



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to Southwestern Pennsylvania Coalition – Shale Power Grant Number PW-19708-IM-19

Report Prepared by Regis & Associates

Report Number 23-09

March 20, 2023

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



Office of Inspector General

Appalachian Regional Commission

March 20, 2023

TO: Brandon McBride, Executive Director

FROM: Philip M. Heneghan, Inspector General

SUBJECT: Audit Report 23-09 – Southwestern Pennsylvania Coalition – Shale Power

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number PW-19708-IM-19, to Southwestern Pennsylvania Coalition 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. The auditors did not issue any recommendations in this report.

We do not express any opinion on the conclusions presented in Regis & Associate, PC's 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 that was 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-19708-IM-19
for the Period of September 30, 2019, to May 31, 2022.*

*Awarded to
Southwestern Pennsylvania Coalition*

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

Auditee: Southwestern Pennsylvania Coalition.
As of Date: March 13, 2023


MANAGEMENT CONSULTANTS &
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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-19708-IM-19, awarded by the Appalachian Regional Commission (ARC) to the Southwestern Pennsylvania Coalition (the Grantee); with a grant performance period of September 30, 2019 to September 30, 2022. We conducted the 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 September 30, 2019 to May 31, 2022.

The objective of the audit was to determine whether: (1) Program funds were managed in accordance with the 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 conduct 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 April 8, 2022 through January 26, 2023. We determined that the Southwestern Pennsylvania Coalition's financial management and administrative procedures, and related internal controls, were adequate to manage the ARC's grant funds. There were no findings and recommendations resulting from this performance audit engagement.

We discussed the results of this performance audit with Southwestern Pennsylvania Coalition's officials at the conclusion of our fieldwork. Southwestern Pennsylvania Coalition's response has been included as Attachment 1 to this report. Regis & Associates, PC appreciates the cooperation and assistance received from Southwestern Pennsylvania Coalition and ARC staff during this performance audit.



Regis & Associates, PC
Washington, DC
March 13, 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; health care; 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 28, 2019, the Appalachian Regional Commission awarded Grant Number PW-19708-IM-19 to Southwestern Pennsylvania Coalition, in the amount of \$1,423,497. The Grantee awarded a subaward of \$1,350,450 to a lead partner and subrecipient, to execute the grant. As a condition of this award, the Grantee, and its project partners were required to contribute a matching amount of \$1,232,236. The total matching contribution was to be made in the form of cash, contributed services, or in-kind contributions as approved by ARC. The period of performance of the grant was from September 30, 2019 through September 30, 2022. This performance audit engagement covers the period from September 30, 2019 to May 31, 2022.

The grant was awarded to Southwestern Pennsylvania Coalition, to fund a project titled, "Shale Power" to develop a regional center for technical assistance to manufacturers seeking to expand into the shale energy sector. Southwestern Pennsylvania Coalition, a local development district for southwestern Pennsylvania, served as the fiscal agent for a multi-state consortium that includes the three Manufacturing Extension Partnership (MEP) Centers of Pennsylvania, Ohio, and West Virginia; to raise awareness of manufacturing opportunities in the emerging shale energy value chain and provide direct technical assistance to participating businesses. In addition to hands-on technical assistance, the project provided assistance to businesses through mini-grants, one on one counseling, training, virtual tours of the Gulf Coast petrochemical infrastructure, and business development opportunities.

Objective, Scope, and Methodology

Objective

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-19708-IM-19, titled "Shale Power" which was awarded to the Southwestern Pennsylvania Coalition. The term of the grant was from September 30, 2019, through September 30, 2022.

