



## Office of Inspector General

Appalachian Regional Commission

# Audit of Grant Award to Shawnee State University Grant Number PW-19729

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Report Prepared by Regis & Associates

Report Number 23-10

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 23-10 – Shawnee State University

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number PW-19729, to Shawnee State University 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-19729-IM-2019  
for the Period from October 1, 2019, to June 30, 2022*

*Awarded to  
Shawnee State University*

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

Auditee: Shawnee State University.  
As of Date: March 13, 2023



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 PW-19729-IM-2019, awarded by the Appalachian Regional Commission (ARC) to Shawnee State University (the Grantee); with grant performance period from October 1, 2019 to June 30, 2022. 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 June 30, 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; and (6) the reported performance measures were fair and reasonable; 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 November 18, 2022 through January 30, 2023. We determined that Shawnee State University’s financial management, administrative procedures, and related internal controls were adequate to manage 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 Shawnee State University’s officials at the conclusion of our fieldwork. Shawnee State University’s response has been included as Attachment 1 to this report. Regis & Associates, PC appreciates the cooperation and assistance received from Shawnee State University and ARC staff during this performance audit.

*Regis & Associates, PC*

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 27, 2019, the Appalachian Regional Commission awarded Grant Number PW-19729-IM-19 titled “LIGHTS Inclusive (LIGHTS-INC) – Leveraging Innovation Gateways and Hubs Toward Sustainability” to Shawnee State University, in the amount of \$1,496,585. As a condition of this award, the Grantee was required to contribute a matching amount of \$664,856. The original period of performance of the grant was from October 1, 2019, to September 30, 2021. On April 2, 2021, ARC approved a contract amendment which extended the grant’s period of performance to June 30, 2022. This performance audit engagement covers the period from October 1, 2019, to June 30, 2022.

The grant was awarded to Shawnee State University, to provide funding to build a substance abuse recovery ecosystem and foster entrepreneurial activities and economic growth in Appalachian Kentucky, Ohio, and West Virginia. The LIGHTS-INC program promotes entrepreneurship and economic growth in the region, adding a focus on the recovery population and building a recovery ecosystem that supports the post-treatment to employment continuum.

## **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-19729-IM-2019, titled “LIGHTS Inclusive (LIGHTS-INC) – Leveraging Innovation Gateways and Hubs Toward Sustainability”, which was awarded to Shawnee State University. The term of the grant was from October 1, 2019, to June 30, 2022; which included an extension of the period of performance.

The budgeted amounts for the grant are presented below:

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

Object Class Category	Federal	Non-Federal	Total
Personnel	\$ 260,000	\$ -	\$ 260,000
Fringe Benefits	50,000	-	50,000
Travel	6,000	-	6,000
Equipment	10,000	-	10,000
Supplies	39,252	-	39,252
Contractual	992,000	97,300	1,089,300
Other	6,000	312,000	318,000
<b>Total Direct Charges</b>	<b>\$ 1,363,252</b>	<b>\$ 409,300</b>	<b>\$ 1,772,552</b>
Indirect Charges	133,333	255,556	388,889
<b>Total Indirect Charges</b>	<b>\$ 133,333</b>	<b>\$ 255,556</b>	<b>\$ 388,889</b>
<b>Total</b>	<b>\$ 1,496,585</b>	<b>\$ 664,856</b>	<b>\$ 2,161,441</b>

The general objectives of this performance audit were to determine whether Shawnee State University expended grant funds, in accordance with applicable requirements; and to report any resulting findings and questioned cost; related to 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 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 program’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) As of June 30, 2022, 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 June 30, 2022, which reflects the results of our audit.

**Exhibit – B: Schedule of Claimed and Audit Recommended Costs  
 As of June 30, 2022**

Object Class Category	Claimed Costs		Questioned Costs		Audit Recommended		
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Personnel	\$ 200,280	\$ -	\$ -	\$ -	\$ 200,280	\$ -	\$ 200,280
Fringe Benefits	38,506	-	-	-	38,506	-	38,506
Travel	4,271	-	-	-	4,271	-	4,271
Equipment	10,755	-	-	-	10,755	-	10,755
Supplies	8,778	-	-	-	8,778	-	8,778
Contractual	1,001,580	156,727	-	-	1,001,580	156,727	1,158,307
Other	7,699	298,762	-	-	7,699	298,762	306,461
<b>Total Direct Charges</b>	<b>\$ 1,271,869</b>	<b>\$ 455,489</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,271,869</b>	<b>\$ 455,489</b>	<b>\$ 1,727,358</b>
Indirect Charges	133,333	255,555	-	-	133,333	255,555	388,888
<b>Total Indirect Charges</b>	<b>\$ 133,333</b>	<b>\$ 255,555</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 133,333</b>	<b>\$ 255,555</b>	<b>\$ 388,888</b>
<b>Total</b>	<b>\$ 1,405,202</b>	<b>\$ 711,044</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,405,202</b>	<b>\$ 711,044</b>	<b>\$ 2,116,246</b>

- 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 the Grantee met the matching requirement of \$664,856 as of June 30, 2022. The Grantee contributed matching funds in the amount of \$711,044, which was \$46,189 more than the required matching amount. 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. the number of businesses served and improved, jobs created, leveraged private investment, new businesses created and students served). Based on our review of the Grantee’s procedures, the performance results reported to ARC were fair and reasonable.
- 7) The Grantee had a single audit performed for the period ended June 30, 2022. The audit report did not have any findings or recommendations related to the management of federal assistance awards.



**Attachment 1: Grantee 's Response**



March 13, 2023

Shawnee State University has reviewed the Report on Performance Audit of Appalachian Regional Commission Grant Number PW-19729-IM-219 for the Period from October 1, 2019 to June 30, 2022. We agree with the conclusions of the firm Regis & Associates, PC.

Regards,

A handwritten signature in blue ink that reads 'DeAnn McKenzie'.

DeAnn McKenzie

Manager, Grants Accounting & Compliance