



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to Marshall University Grant Number PW-18787

Report Prepared by Regis & Associates, PC

Report Number 24-17

March 12, 2024

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



Office of Inspector General

Appalachian Regional Commission

March 12, 2024

TO: Brandon McBride, Executive Director

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

SUBJECT: Audit Report 24-17 – Marshall University

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number PW-18787 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 eight recommendations 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 recommendations.

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 PW-18787-IM-17
for the Period from February 1, 2017 to December 31, 2022*

*Awarded to
Marshall University Research Corporation*

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

*Auditee: Marshall University Research Corporation
As of Date: March 7, 2024*

**REGIS**
ASSOCIATES, PC
MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS
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Suite 910
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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 PW-18787-IM-17, awarded by the Appalachian Regional Commission (ARC) to Marshall University Research Corporation (the Grantee); with a grant performance period of February 1, 2017, to December 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 February 1, 2017, to December 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 February 22, 2023, through September 30, 2023. We determined that, except for the matters identified as Findings 2022-001, 2022-002, 2022-003, 2022-004, 2022-005, and 2022-006 in the accompanying Findings, Recommendations, and Grantee's Response section of this report; Marshall University Research Corporation'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 Marshall University Research Corporation's officials at the conclusion of our fieldwork. Marshall University Research Corporation's response has been included as Attachment 1 to this report. Regis & Associates, PC appreciates the cooperation and assistance received from Marshall University Research Corporation and ARC staff during this performance audit.

Regis & Associates, PC

Regis & Associates, PC
Washington, DC
March 7, 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; healthcare; water and sewer systems; housing; highway construction; and other essentials of comprehensive economic development. ARC's staff are 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 January 25, 2017, the Appalachian Regional Commission awarded Grant Number PW-18787-IM-17, in the amount of \$1,325,655, to Marshall University Research Corporation. As a condition of this award, the Grantee was required to contribute a matching amount of \$351,450. The total matching contribution was to be made in the form of cash, contributed services, or in-kind contributions; as approved by ARC. The original period of performance of the grant was from March 1, 2017, through February 28, 2020. On February 1, 2017, ARC approved an amendment to revise the grant's start date from March 1, 2017, to February 1, 2017. During the period of performance, ARC approved seven amendments, including Amendment Number 7 on April 7, 2022, to extend the grant's period of performance to December 31, 2022. This performance audit engagement covers the period from February 1, 2017, to December 31, 2022. The original award and matching amount resulted in a total grant budget of \$1,677,105.

The grant was awarded to Marshall University Research Corporation, to aid in a project titled, "Sustainable Employment for Community Health Workers in Coal Impacted Counties". This project was funded to provide help in establishing Community Health workers (CHWs) as part of the healthcare workforce in three Appalachian states. The Grantee partnered with local healthcare enterprises to create sustainable jobs for approximately 26 full-time workers within three years. The project also enabled local and state partners, and the health insurance industry, to expand CHW deployment in the future.

Objective, Scope, and Methodology

Objective

The general objectives of the performance audit were to determine whether Marshall University Research Corporation 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, 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 PW-18787-IM-17, titled "Sustainable Employment for Community Health Workers in Coal Impacted Counties", which was awarded to the Grantee. The term of the grant was from February 1, 2017, to December 31, 2022.

The budgeted amounts for the grant are presented below:

Exhibit – A: Schedule of Grant Budget

Object Class Category	Federal	Non-Federal	Total
Personnel	\$ 82,914	\$ 17,274	\$ 100,188
Fringe Benefits	20,048	5,457	25,505
Travel	12,200	17,000	29,200
Supplies	1,620	-	1,620
Contractual	1,079,359	278,969	1,358,328
Other	9,000	800	9,800
Total Direct Charges	\$ 1,205,141	\$ 319,500	\$ 1,524,641
Indirect Charges	120,514	31,950	152,464
Total	\$ 1,325,655	\$ 351,450	\$ 1,677,105

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 Findings 2022-001 through 2022-006; in the accompanying Findings, Recommendations, and Grantee’s Response section of this report.
- 2) As of December 31, 2022, the Grantee had expended \$1,860,583, which was \$183,478 more than the grant’s budgeted amount of \$1,677,105. We questioned \$399,003 of these costs, as detailed in Findings 2022-004, and 2022-006; in the accompanying Findings, Recommendations, and Grantee’s Response section of this report. These questioned costs are comprised of \$20,000 of unallocable and unallowable costs; \$288,730 related to costs incurred by unapproved

subrecipients; and \$54,000 related to a matching contribution that was reported twice. The questioned costs also include the applicable indirect costs of \$ 36,273 that were claimed at the de minimis rate of 10%. These questioned costs were recorded as being Federally reimbursable. This resulted in a total audit recommended cost of \$1,461,580.

