



## Office of Inspector General

Appalachian Regional Commission

# Audit of Grant Award to City of Oak Ridge Grant Number TN-18621-A

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Report Prepared by Regis & Associates

Report Number 23-06

December 23, 2022

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



# Office of Inspector General

Appalachian Regional Commission

December 23, 2022

TO: Brandon McBride, Executive Director

FROM: Philip M. Heneghan, Inspector General

SUBJECT: Audit Report 23-06 – City of Oak Ridge

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number TN-1621-A, to City of Oak Ridge 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 TN-18621-A*

*for the Period from December 1, 2020 to July 28, 2022*

*Awarded to  
City of Oak Ridge*

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

Auditee: City of Oak Ridge  
As of Date: December 20, 2022

**REGIS**  
ASSOCIATES, PC  
MANAGEMENT CONSULTANTS &  
CERTIFIED PUBLIC ACCOUNTANTS  
1420 K Street, NW  
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Washington, DC 20005

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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 of Grant Agreement Number TN-18621-A, awarded by the Appalachian Regional Commission (ARC), to the City of Oak Ridge (the Grantee); with a grant performance period December 1, 2020, to November 30, 2024. 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 December 1, 2020 to July 28, 2022.

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 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 September 28, 2022, through November 28, 2022. We determined that the financial management and administrative procedures and related internal controls of the City of Oak Ridge were adequate to manage ARC grant funds. There were no findings and recommendations resulting from this performance audit engagement.

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

Regis & Associates, PC appreciates the cooperation and assistance received from the City of Oak Ridge and ARC staff during this performance audit.

*Regis & Associates, PC*

Regis & Associates, PC  
Washington, DC  
December 20, 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 December 1, 2020, the Appalachian Regional Commission awarded Grant Number TN-18621-A titled “Oak Ridge Airport Project Planning and Design” to the City of Oak Ridge, in the amount of \$3,193,097. As a condition of this award, the Grantee was required to contribute a matching amount of \$1,463,695. The original period of performance of the grant was from December 1, 2020 to November 30, 2021. On October 8, 2021, ARC approved contract amendment #1 which extended the grant’s period of performance to November 30, 2022. On October 26, 2022, ARC approved contract amendment #2 which further extended the grant’s period of performance to November 30, 2024. This performance audit engagement covers the period from December 1, 2020 to July 28, 2022.

The grant was awarded to the City of Oak Ridge to fund the Oak Ridge Airport Project Planning and Design project, the objective of which was to leverage existing assets and strengthen the region’s manufacturing base, particularly in Tennessee’s automotive sector. A secondary goal of the project was the diversification of the Oak Ridge and Roane County economies, which were to be negatively impacted by anticipated long-term reductions in Federal employment, which then stood at approximately 12,000 jobs. Specifically, the design and construction of a new Oak Ridge Airport at the East Tennessee Technology Park would spur new manufacturing investments and promote growth in the emerging carbon fiber industry.

## **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 TN-18621-A, titled “Oak Ridge Airport Project Planning and Design”, which was awarded to the City of Oak Ridge. The term of the grant was from December 1, 2020 to November 30, 2024, which included two extensions of the period of performance.

The budgeted amounts for the grant are presented below:

<b>Exhibit – A: Schedule of Grant Budget</b>			
<u>Object Class Category</u>	<u>Federal</u>	<u>Non-Federal</u>	<u>Total</u>
Contractual	\$ 3,193,097	\$ 1,463,695	\$ 4,656,792
Total Direct Charges	\$ 3,193,097	\$ 1,463,695	\$ 4,656,792
<b>Total</b>	<b>\$ 3,193,097</b>	<b>\$ 1,463,695</b>	<b>\$ 4,656,792</b>

The general objectives of this performance audit were to determine whether the City of Oak Ridge 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; and
- Conducting other test procedures deemed necessary, based on our professional judgment.

**Results**

Based on the results of our testing and analysis conducted for this performance audit, we determined that:

- 1) The grant funds were managed in accordance with ARC and Federal grant requirements.
- 2) As of July 28,2022, 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 July 28, 2022, which reflects the results of our audit.

**Exhibit – B: Schedule of Claimed and Audit Recommended Costs  
 as of July 28,2022**

Object Class Category	Claimed Costs		Questioned Costs		Audit Recommended		
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Contractual	\$ 994,417	\$ 455,834	\$ -	\$ -	\$ 994,417	\$ 455,834	\$ 1,450,251
Total Direct Charges	\$ 994,417	\$ 455,834	\$ -	\$ -	\$ 994,417	\$ 455,834	\$ 1,450,251
<b>Total</b>	<b>\$ 994,417</b>	<b>\$ 455,834</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 994,417</b>	<b>\$ 455,834</b>	<b>\$ 1,450,251</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 as of July 28, 2022, the Grantee had contributed \$455,834 of the required matching amount of \$1,463,695. 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. forecast of operations, parcels of land combined, development costs). Based on our review of the Grantee’s procedures, the performance results reported to ARC, were fair and reasonable.

**Attachment 1: Grantee 's Response**



OFFICE OF THE CITY MANAGER  
(865) 425-3550

December 20, 2022

Regis & Associates, PC  
1420 K St NW Ste 910  
Washington, DC 20005

Re: Audit of ARC Grant No. TN-18621-A  
Oak Ridge Airport Project Planning and Design

The City of Oak Ridge has reviewed the grant audit draft report for TN-18621-A prepared and presented to us by Regis & Associates, PC on December 12, 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.

Respectfully,

  
Jack Suggs  
Deputy City Manager

