

Office of Inspector General

*Report Prepared by Regis & Associates, PC
Audit of Grant Award - Appalachian Sustainable Development*

Grant Number PW-19471



**Appalachian
Regional
Commission**

Office of Inspector General

Audit Report: 22-07

March 1, 2022



Office of Inspector General

March 1, 2022

TO: Brandon McBride, Executive Director

FROM: Philip M. Heneghan, Inspector General

A handwritten signature in blue ink, appearing to read 'Philip Heneghan', is placed to the right of the 'FROM:' line.

SUBJECT: Audit Report 22-07 – Appalachian Sustainable Development

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number PW-19471, to Appalachian Sustainable Development 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 reported were reasonable, supported, and fairly represented to the Commission.

Regis & Associates, PC, is solely responsible for 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 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 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-19471-IM-19*

*Awarded to
Appalachian Sustainable Development, Inc.*

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

Auditee: Appalachian Sustainable Development
As of Date: January 24, 2022



MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS
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EXECUTIVE SUMMARY

Office of the Inspector General
Appalachian Regional Commission
1666 Connecticut Avenue, NW Suite 700
Washington, DC 20009

We conducted a performance audit of Grant Agreement Number PW-19471-IM-19, awarded by the Appalachian Regional Commission (ARC), to Appalachian Sustainable Development, Inc. (the Grantee). We conducted the performance audit at the request of the ARC Office of Inspector General, to assist it in its oversight of ARC grant funds for the grant performance period from February 1, 2019 to June 30, 2021.

The objectives of the performance audit were to determine whether: (1) grant 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.

We conducted planning and fieldwork during the period from September 8, 2021 through December 16, 2021. We determined that the Grantee's financial management and administrative procedures and related internal controls were adequate to manage the ARC grant funds. There were no findings and recommendations for this report.

We discussed the results of this performance audit with the Grantee's officials at the conclusion of our fieldwork. The Grantee's response has been included as Attachment 1 to this report.

Regis & Associates, PC appreciates the cooperation and assistance received from the Grantee and ARC staff during this performance audit.

Regis & Associates, PC

Regis & Associates, PC
Washington, DC
January 24, 2022

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 February 1, 2019, the Appalachian Regional Commission awarded Grant Number PW-19471-IM-19, in the amount of \$1,250,000, to Appalachian Sustainable Development, Inc. As a condition of this award, the Grantee was required to contribute a matching amount of \$785,415.

The original period of performance for the grant was from February 1, 2019 to January 31, 2021. This period of performance was extended to April 30, 2021; and then to June 30, 2021, through subsequent amendments approved on January 13, 2021 and May 29, 2021; respectively.

The grant was awarded to the Grantee to support the expansion, impact, and scale of the Central Appalachian food enterprise corridor; by connecting established and emerging producers throughout central Appalachia, to wholesale distribution markets.

Objective, Scope, and Methodology

Objective

The Appalachian Regional Commission, Office of Inspector General, under Order Number ARC21P050, dated March 17, 2021; engaged Regis & Associates, PC to conduct a performance audit of Grant Number PW-19471-IM-19, titled Appalachian Sustainable Development, which was awarded to the Grantee. The term of the grant was from February 1, 2019 to June 30, 2021.

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>
Personnel	\$ 185,000	\$ 63,000	\$ 248,000
Fringe Benefits	46,250	15,750	62,000
Travel	44,000	-	44,000
Equipment	-	-	-
Supplies	10,377	4,000	14,377
Contractual	8,000	-	8,000
Subrecipients	896,418	702,665	1,599,083
Total Direct Charges	\$ 1,190,045	\$ 785,415	\$ 1,975,460
Indirect Charges	59,955.00	-	59,955.00
Total	\$ 1,250,000	\$ 785,415	\$ 2,035,415

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 and questioned cost, relating 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 *Generally Accepted Government Auditing Standards*. 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 performance 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*; 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

Upon conclusion of our performance audit, we determined that:

- 1) The grant 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, Questioned, and Audit Recommended Cost; which reflects the results of our audit:

Appalachian Sustainable Development, Inc.
Performance Audit of ARC Grant Number PW-19471-IM-19

Exhibit – B: Schedule of Claimed and Audit Recommended Costs

Object Class	Claimed Costs		Questioned Costs		Audit Recommended		
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Personnel	\$ 176,366	\$ 63,000	\$ -	\$ -	\$ 176,366	\$ 63,000	\$ 239,366
Fringe Benefits	44,092	15,750	-	-	44,092	15,750.00	59,842
Travel	10,732	-	-	-	10,732	-	10,732
Equipment	84,482	-	-	-	84,482	-	84,482
Supplies	37,909	4,000	-	-	37,909	4,000.00	41,909
Contractual	8,001	-	-	-	8,001	-	8,001
Subrecipients	830,122	702,665	-	-	830,122	702,665	1,532,787
Total Direct	\$ 1,191,704	\$ 785,415	\$ -	\$ -	\$ 1,191,704	\$ 785,415	\$1,977,119
Indirect Charges	40,121	-	-	-	40,121	-	40,121
Total	\$ 1,231,825	\$ 785,415	\$ -	\$ -	\$ 1,231,825	\$ 785,415	\$2,017,240

- 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) The Grantee met its total matching requirement of \$785,415. These matching funds were properly supported and allowable under both Federal and ARC requirements.
- 6) The Grantee’s reported performance measures were fair and reasonable.

Attachment 1: Grantee's Response



L I V I N G B E T T E R . L O C A L L Y .

MEMORANDUM

DATE: February 18, 2022
TO: Fidel Wambura, Regis & Associates, PC
FROM: Kathlyn Terry Baker, Chief Executive Officer
SUBJECT: Audit of ARC Grant Number PW-19471-IM-19

The Appalachian Sustainable Development staff has reviewed the draft report for PW-19471-IM-19 prepared and presented to ASD by Regis & Associates, PC on February 16, 2022.

We concur with the report that was submitted for our review.

Thank you for the opportunity to review and respond to the draft report.

Sincerely,

A handwritten signature in dark ink that reads "K Baker". The signature is written in a cursive style.

Kathlyn Terry Baker
Chief Executive Officer

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