Below, we have presented a Schedule of Claimed and Audit Recommended Cost as of December 31, 2022, which reflects the results of our audit.

Exhibit – B: Schedule of Claimed and Audit Recommended Costs
 As of December 31, 2022

Object Class Category	Claimed Costs		Questioned Costs		Audit Recommended		Total
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	
Personnel	\$ 120,748	\$ 73,289	\$ -	\$ -	\$ 120,748	\$ 73,289	\$ 194,037
Fringe Benefits	30,818	19,267	-	-	30,818	19,267	50,085
Travel	11,528	47,949	-	-	11,528	47,949	59,477
Supplies	1,718	68	-	-	1,718	68	1,786
Contractual	1,035,665	352,606	308,730	54,000	726,935	298,606	1,025,541
Other	4,671	1,009	-	-	4,671	1,009	5,680
Total Direct Charges	\$ 1,205,148	\$ 494,188	\$ 308,730	\$ 54,000	\$ 896,418	\$ 440,188	\$ 1,336,606
Indirect Charges	119,314	41,933	30,873	5,400	88,441	36,533	124,974
Total	\$ 1,324,462	\$ 536,121	\$ 339,603	\$ 59,400	\$ 984,859	\$ 476,721	\$ 1,461,580

- 3) Internal guidelines, including program (internal) controls, were not adequate or operating effectively. The Grantee did not have adequate policies and procedures over the financial management of Federal grants; as described in findings 2022-001 through 2022-006; 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 accepted in the United States of America (or other applicable accounting and reporting requirements), including ARC requirements.
- 5) We determined that, as of December 31, 2022, the Grantee had contributed a matching amount of \$482,121, which was \$130,671 more than the required matching contribution amount of \$351,450. These matching funds were properly supported and allowable under both Federal and ARC requirements; except for the questioned costs described in finding 2022-004, in the accompanying Findings, Recommendations, and Grantee’s Response section of this report.
- 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 CHWs employed (jobs created); and the number of patients served (patients enrolled)). Based on our review of the Grantee’s procedures, the performance results reported to ARC were fair and reasonable.
- 7) We reviewed the Single Audit reports that were available for Marshall University Research Corporation, on the Federal Audit Clearinghouse; and noted that the Grantee had Single Audits performed for the years ended June 30, 2017, 2018, 2019, 2020, 2021, and 2022. The Single Audit report for FY 2022 identified deficiencies in internal control over compliance requirements, as outlined in the OMB Compliance Supplement. However, these deficiencies did not have any impact on the Grantee’s ARC grant expenditures.

Findings, Recommendations, and Grantee's Response

Finding 2022-001 – Lack of Compliance with the Grantee's Procurement Policy and Procedures

Condition:

We selected 10 vendor transactions for procurement testing, using a non-statistical sampling approach. During our testing, we observed that the Grantee awarded two sole source contracts to a vendor on October 1, 2019, and July 1, 2021, in the amounts of \$37,503 and \$50,004, respectively. When we questioned the use of the sole source procurement method, we were told that the vendor was selected for its expertise in chronic disease. However, the Grantee did not have any documentation to support its justification for the selection of the vendor.

Criteria:

The Grantee's *Purchasing and Receiving Policy, No. MURC-010*, states on (pg.4) that when an item is available from only one source and costs more than \$25,000, an order may be placed without competitive bids, if written justification is provided; and reviewed and verified by the Office of Purchasing .

Pursuant to 2 CFR 200.318(i), *General procurement standards*: "The Non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

Questioned Costs:

None.

Cause:

The Grantee did not follow the guidelines stipulated in its Purchasing and Receiving Policy No. MURC-010. According to the Grantee, the lack of documentation for the selection of vendor was an oversight.

Effect:

The failure to prepare and obtain approval for written justification for the sole-source procurements may result in a lack of transparency and accountability in the procurement process. This practice may also result in procuring services at unreasonable prices; thereby contributing to fraud, waste, and/or abuse of Federal funds.

Recommendation 1:

We recommend that Marshall University Research Corporation establish a mechanism to hold employees accountable for following existing procedures related to sole source procurements.

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.

Finding 2022-002 – Lack of Monitoring of Subrecipients

Condition:

During our testing of the Grantee’s requirements for subrecipient monitoring of grant activities, we selected 14 subawards related to six out of eight subrecipients, and identified the following occurrences:

1. The Grantee did not have any formal policies and procedures in place for evaluating each subrecipient’s risk of non-compliance, until July 1, 2018. Also, after the procedures became effective, the Grantee still did not implement them.
2. The Grantee did not monitor the selected subrecipients for pass-through grants awarded prior to July 1, 2018. We further observed that the Grantee did not monitor six of the fourteen subawards made after July 1, 2018.

