SOUTHEAST CRESCENT REGIONAL COMMISSION

Performance and *Accountability* Report

FISCAL YEAR 2023-2024

428 Counties · 7 States · 51.1 Million People

Alabama · Florida · Georgia · Mississippi · North Carolina · South Carolina · Virginia

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A Message from the Federal Co-Chair

Dear Members of Congress, Partners, and Stakeholders,

I am proud to present the Southeast Crescent Regional Commission's Fiscal Year 2024 Performance and Accountability Report. This document reflects our commitment to the transparent stewardship of federal resources and the meaningful progress being made across the 428 counties and seven states of the Southeast Crescent region.

Our inaugural State Economic and Infrastructure Development (SEID) grant cycle in FY2024 marked a significant milestone for the Commission—the first full year of active grant-making since SCRC began operations. These investments reach communities that have gone without adequate federal attention for far too long.

In FY2024, our State Economic and Infrastructure Development (SEID) Grant Program awarded $18,540,325 to 56 projects across six participating states and leveraged $39.52 million in committed matching funds, with an additional $7.57 million in private investment. For every dollar SCRC provided, an additional **$2.50 was catalyzed from public and private partners.** These investments are expected to reach **134,033 households,** support **1,398 businesses,** create **740 jobs,** and train **338 people.** More than 80 percent of funding was directed to distressed counties—reflecting our commitment to reaching the communities with the greatest need.

The demand speaks for itself. In our inaugural round, we received **363 pre-applications** requesting over $119 million against $19 million in available funding. That gap is significant, but it also tells us something important: communities across the Southeast Crescent are ready to invest in their own futures. They need a committed federal partner, and SCRC is working to fill that role.

Through our six strategic goals, we are building the infrastructure, workforce, and local economies that will move counties from distressed to transitional and from transitional to attainment. That work takes time, but the foundation is being laid now.

I want to thank our Governors, State Alternates, Local Development Districts, and the dedicated SCRC staff who make this work possible every day.

With gratitude and determination,

Dr. Jennifer Clyburn Reed

Federal Co-Chair
Southeast Crescent Regional Commission
July 30th, 2026

PART I — Management's Discussion & Analysis

Mission Statement

> *Our Mission*
>
> To build sustainable, thriving communities and strengthen economic growth across the Southeast Crescent region—moving counties from distressed to transitional, and from transitional to attainment.

The Southeast Crescent Regional Commission (SCRC) is a federal-state partnership authorized by Congress in the 2008 Farm Bill to promote and encourage economic development across areas of Alabama, Georgia, Mississippi, North Carolina, South Carolina, Virginia, and all of Florida. SCRC invests in projects that support basic infrastructure, business development, natural resources, and workforce and labor development.

SCRC's core purpose is to help create jobs, build communities, and improve the lives of those who reside in the 428 counties of the seven-state region—a population of approximately 51.1 million people. As the largest active Regional Commission by geography and population, SCRC works at a regional scale while staying close to the specific needs of individual communities.

SCRC will invest in the region's economic future through its grant programs, published research, and learning experiences to help communities grasp opportunities, address economic disparity, and prosper. The Commission's work is guided by a five-year strategic plan that identifies six priority investment areas aligned with the region's most pressing needs.

Guiding Principles

SCRC's investments and operations are guided by the following principles:

- ➔ Develop transportation, telecommunications, and public infrastructure
- ➔ Strengthen job skills training, workforce development, entrepreneurship, technology, and business growth
- ➔ Improve access to basic healthcare and essential public services in severely distressed and underdeveloped areas
- ➔ Promote conservation, tourism, recreation, and preservation of open space
- ➔ Support resilient, locally driven development that expands opportunity and reduces barriers

PART I

Enabling Legislation

The Southeast Crescent Regional Commission was authorized by Congress through the Food, Conservation, and Energy Act of 2008 (commonly known as the 2008 Farm Bill), Public Law 110-246, Title XIV, Subtitle V. The legislation established SCRC as one of several Regional Commissions modeled after the Appalachian Regional Commission (ARC), which has served the Appalachian region since 1965.

Legislative Origins

The concept for a Southeast Crescent Regional Commission originated at Tuskegee University's 1990 Annual Professional Agricultural Worker's Conference for Land-Grant Universities. Researchers attending the conference proposed creating a commission specifically focused on rural development and economic distress in the Southern Black Belt region—a band of counties stretching across the Deep South characterized by persistent poverty, limited infrastructure, and historical underinvestment.