The budgeted amounts for the grant are presented below:

Exhibit – A: Schedule of Grant Budget

| Object Class Category | Federal | Non-Federal | Total |
|-----------------------|---------------------|---------------------|---------------------|
| Personnel | \$ 50,530 | \$ 50,530 | \$ 101,060 |
| Fringe Benefits | 32,517 | - | 32,517 |
| Contractual | 1,340,450 | 1,149,189 | 2,489,639 |
| Total Direct Charges | \$ 1,423,497 | \$ 1,199,719 | \$ 2,623,216 |
| Indirect Charges | - | 32,517 | 32,517 |
| Total | \$ 1,423,497 | \$ 1,232,236 | \$ 2,655,733 |

The general objectives of the performance audit were to determine whether the Grantee expended grant funds, in accordance with applicable requirements; and to report any resulting findings on questioned cost, internal controls, program performance, and compliance with provisions of the grant agreement and laws and regulations.

Scope and Methodology

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 the 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 Grantee's data and records evaluated.
- Assessing the accounting principles and significant estimates made by the Grantee.
- Evaluating the overall evidence and presentation of the records.
- Assessing whether the program's reported performance measures were fair and reasonable.
- Conducting other test procedures deemed necessary, based on our professional judgment.

Results

Upon conclusion of our performance audit, we determined that:

- 1) The program's funds were managed in accordance with ARC and Federal grant requirements.
- 2) The grant funds were expended, as provided for in the approved grant budget. Below, we have presented a Schedule of Claimed and Audit Recommended Cost as of May 31, 2022, which reflects the results of our audit:

**Exhibit – B: Schedule of Claimed and Audit Recommended Cost
as of May 31, 2022**

| Object Class Category | Claimed Cost | | Questioned Cost | | Audit Recommended | | |
|-----------------------|-------------------|-------------------|-----------------|-------------|-------------------|-------------------|---------------------|
| | Federal | Non-Federal | Federal | Non-Federal | Federal | Non-Federal | Total |
| Personnel | \$ 11,782 | \$ 15,990 | \$ - | \$ - | \$ 11,782 | \$ 15,990 | \$ 27,772 |
| Fringe Benefits | 7,560 | - | - | - | 7,560 | - | 7,560 |
| Contractual | 931,810 | 830,569 | - | - | 931,810 | 830,569 | 1,762,379 |
| Total Direct Charges | \$ 951,152 | \$ 846,559 | \$ - | \$ - | \$ 951,152 | \$ 846,559 | \$ 1,797,711 |
| Indirect Charges | - | 9,490 | - | - | - | 9,490 | 9,490 |
| Total | \$ 951,152 | \$ 856,049 | \$ - | \$ - | \$ 951,152 | \$ 856,049 | \$ 1,807,201 |

- 3) Internal guidelines, including program (internal) controls, were adequate and operating effectively. The Grantee had 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 as of May 31, 2022, the Grantee and its partners had contributed \$856,049 of the required match amount of \$951,152. These matching funds were properly supported and allowable under both Federal and ARC requirements.
- 6) We verified that the Grantee's reported performance measures were fair and reasonable. (i.e., businesses served, businesses improved, jobs created and retained.)
- 7) We verified that the Grantee had a single audit performed for the year ended June 30, 2021. The audit report contained two recommendations which related to missed reporting of its sub-recipient in the Federal Funding Accountability and Transparency Act (FFTA) Subaward Reporting System and lack of documentation to show whether the Grantee verified if this sub-recipient was audited. At the time of this audit, the Southwestern Pennsylvania Coalition had implemented corrective actions to address the recommendations in the report.

Southwestern Pennsylvania Coalition
Performance Audit of ARC Grant Number PW-19708-IM-19

Attachment 1: Grantee's Response



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March 13, 2023

Regis & Associates, PC
1420 K St NW Ste 910
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ATTN Robin Campbell, Manager Auditing Services

RE: Draft Audit Report – ARC Grant Pw-19708-IM-19

Dear Ms. Campbell,

I acknowledge receipt of the draft Audit Report for ARC Grant PW-19708-IM-19. We have reviewed the draft report and agree with your conclusions.

Sincerely,

Margaret J Fonner
Secretary-Treasurer
Southwestern Pennsylvania Corporation
Deputy Executive Director, - Finance & Operations
Southwestern Pennsylvania Commission