Criteria:

In accordance with 2 CFR 200.332, *Requirements for Pass-through Entities*, the Grantee must comply with the following:

1. 2 CFR section 200.332(b) states: “Evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations and the terms and conditions of the subaward for purpose of determining the appropriate subrecipient monitoring”.
2. 2 CFR 200.332(d) states: “Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved”. Pass-through entity monitoring of the subrecipient must include the information at 2 CFR 200.332(d)(1) through (4).

Questioned Costs:

None.

Cause:

1. The Grantee did not have written policies and procedures in place to monitor subrecipients in the first year of the grant.
2. The Grantee did not effectively implement its policies and procedures related to evaluating and monitoring subrecipients’ risk of noncompliance. Due to staffing changes and, subsequently, the COVID-19 pandemic, some subrecipients were missed during the annual review.

Effect:

1. Subrecipient risk assessments are designed to help pass-through entities reduce their own risk of a subaward being mismanaged. The Grantee’s failure to perform risk assessments of subrecipients increases the risk of non-compliance with the grant agreement and reduces their ability to effectively monitor project performance. The lack of effective monitoring could negatively impact the Grantee’s capacity to ensure that subaward funds are used for their designated purposes; in accordance with Federal statutes, regulations, and the terms and conditions of the subaward; as well as the achievement of subaward performance goals.

Recommendation 2: :

We recommend that Marshall University Research Corporation establish a mechanism to hold employees accountable for following to existing policies related to subrecipient monitoring.

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.

Finding 2022-003 – Lack of Compliance with the SF-270 Reporting Requirements

Condition:

The Grantee did not submit 17 out of 21 SF-270 quarterly reports in a timely manner. Furthermore, the Grantee submitted all quarterly reports for the last performance period (January 1 to December 31, 2022) at once. The period-ending dates, due dates, submission dates, and the number of days each report was late; are summarized in Table 1, *SF-270 Quarterly Reports*, below:

Table 1: SF-270 Quarterly Reports

Sequence No.	(A) Report period end date	(B) Due date (Period end+30 days)	(C) Submission date	(D)= (C) - (B) No. of Days late	The report period covered
1	3/31/2017	4/30/2017	6/7/2017	38	2 months
2	6/29/2017	7/29/2017	8/10/2017	12	3 months
3	12/31/2017	1/30/2018	2/16/2018	17	3 months
4	3/31/2018	4/30/2018	5/9/2018	9	3 months
5	6/29/2018	7/29/2018	7/31/2018	2	3 months
6	9/30/2018	10/30/2018	11/1/2018	2	3 months
7	12/31/2018	1/30/2019	1/31/2019	1	3 months
8	6/29/2019	7/29/2019	7/31/2019	2	3 months
9	9/30/2019	10/30/2019	11/6/2019	7	3 months
10	6/29/2020	7/29/2020	8/26/2020	28	3 months
11	9/30/2020	10/30/2020	11/12/2020	13	3 months
12	12/31/2020	1/30/2021	5/7/2021	97	3 months
13	3/31/2021	4/30/2021	6/9/2021	40	3 months
14	6/29/2021	7/29/2021	8/26/2021	28	3 months
15	9/30/2021	10/30/2021	11/1/2021	2	3 months
16	12/31/2021	1/30/2022	3/31/2022	60	3 months
17	12/31/2022	1/30/2023	2/13/2023	14	1 year

Questioned Costs:

None.

Criteria:

Pursuant to 2 CFR 200.329(c), *Monitoring and Reporting Program Performance*: “the non-federal entity must submit performance reports at the interval required by Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity..... Reports submitted quarterly or semiannually must be due no later than 30 calendar days after the report period”.

The Appalachian Regional Commission (ARC) grant agreement and manual require the Grantee to submit the quarterly financial and narrative reports, including SF-270, within 30 days of the end of the reporting period.

Cause:

The Grantee submitted the SF-270 quarterly reports late, due to the delays in the coalition members providing the data to the Grantee. The Grantee worked with many organizations throughout the Appalachian region, who have minimal office staff and limited internet connectivity. These organizations were late in submitting the required information to the Grantee; and, as a result, the Grantee submitted the quarterly reports late to ARC.

Effect:

Quarterly reporting is a tool that is used to monitor a project's financial status and progress towards completion. For reporting to be effective, it needs to be timely and accurate. When reports are not prepared in a timely manner, the Grantee does not have the necessary information to adjust its activities or resources if a situation requires it. When reports are not submitted to ARC in a timely manner, this deprives ARC of the ability to provide effective oversight of the project being implemented and may also hinder the Grantee's ability to obtain additional funding from ARC.

Recommendation 3:

We recommend that Marshall University Research Corporation's develop procedures to hold their partners accountable for preparing and submitting quarterly reports in a timely manner.

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.

