



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to Spartanburg Community College Grant Number SC-19253

Report Prepared by Castro & Co, LLC

Report Number 23-12

April 12, 2023

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



Office of Inspector General

Appalachian Regional Commission

April 12, 2023

TO: Brandon McBride, Executive Director

FROM: Philip M. Heneghan, Inspector General 

SUBJECT: Audit Report 23-12 – Spartanburg Community College

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number SC-19253 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.

Castro & Company, LLC, is responsible for the attached audit report and the conclusions expressed in this report. The auditors did not issue any recommendations in the 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.

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.



**Appalachian Regional Commission
Performance Audit Report
of Grant No. SC-19253
For the period from July 1, 2018 to June 30, 2022
Awarded to Spartanburg Community College**

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

April 11, 2023

Final Report

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Executive Summary

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

Castro & Company, LLC (Castro & Co) conducted a performance audit of Grant Number SC-19253 awarded by the Appalachian Regional Commission (ARC) to Spartanburg Community College (the Grantee or SCC) with a grant performance period of July 1, 2018 to June 30, 2022. The audit was conducted at the request of the ARC Office of Inspector General to assist it in its oversight of ARC grant funds.

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 determined that the Grantee's financial management, administrative procedures, and related internal controls were adequate to manage the ARC grant funds. There were no findings and recommendations resulting from this performance audit engagement.

We discussed the results of this performance audit with SCC's management at the conclusion of our fieldwork.

Castro & Co appreciates the cooperation and assistance received from the Grantee and ARC staff during this performance audit.

Castro & Company, LLC

Alexandria, VA
April 11, 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 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. Castro & Company, LLC (Castro & Co) was contracted by the ARC’s Office of Inspector General to perform the audit of Grant No. SC-19253 awarded to Spartanburg Community College (the Grantee or SCC) for the grant performance period from July 1, 2018 to June 30, 2022.

ARC awarded Grant No. SC-19253 to SCC to purchase equipment and provide training for workforce development at the SCC Cherokee County Campus – Center for Advanced Manufacturing & Industrial Technologies (CAMIT) facility.

The original period of performance for Grant No. SC-19253 covered the period from July 1, 2018 to December 31, 2018 but was subsequently extended to June 30, 2022. The grant agreement provided a budget of \$526,225 in ARC funds and required non-ARC matching funds of \$225,525 for total project costs of \$751,750. The allowable percentage breakout of ARC to non-ARC funding for the project was 70% ARC funds to 30% matching funds.

We obtained the ARC Form SF 270 Request for Advance or Reimbursement for the period covering March 1, 2022 to June 30, 2022 that identified total ARC costs of \$526,225 (70%) and non-ARC matching costs of \$225,525 (30%) for a total project cost of \$751,750.

Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC Office of Inspector General to conduct a performance audit of SCC to determine compliance with the requirements of the ARC Grant No. SC-19253 for the grant period from July 1, 2018 to June 30, 2022.

The budgeted amounts for the grant are presented in Exhibit A below:

Exhibit A: Schedule of Grant Budget			
Category	Federal Amount	Non-Federal Amount	Total
Equipment	\$ 526,225	\$ 199,965	\$ 726,190
Other ¹	\$ -	\$ 25,560	\$ 25,560
Total	\$ 526,225	\$ 225,525	\$ 751,750

¹ The ARC approved budget category “Other” represents training costs paid by SCC to cover the non-ARC matching funds portion of the grant.

The objectives of our audit were to determine whether the Grantee used grant funding from the ARC in accordance with its ARC grant agreement and complied with financial management requirements, specifically to determine whether:

- Program funds were managed in accordance with the ARC and Federal grant requirements;
- Grant funds were expended as provided for in the approved grant budget;
- Internal grant guidelines, including program (internal) controls, were adequate and operating effectively;
- Accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements);
- Matching requirements were met; and
- Reported performance measures were fair and reasonable.

The scope of this audit includes those costs addressed in SCC's system that specifically apply to ARC such as equipment, supplies, and other costs. We conducted this performance audit from October 2022 to April 2023 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 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.

To meet the audit objectives, our overall methodology included the following:

- Obtaining an understanding of the Grantee's internal controls and documenting key controls over cash disbursements, cash receipts, procurement, equipment, and match costs through reviews of policies and procedures, prior audit reports, organization charts, inquiry of the Grantee's management and other available documentation, assessing control risk, and determining the extent of testing needed based on the control risk assessment;
- Considering fraud risk through a team fraud brainstorming session and inquiries of the Grantee's management about their understanding of the risks of fraud related to grant awards, programs and controls the Grantee has established to mitigate specific fraud risks, and whether management is aware of any allegations of fraud or suspected fraud;
- Selecting a sample of expenditures based on materiality calculated using GAO Financial Audit Manual sections 230.01 through 230.13 and auditing, on a test basis, evidence supporting the grant funds were expended during the grant period, were properly supported and allowable under both Federal and ARC requirements;
- Testing match costs to determine whether match requirements were met, were properly supported and allowable under both Federal and ARC requirements;

- Conducting interviews with the Grantee to evaluate the Grantee’s processes for accurately tracking and reporting on the grant performance measures.

Grantee’s Response to Audit Results

Our audit results were discussed with Ms. Shawn Watterson, Grants Administrator, and Mr. Jay Coffey, Department Chair of Advanced Manufacturing and Industrial Technology, for SCC during the exit conference on April 4, 2023. SCC concurred with our results.

Summary of Results

Castro & Co’s procedures determined SCC managed the grant funds in accordance with the ARC and Federal grant requirements. Grant funds were expended, as provided for in the approved grant budget.

SCC’s financial management, administrative procedures, and internal controls were adequate to account for the funds provided under the ARC grant. The SCC’s internal guidelines, including program (internal) controls, were adequate and operating effectively. We noted the Grantee had written policies and procedures for applicable grant activities, which we considered adequate for administering the grant. 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.

The Grantee reported a total of \$526,225 in ARC costs and \$225,525 in non-ARC matching costs; therefore, we determined the Grantee met the match requirements as of June 30, 2022. These matching funds were properly supported and allowable under both Federal and ARC requirements. We also determined that the Grantee implemented effective policies and procedures to accurately capture, record, and report grant performance measures. Based on our review of the Grantee’s procedures, the performance results reported to ARC were fair and reasonable.

The Exhibit B below presents costs claimed by the SCC and costs recommended as a result of the grant audit.

Exhibit B: Schedule of Claimed and Audit Recommended Costs							
Category	Claimed		Questioned Cost		Audit Recommended		
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Equipment	\$ 522,267	\$ 223,829 ²	\$ -	\$ -	\$ 522,267	\$ 223,829	\$ 746,096
Supplies ³	\$ 3,958	\$ 1,696	\$ -	\$ -	\$ 3,958	\$ 1,696	\$ 5,654
Total	\$ 526,225	\$ 225,525	\$ -	\$ -	\$ 526,225	\$ 225,525	\$ 751,750

² Training costs (non-ARC match) from the ARC approved budget were included as part of the purchase price of the equipment.

³A minor budget revision to provide reimbursement for Supplies was approved by ARC as part of the grant closeout.