit Recommended Cost as of July 31, 2023, which reflects the results of our audit.

**Exhibit – B: Schedule of Claimed and Audit Recommended Costs  
 As of date July 31, 2023**

Object Class Category	Claimed Costs		Questioned Costs		Audit Recommended		
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Personnel	\$ 102,500	\$ 93,846	\$ -	\$ -	\$ 102,500	\$ 93,846	\$ 196,346
Fringe Benefits	29,422	-	-	-	29,422	-	29,422
Travel	8,925	-	-	-	8,925	-	8,925
Equipment	231,714	157,513	-	-	231,714	157,513	389,227
Supplies	26,853	139,059	-	-	26,853	139,059	165,912
Contractual	1,030	-	-	-	1,030	-	1,030
Total Direct Charges	400,444	\$ 390,418	\$ -	\$ -	\$ 400,444	\$ 390,418	\$ 790,862
<b>Total</b>	<b>\$ 400,444</b>	<b>\$ 390,418</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 400,444</b>	<b>\$ 390,418</b>	<b>\$ 790,862</b>

- 3) Internal guidelines, including program (internal) controls, were adequate; but they were not operating effectively. The Grantee did not have adequate policies and procedures over the financial management of Federal grants; as described in Finding 2022-001 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 the Grantee had contributed the required proportional matching amount of \$390,418 as of July 31, 2023. 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 students trained and number of jobs obtained by students, as well as other outcomes). 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**

**2022-001 – Non-compliance with the reporting requirements**

**Condition:**

The Grantee did not submit the majority of its SF-270 quarterly reports in a timely manner. As shown in the table below, seven of the nine reports were submitted late; and the reports for reporting periods two and three were significantly late. These two reports were submitted more than 45 days after the report due date.

Report	Due	Date	Days
Period	Date	Submitted	Late
1	2/27/2020	2/21/2020	0
2	6/27/2020	1/25/2021	212
3	10/25/2020	2/24/2021	122
4	2/22/2021	2/24/2021	2
5	6/26/2021	6/8/2021	0
6	10/24/2021	11/2/2021	9
7	2/21/2022	3/4/2022	11
8	6/22/2022	6/29/2022	7
9	10/21/2022	10/27/2022	6

**Questioned Costs:** None noted.

**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 submitted the SF-270 quarterly reports late because its personnel were not familiar with the ARC.Net system, which is a portal via which grantees submit their quarterly reports. The late submission was also due to the Grantee having a new Dean, who was unaware of this grant reporting requirements.

**Effect:**

The Grantee is not in compliance with the reporting requirements of 2 CFR 200.329(c) and the ARC grant agreement. This lack of timely reporting may impede ARC’s grant monitoring function.

**Recommendation:**

We recommend that the Grantee's management implement internal controls to ensure that the SF-270 quarterly reports are submitted to ARC in a timely manner.

**Grantee's Response:**

The Grantee concurred with the audit results. See the Grantee's full response in Attachment 1.

**Auditor's Response:**

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

**Attachment 1: Grantee's Response**



November 9, 2023

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

Subject: Performance Audit of Grant Agreement Number PW-19722-IM

We are providing this letter in connection with the subject audit performed by Regis & Associates, PC on behalf of the Appalachian Regional Commission (ARC). We have reviewed the audit finding and concur with the audit result.

Please be assured that we have already implemented a corrective action plan to address the noted finding, which includes but is not limited to the following actions:

- Related staffing performance and capacity issues have been addressed through performance improvement measures, staff/position restructuring and hiring, and expanded grants staffing capacity overall.
- Implementation of more consistent grant reporting and monitoring internally, including multiple layers of oversight to avoid such instances in the future.
- Key grants positions, including administrative and accounting staff position that were vacant during the grant period because of retirements, resignations, etc., have been filled.

There are also factors related to the COVID-19 pandemic (staffing, capacity, etc.) that may have attributed to the situation highlighted in the finding that are no longer a factor at the college.

On behalf of Southwest Virginia Community College, 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 black ink, appearing to read "RR", written over the word "Sincerely,".  
Randall Rose

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