Finding 2022-004 – Lack of Internal Control Over Compliance Requirements Related to Matching Contributions

Condition:

We selected and tested 16 transactions for matching contribution testing, using a non-statistical sampling approach. During our testing, we observed that the Grantee reported to ARC, in Form SF-270, a matching contribution of \$54,000 on two occasions. This contribution was related to the same transaction; and was reported on the report for July through September 2018, and on the report for July through September 2019. The Grantee was not aware of the issue prior to this audit; and, as a result, did not make corrections.

Questioned Costs:

We questioned the \$54,000 matching contribution amount that was duplicated. We also questioned the applicable indirect costs of \$5,400 that were claimed at the de minimis rate of 10%, since the Grantee was not in compliance with 2 CFR Section 200. However, the Grantee had contributed more than the required matching contribution under the grant agreement.

Criteria:

Per 2 CFR section 200.303(a), *Internal Controls*: “a non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States”.

Cause:

The Grantee did not have effective internal controls and financial management processes in place to ensure that the amounts recorded in its books and records and reported to ARC, were complete and accurate. The Grantee stated that this was the result of clerical error/oversight.

Effect:

As a result of the condition noted above:

1. The financial reporting submitted to ARC was inaccurate and the duplicate transaction overstated matching contributions by \$54,000.

Recommendations:

Recommendation 4: We recommend that the Grantee enhance their procedures to prevent duplicate invoices from being recorded in its books.

Recommendation 5: We recommend that the Grantee works with ARC to resolve the \$59,400 of questioned costs including applicable indirect costs, related to the unallowable costs from the duplicate matching charge.

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.

Finding 2022-005 – Misclassification of a Transaction with a Contractor as a Subrecipient Transaction

Condition:

During our testing, we observed that the Grantee entered into a service agreement with a vendor, for services in the amount of \$5,000; but classified the transaction in the general ledger, incorrectly, as a subrecipient transaction.

Criteria:

Pursuant to 2 CFR 200.302(b)(3), *Financial management*, “Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.”

Per 2 CFR section 200.303(a), “a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States”.

Questioned Costs:

None.

Cause:

The Grantee did not exercise proper financial management practices when recording the transaction in the general ledger.

Effect:

When records are misclassified in the general ledger, it increases the grantee’s risk of inaccurate financial reporting to the Federal awarding agency.

Recommendation 6:

We recommend that the Grantee develop a process to reconcile the general ledger to ensure transactions are properly recorded in the correct account prior to submitting the financial report to ARC.

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.

Finding 2022-006 –Grants Awarded to Unapproved Subrecipients

Condition:

The grant agreement identified four subrecipients that were to assist with the project. The general ledger and supporting documentation showed that the Grantee issued subawards to eight recipients. The additional recipients were not identified in the original grant agreement, or any subsequent amendments; and the Grantee was unable to provide evidence that it received approval from ARC, prior to issuing the additional subawards.

During our testing for subrecipient monitoring we identified an subaward that had originally been intended for a project funded by another foundation. The foundation declined the subaward, and the Grantee internally transferred the subaward from the foundation to the ARC project. The Grantee provided us with a copy of the subaward agreement with the sub awardee; and an approved expense transfer request. However, the Grantee did not provide us with a copy of ARC Project Coordinator’s written approval, prior to entering into a subcontract agreement. We questioned those costs as not being allocable to the project.

Criteria:

ARC Grant Manual, section on Contracting or Sub-awarding for Services, stated that “Prior ARC approval is required before sub-awarding, transferring or contracting out work under your ARC grant, unless identified in the original, approved work plan, or any approved revision.”

Questioned Costs:

We questioned the total amount of \$ 288,730 and its applicable indirect costs of \$28,873, incurred by the four unapproved subrecipients.

We questioned the transferred amount of \$20,000 and its applicable indirect cost of \$2,000 that was claimed at the di minimis rate 10%.

Cause:

The Grantee did not follow the ARC Grant Manual and did not maintain proper documentation attesting to approval of the additional grant recipients by the ARC project coordinator.

Effect:

By failing to adhere to the ARC Grant Administration Manual’s guidance on post award administration required under grant agreements, the Grantee charged unapproved subrecipient cost the grant.

Recommendations:

Recommendation 7: We recommend that the Grantee establish procedures to ensure written approvals are obtained from the awarding agency prior to issuing a subaward to any partner that is not included in the grant agreement.

Recommendation 8: We recommend that the Grantee works with ARC to resolve the \$339,603 of questioned costs, including applicable indirect costs, related to the unapproved subawards.

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.



March 7, 2024

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

Subject: Performance Audit of Grant Agreement Number PW-18787-IM-17.

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 findings and concur with the results of the audit. Thank you for your assistance.

Sincerely,

Jennifer Wood
CFO & Associate VP for Finance and Compliance

**Marshall University
Research Corporation**

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