This vision led to the introduction of the Southern Rural Development Commission Act in 1994, which aimed to establish a "Southern Black Belt Commission." The idea gained momentum through various nongovernmental initiatives and academic advocacy before ultimately being incorporated into the 2008 Farm Bill.

Authorization and Structure

Under its enabling legislation, SCRC operates as a federal-state partnership consisting of:

- ➔ A Federal Co-Chair, appointed by the President and confirmed by the United States Senate
- ➔ Seven state Governors serving as members of the Commission
- ➔ A States' Co-Chair elected from among the member Governors
- ➔ An Executive Director responsible for day-to-day operations

The Commission is authorized to make grants for projects that promote economic development, with particular emphasis on distressed counties and areas of persistent poverty. SCRC's statutory framework requires that at least 50 percent of grant funds be directed to distressed counties and at least 40 percent to basic infrastructure projects.

Operations Begin

Although authorized in 2008, SCRC did not receive its first appropriation or begin formal operations until 2021, when Dr. Jennifer Clyburn Reed was appointed as the Commission's first Federal Co-Chair. Dr. Reed was confirmed by the United States Senate on December 8, 2021, making her the first person to lead SCRC and the first Black woman to serve as Federal Co-Chair of any Regional Commission in the programs' 60-year history.

Since becoming operational, SCRC has established its organizational infrastructure, developed a five-year strategic plan, launched its flagship grant programs, and begun delivering measurable results to communities across the seven-state region.

PART I

The Southeast Crescent Region

428	7	51.1M
COUNTIES	STATES	RESIDENTS

The Southeast Crescent Regional Commission serves one of the most economically diverse—and historically underserved—regions in the United States. Spanning **428 counties** and county equivalents across **seven states** and **210,508 square miles**, the SCRC region wraps around the southern and eastern perimeter of the Appalachian Regional Commission's territory, forming a crescent-shaped band that stretches from Virginia through the Carolinas, across Georgia and Alabama, through Mississippi, and encompassing all of Florida.

Geographic and Demographic Profile

The region is home to approximately **51.1 million people**, making SCRC the largest active Regional Commission by both geography and population. The landscape ranges from coastal plains and piedmont plateaus to river deltas and rural farmland.

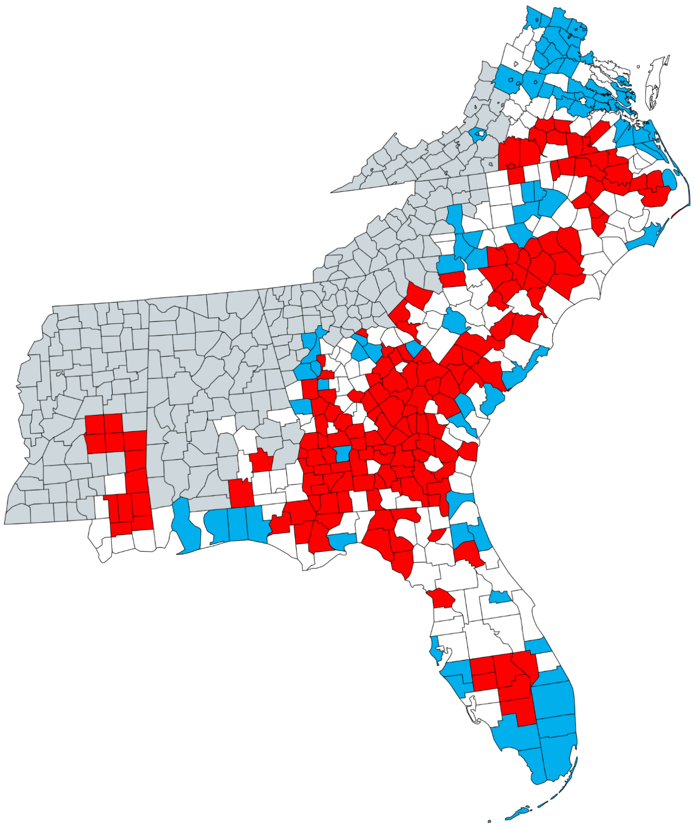
Member States

State	Counties	Population	Median HH Income	Poverty Rate
Alabama	13	5.1M	$59,609	14.8%
Florida	67 (All)	22.6M	$67,917	11.4%
Georgia	122	11.0M	$71,355	12.2%
Mississippi	41	2.9M	$52,985	19.1%
North Carolina	73	10.8M	$66,186	13.1%
South Carolina	38	5.4M	$63,623	13.8%
Virginia	74	8.7M	$87,249	10.6%

The region faces persistent poverty, limited broadband access, healthcare deserts, aging infrastructure, and workforce gaps. At the same time, it has real strengths: a growing population, rich natural resources, a strong agricultural tradition, and communities that are ready and willing to invest in their own futures.

