



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to Blue Ridge Community College Grant Number NC-19853

Report Prepared by Castro & Co, LLC

Report Number 24-14

February 8, 2024

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



Office of Inspector General

Appalachian Regional Commission

February 8, 2024

TO: Brandon McBride, Executive Director

FROM: Rhonda L. Turnbow, Deputy Inspector General *Rhonda Turnbow*

SUBJECT: Audit Report 24-14 – Blue Ridge Community College

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number NC-19853 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 issued no 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 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. NC-19853**

**For the period from January 1, 2020 to December 31, 2022
Awarded to the Blue Ridge Community College**

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

February 8, 2024

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 NC-19853 awarded by the Appalachian Regional Commission (ARC) to the Blue Ridge Community College (Blue Ridge or the Grantee) for the period of January 1, 2020 to December 31, 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 Blue Ridge'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
February 8, 2024

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. NC-19853 awarded to Blue Ridge Community College (Blue Ridge or the Grantee) for the period of January 1, 2020 to December 31, 2022.

ARC awarded Grant No. NC-19853 to Blue Ridge to provide funding for the purchase of new automotive and collision repair training equipment and the redesign of the Grantee's Transportation Department. This effort was made in response to local industry need for a knowledgeable and skilled automotive technician workforce. The Grantee upgraded the space, tools, and equipment, as well as overhauled the programmatic side of the Department. The grant provided employment opportunities for students enrolled in the program through apprenticeship, worked-based learning, and long-term job placement.

The original period of performance for Grant No. NC-19853 covered the period from January 1, 2020 to June 30, 2022, but was subsequently extended to December 31, 2022. The grant agreement provided a budget of \$589,464 in ARC funds and required non-ARC matching funds of \$690,812 for total project costs of \$1,280,276. The allowable percentage breakout of ARC to non-ARC funding for the project was 46% ARC funds to 54% matching funds.

We obtained the ARC Standard Form (SF) 270, *Request for Advance or Reimbursement*, for the period covering September 1, 2022 to December 31, 2022 that identified cumulative total ARC costs of \$584,455 (40%) and non-ARC matching costs of \$884,913 (60%) for a total project cost of \$1,469,368.

Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC Office of Inspector General to conduct a performance audit of Blue Ridge to determine compliance with the requirements of the ARC Grant No. NC-19853 for the period of January 1, 2020 to December 31, 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
Personnel	\$ 165,530	\$ 502,838	\$ 668,368
Fringe Benefits	\$ 71,639	\$ 187,974	\$ 259,613
Equipment	\$ 352,295	\$ -	\$ 352,295
Total	\$ 589,464	\$ 690,812	\$ 1,280,276

The objectives of our audit were to determine whether the Grantee used grant funding from 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 Blue Ridge’s system that specifically apply to ARC such as personnel, fringe benefits, and equipment costs. We conducted this performance audit from June 2023 to February 2024 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 payroll, fringe benefits, cash disbursements, cash receipts, and procurement costs through reviews of policies and procedures, prior audit reports, organization charts, inquiry of Blue Ridge 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 Blue Ridge management about their understanding of the risks of fraud related to grant awards, programs and controls Blue Ridge 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 Government Accountability Office (GAO)/Council of the Inspectors General on Integrity and Efficiency (CIGIE) Financial Audit Manual (FAM) 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. Carolyn Alley, CFO and Associate Vice President, Ms. Courtney Summey, Director of Finance, and Mr. Scott Queen, Vice President of Economic and Workforce Development, for Blue Ridge during the exit conference on February 7, 2024. Blue Ridge concurred with our results.

Summary of Results

Castro & Co's procedures determined Blue Ridge 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.

Blue Ridge's financial management, administrative procedures, and internal controls were adequate to account for the funds provided under the ARC grant. The Grantee'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 \$584,455 in ARC costs and \$884,913 in non-ARC matching costs; therefore, we determined the Grantee met the match requirements as of December 31, 2022. These matching funds were properly supported and allowable under both Federal and ARC requirements. Based on our review of the Grantee's procedures, the performance results reported to ARC were fair and reasonable.

We reviewed Single Audit reports available on the Federal Audit Clearinghouse for Blue Ridge and noted the Grantee had Single Audits performed for the years ended June 30, 2022, June 30, 2021, June 30, 2020, and June 30, 2019. The statewide Single Audit reports did not include any findings or recommendations specific to Blue Ridge related to internal control and compliance with the requirements outlined in the OMB Compliance Supplement for the management of federal assistance awards.

The Exhibit B below presents costs claimed by Blue Ridge 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
Personnel	\$ 162,534	\$ 640,510	\$ -	\$ -	\$ 162,534	\$ 640,510	\$ 803,044
Fringe Benefits	\$ 69,626	\$ 244,403	\$ -	\$ -	\$ 69,626	\$ 244,403	\$ 314,029
Equipment	\$ 352,295	\$ -	\$ -	\$ -	\$ 352,295	\$ -	\$ 352,295
Total	\$ 584,455	\$ 884,913	\$ -	\$ -	\$ 584,455	\$ 884,913	\$ 1,469,368