



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to Invest Appalachia Grant Number PW-19399

Report Prepared by Regis & Associates, PC

Report Number 24-19

March 19, 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 19, 2024

TO: Brandon McBride, Executive Director

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

SUBJECT: Audit Report 24-19 – Invest Appalachia

This memorandum transmits the Regis & Associates, PC report for the audit of costs charged to grant number PW-19399 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 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.

*Report on Performance Audit
of
Appalachian Regional Commission
Grant Number PW-19399-IM-18
for the Period from February 25, 2021; to March 31, 2023*

*Awarded to
Invest Appalachia*

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

*Auditee: Invest Appalachia
As of Date: March 12, 2024*



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 PW-19399-IM-18, awarded by the Appalachian Regional Commission (ARC), to Invest Appalachia (the Grantee); with a grant performance period of February 25, 2021, to March 31, 2023. 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 25, 2021, to March 31, 2023.

The objectives of the 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 planning and fieldwork phases of the audit during the period from August 22, 2023, through December 13, 2024. We determined that Invest Appalachia's financial management, administrative procedures, and related internal controls, were adequate to manage ARC's grant funds. There were no findings and recommendations resulting from this performance audit engagement.

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

Regis & Associates, PC

Regis & Associates, PC
Washington, DC
March 12, 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 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 February 25, 2021, the Appalachian Regional Commission awarded Grant Number PW-19399-IM-18, in the amount of \$675,812, to Invest Appalachia. As a condition of this award, the Grantee was required to contribute a matching amount of \$1,977,913. On Feb 23, 2022, the Grantee requested, and ARC approved, an amendment to reduce the matching requirement to \$822,913. The period of performance of the grant was from February 25, 2021, through March 31, 2023. The grant was awarded to Invest Appalachia, to aid in a project titled, "Invest Appalachia: A Market-Making Fund for Central Appalachia". This project was aimed at boosting Central Appalachia's economy, by providing capital and serving as an investment platform for businesses in clean energy, tourism, food, and health industries.

Objective, Scope, and Methodology

Objective

The general objectives of the performance audit were to determine whether Invest Appalachia 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 PW-19399-IM-18, titled "Invest Appalachia: A Market-Making Fund for Central Appalachia", which was awarded to the Grantee. The term of the grant was from February 25, 2021, to March 31, 2023.

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	\$ 198,312	\$ 96,688	\$ 295,000
Fringe Benefits	-	59,000	59,000
Travel	-	74,625	74,625
Supplies	-	65,000	65,000
Contractual	100,000	130,000	230,000
Other	377,500	377,500	755,000
Total Direct Charges	\$ 675,812	\$ 802,813	\$ 1,478,625
Indirect Charges	-	20,100	20,100
Total	\$ 675,812	\$ 822,913	\$ 1,498,725

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.
- 2) As of March 31, 2023, the Grantee had expended \$1,721,843, which was \$223,118 more than the grant’s budgeted amount of \$1,498,725.

Below, we have presented a Schedule of Claimed and Audit Recommended Cost, as of March 31, 2023, which reflects the results of our audit.

Exhibit – B: Schedule of Claimed and Audit Recommended Costs
As of March 31, 2023

Object Class Category	Claimed Costs		Questioned Costs		Audit Recommended		
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Personnel	\$ 178,312	\$ 96,038	\$ -	\$ -	\$ 178,312	\$ 96,038	\$ 274,350
Fringe Benefits	-	15,803	-	-	-	15,803	15,803
Travel	-	22,850	-	-	-	22,850	22,850
Supplies	-	14,821	-	-	-	14,821	14,821
Contractual	120,000	170,016	-	-	120,000	170,016	290,016
Other	377,500	726,503	-	-	377,500	726,503	1,104,003
Total Direct Charges	\$ 675,812	\$ 1,046,031	\$ -	\$ -	\$ 675,812	\$ 1,046,031	\$ 1,721,843
Indirect Charges	-	-	-	-	-	-	-
Total	\$ 675,812	\$ 1,046,031	\$ -	\$ -	\$ 675,812	\$ 1,046,031	\$ 1,721,843

- 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 March 31, 2023; the Grantee had contributed a matching amount of \$1,046,031, which was \$223,118 more than the required matching contribution amount of \$822,913. These matching funds were properly supported and allowable under both Federal and ARC requirements. The excess matching contribution was used to fund the amount expended in excess of the original budgeted amount.
- 6) We determined that the Grantee implemented effective policies and procedures to accurately capture, record, and report grant performance measures (i.e., number of businesses and communities served, and the number of private investments leveraged). 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.

Attachment 1: Grantee's Response



March 12, 2024

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

Subject: Performance Audit of Grant Agreement Number PW-19399-IM-18

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 and concur with the audit result. On behalf of Invest Appalachia, it was a pleasure working with you and your team and we look forward to working with you in the future.

Sincerely,

A handwritten signature in black ink, appearing to read 'Andrew Crosson'.

Andrew Crosson
Chief Executive Officer
Invest Appalachia