PART I

SCRC Region Map



Color	Designation	Description
■ Red	Distressed	Most severely and persistently economically distressed. Up to 80% federal cost-share.
■ White	Transitional	Economically distressed or recently suffered high poverty/unemployment. 50% federal cost-share.
■ Blue	Attainment	Not designated as distressed or transitional.

PART I

County Economic Designations

SCRC classifies its 428 counties into three economic designation categories based on a composite economic index that considers poverty rates, unemployment, and per capita income relative to national averages. These designations determine eligibility for SCRC grant funding and the federal cost-share percentage available to applicants.

179	239	10
DISTRESSED COUNTIES	TRANSITIONAL COUNTIES	ATTAINMENT COUNTIES

Designation Methodology

SCRC uses a composite economic index to determine county designations annually. The index incorporates three key economic indicators, each measured relative to national averages:

- ➔ Three-year average unemployment rate
- ➔ Per capita market income
- ➔ Poverty rate

Counties scoring below the national threshold on these composite indicators are designated as “distressed.” Counties that are economically challenged but do not meet the distressed threshold are classified as “transitional.” Counties meeting or exceeding national economic benchmarks are classified as “attainment” and are not eligible for direct SCRC grant funding.

Funding Implications

Designation	Federal Cost-Share	Local Match Required
Distressed	Up to 80%	Minimum 20%
Transitional	Up to 50%	Minimum 50%
Multi-County/State	60–90%	10–40%

FY2024 investments reached distressed and transitional counties across all six participating states, with more than 80 percent of funding directed to the region’s most economically distressed communities.

Isolated Areas of Distress

In addition to the three primary designation categories, SCRC may designate isolated areas of distress within attainment counties when specific communities experience high levels of poverty, unemployment, or outmigration despite being in a stronger county. A census tract in an attainment county must meet at least two of the following conditions to qualify:

- ➔ Poverty rate at or above 150 percent of the U.S. poverty rate
- ➔ Median household income below 67 percent of the U.S. median household income
- ➔ Designation as a historically disadvantaged community under relevant federal methodology

This approach allows SCRC to target resources to distressed pockets within otherwise stronger counties.

PART I

Organizational Structure

SCRC operates as a federal-state partnership. Its governance structure balances federal oversight with state-level input and local implementation, so that investment decisions reflect both national priorities and the specific needs of communities across the seven-state region.

Commission Leadership

Position	Name	Role
Federal Co-Chair	Dr. Jennifer Clyburn Reed	Presidential appointee; Senate-confirmed
States' Co-Chair	Governor Josh Stein (NC)	Elected by member Governors
Executive Director	Christopher H. McKinney, Sr.	Day-to-day operations
Chief of Staff	Melissa L. Lindler	Office of the Federal Co-Chair
Director of Finance	Tasha Derrick	Financial management
Director of Grants and Programs	Dennis Dotterer	Grant programs administration
Grant Program Specialist	Joshlynn Edmond	Grant program support

Local Development Districts

SCRC's programs are implemented through a network of 57 Local Development Districts (LDDs) across the region. Each LDD is governed by a board of elected local government representatives and serves as the primary conduit between SCRC and individual communities.

State	Number of LDDs
Alabama	5
Florida	11
Georgia	9
Mississippi	2
North Carolina	12
South Carolina	9
Virginia	9

PART I

Strategic Plan Summary

SCRC's five-year strategic plan establishes the framework for all Commission investments and activities. The plan identifies six strategic goals that address the region's most critical economic development needs. Each goal is supported by specific objectives and measurable targets.

1

Invest in Critical Infrastructure

Expand access to water, sewer, digital, and transportation infrastructure to support economic growth and improve quality of life in underserved communities.

