



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to Shaping Our Appalachian Region, Inc. Grant Number KY-20408

Report Prepared by Regis & Associates, PC

Report Number 24-06

November 17, 2023

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



Office of Inspector General

Appalachian Regional Commission

November 17, 2023

TO: Brandon McBride, Executive Director

FROM: Philip M. Heneghan, Inspector General

SUBJECT: Audit Report 24-06 – Shaping Our Appalachian Region, Inc.

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number KY-20408 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. 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.

The auditors made one recommendation in the report. Within the next 30 days, please provide me with your management decisions describing the specific actions that you will take to implement the recommendation.

We thank your staff for the assistance 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 KY-20408-I
for the Period from November 1, 2021 to October 31, 2022*

*Awarded to
Shaping Our Appalachian Region, Inc.*

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

*Auditee: Shaping Our Appalachian Region, Inc.
As of Date: November 9, 2023*


MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS
1420 K Street, NW
Suite 910
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 (the audit) of grant agreement number KY-20408-I, awarded by the Appalachian Regional Commission (ARC) to Shaping Our Appalachian Region, Inc. (the Grantee); with a grant performance period of November 1, 2021 to October 31, 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 November 1, 2021 to October 31, 2022.

The objectives of this performance audit were to determine whether: (1) program funds were managed in accordance with 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 performance 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 3, 2023, through August 15, 2023. We determined that, except for the matters identified as Finding 2022-001, in the accompanying Findings, Recommendations, and Grantee's Response section of this report; Shaping Our Appalachian Region, Inc.'s financial management, administrative procedures, and related internal controls, were adequate to manage ARC's grant funds.

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

Regis & Associates, PC

Regis & Associates, PC
Washington, DC
November 9, 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; healthcare; 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 6, 2021, the Appalachian Regional Commission awarded Grant Number KY-20408-I, in the amount of \$250,000, to Shaping Our Appalachian Region, Inc. As a condition of this award, the Grantee was required to contribute a matching amount of \$62,500. 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 November 1, 2021 to October 31, 2022, which is covered by this performance audit engagement.

The grant was awarded to Shaping Our Appalachian Region, Inc., to aid in a project titled, "Creating Opportunities for Digital Employment in Appalachia Kentucky". This project was to be used by Grantee to build capacity in their staff, in order to facilitate convenings of workshop with current and future employers that are able to bring high paying, remote jobs to Eastern Kentucky. ARC funding was to be used to carry out the convenings through building staff capacity for technical assistance, contributing to the cost of operations, and securing venues for convenings.

Objective, Scope, and Methodology

Objective

The general objectives of the performance audit were to determine whether Shaping Our Appalachian Region, Inc 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, laws, and regulations.

Scope and Methodology

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 KY-20408-I, titled "Creating Opportunities for Digital Employment in Appalachia Kentucky", which was awarded to the Grantee. The term of the grant was from November 1, 2021 to October 31, 2022.

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	\$ 178,286	\$ 44,571	\$ 222,857
Fringe Benefits	31,714	7,929	39,643
Other	40,000	10,000	50,000
Total Direct Charges	\$ 250,000	\$ 62,500	\$ 312,500
Total	\$ 250,000	\$ 62,500	\$ 312,500

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 grant’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, except for the matters described in Finding 2022-001 in the accompanying Findings, Recommendations, and Grantee’s Response section of this report.
- 2) As of October 21, 2022, the Grantee had expended \$312,789 which was \$289 more than the grant’s budgeted amount of \$312,500.

Below, we have presented a Schedule of Claimed and Audit Recommended Cost as of October 21, 2022, which reflects the results of our audit.

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

Object Class Category	Claimed Cost		Questioned Cost		Audit Recommended		Total
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	
Personnel	\$ 178,286	\$ 44,860	\$ -	\$ -	\$ 178,286	\$ 44,860	\$ 223,146
Fringe Benefits	31,714	7,929	-	-	31,714	7,929	39,643
Other	40,000	10,000	-	-	40,000	10,000	50,000
Total Direct Charges	\$ 250,000	\$ 62,789	\$ -	\$ -	\$ 250,000	\$ 62,789	\$ 312,789
Total	\$ 250,000	\$ 62,789	\$ -	\$ -	\$ 250,000	\$ 62,789	\$ 312,789

- 3) Internal guidelines, including program (internal) controls, were not adequate and operating effectively. The Grantee did not have adequate policies and procedures over the financial management of Federal grants; as described in Finding 2022-001 in the accompanying Findings, Recommendations, and Grantee’s Response section of this report.
- 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 had contributed a matching amount of \$62,789 which was \$289 more than the required matching contribution amount of \$62,500, as of October 21, 2022. 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 organizations served and improved). Based on our review of the Grantee’s procedures, the performance results reported to ARC were fair and reasonable
- 7) We verified that the Grantee did not meet the requirements for the performance of a Single Audit and thus, was not subject to the Single Audit requirements, under the Uniform Guidance.

Findings, Recommendations, and Grantee's Response

2022-001: Lack of Policies Over Approval of Payroll Expenses and Fringe Benefits

Condition:

During our testing of 40 sampled payroll transactions, we noted that the Grantee maintained time records for employees which supported actual time spent and charged to the ARC grant. However, the time records for all 40 sampled transactions did not have evidence of supervisory approval for the time spent and charged to the ARC grant.

Questioned Costs: None noted.

Criteria:

Management is responsible for the design and maintenance of an internal control system to ensure that only allowable costs pursuant to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards §200.400 are recorded and allocated to federal awards. An effective internal control system includes a review of transactions for verification of accuracy and allowability as to amount and period; and also requires retention of documentation supporting proper approval of these transactions.

2 CFR 200.302(b)(6) states that the financials management system of the entity must provide written procedures to implement the requirements of 2 CFR 200.305 Payment.

Cause:

The Grantee did not have policies and procedures requiring the review and approval of timesheets by the supervisor, for employees who worked under the grant.

Effect:

The lack of supervisory review and approval of transactions may result in unallowable or unauthorized cost being incurred and charged to the grant.

Recommendations:

We recommend that the Grantee designs, implements, and monitor policies and procedures to ensure that payroll expenses charged to the grant are reviewed and approved by a supervisor.

Grantee's Response:

The Grantee concurred with the audit result. See the Grantee's full response in Attachment 1.

Auditor's Response:

Since the Grantee concurred with our audit result, no additional comment is necessary.

Attachment 1: Grantee's Response



November 9 2023

Peter Regis, CPA
Regis & Associates, PC
1420 K Street, NW Suite 910
Washington, DC 20005

Subject: Performance Audit of Grant Agreement Number KY-20408-I

We are providing this letter in connection with the subject audit performed by Regis & Associates, PC on behalf of the Appalachian Regional Commission (ARC).

I have reviewed the audit finding and concur with the audit result. Below is our corrective action to address the finding.

Finding: 202001: Lack of Policies Over Approval of Payroll Expenses and Fringe Benefits

Response: Shaping Our Appalachian Region, Inc. has created a signature document for the Executive Director to review all timesheets and payroll for the pay period for accuracy. The document will be maintained with the payroll going forward. This process was implemented on May 30th, 2023.

On behalf of Shaping Our Appalachian Region, Inc., it was a pleasure working with you and your team and we look forward to working with you in the future.

Sincerely,



Colby Hall
Executive Director – Shaping Our Appalachian Region

Shaping Our Appalachian Region



137 Main Street, Ste. 300
Pikeville, KY 41501



606.766.1160



info@soar-ky.org



SOAR-ky.org

Shaping Our Appalachian Region, Inc.
Performance Audit of ARC Grant Number KY-20408-I

Today's Date: 5/30/2023

Payroll # 9

Payroll Period Beginning Date: 5/14/2023

Payroll Period Ending Date: 05/27/2023

Payroll and Timesheets for employees of Shaping Our Appalachian Region, Inc (SOAR) are attached for your review and approval. By signing below, you indicate that you have reviewed and approved all timesheets and payroll for this period.

Keriston Smith, CFO, Payroll Preparer

Colby Hall, Supervisor