- ➔ 1.1 Expand water and sewer infrastructure for resilience and economic development
- ➔ 1.2 Increase broadband and cellular digital infrastructure capacity
- ➔ 1.3 Improve regional transportation and transit access

2

Improve Health and Support Services

Enhance healthcare access, build capacity for mental and physical health services, and improve communities' ability to navigate critical support systems.

- ➔ 2.1 Expand access to affordable, high-quality healthcare services
- ➔ 2.2 Support mental and behavioral health infrastructure
- ➔ 2.3 Build capacity for navigating health and social support services

3

Strengthen Workforce Capacity

Develop local job opportunities through targeted training and education programs aligned with employer needs and regional economic priorities.

- ➔ 3.1 Invest in targeted workforce training and education programs
- ➔ 3.2 Align workforce development with employer needs and emerging industries
- ➔ 3.3 Expand apprenticeship and on-the-job training opportunities

4

Foster Entrepreneurial and Business Development

Support business innovation, expand access to capital, and create economic equity through entrepreneurship programs and small business development.

- ➔ 4.1 Expand access to capital through micro loans and venture funding
- ➔ 4.2 Support innovation, entrepreneurship, and small business growth
- ➔ 4.3 Address critical economic challenges through business development

5

Expand Affordable Housing Stock and Access

Address housing affordability, resolve title and land tenure issues, and provide wrap-around services to improve housing stability across the region.

- ➔ 5.1 Improve housing affordability and availability
- ➔ 5.2 Resolve title, heirship, and land tenure issues

- 5.3 Provide legal assistance and wrap-around housing services

6 Promote Environmental Conservation

Fund environmental clean-up in disadvantaged communities, protect natural resources, and expand access to outdoor recreation and conservation assets.

- 6.1 Support air, water, and soil cleanup in disadvantaged communities
- 6.2 Promote natural resource management and conservation
- 6.3 Expand access to outdoor recreation and environmental assets

PART II — Performance Report

Strategic Goals in Action

The following section presents SCRC's six strategic goals with narrative context describing the Commission's approach, accomplishments, and ongoing priorities for each goal area.

Goal 1: Invest in Critical Infrastructure

Aging water and sewer systems, inadequate broadband, and limited transportation networks remain serious barriers to growth across the Southeast Crescent. SCRC has made infrastructure its top investment priority, directing a significant share of FY2024 investments to water, sewer, and transportation improvements across the region.

- ➔ **FY2024 highlights include:**
    - City of Brundidge Sewer System Overhaul in Alabama *($500,000 SEID / $1,540,000 total)*, replacing mains on Nassau, Pine, and Lawson streets and overhauling the Wastewater Treatment Plant to improve services for 2,073 residents and 56 businesses;
    - City of Brooklet Highway 80 Water Main Improvements in Georgia *($600,000 SEID)*, replacing existing 6-inch PVC water main with a 12-inch main to enhance fire protection and support economic development in Brooklet, Bryan, and Bulloch counties;
    - Clarke County Infrastructure Improvements for Howard Industries in Mississippi *($500,000 SEID)*, installing a turn-lane and signalization along Highway 145 to address increased traffic and support an expected 200–1,000 new jobs.

Goal 2: Improve Health and Support Services

Many rural communities in the SCRC region lack adequate healthcare facilities and mental health services. Since 2022, 47 rural hospitals across the SCRC region have closed—leaving thousands of residents without nearby access to emergency and specialty care. SCRC addresses this through direct grant investments in healthcare infrastructure and through its Crescent Care J-1 Visa Waiver Program, which in 2024 placed more than 113 foreign-trained physicians in medically underserved areas. SCRC processed 145 J-1 Visa Waiver applications in 2024, with physician placements spanning Florida (53), Virginia (18), Georgia (17), Alabama (11), South Carolina (7), Mississippi (5), and North Carolina (1).

- ➔ **FY2024 highlights include:**
    - Emanuel Medical Center Emergency Process Improvement Collaborative (EPIC) in Georgia *($600,000 SEID)*, enhancing emergency healthcare services through improved patient flow, upgraded equipment, and enhanced security measures in a predominantly rural region;

- Washington County Regional Medical Center in Georgia *($263,240 SEID)*, upgrading an MRI machine and Nurse Call System to improve diagnostic capabilities and patient care in rural Georgia;
- Dorminy Medical Center CT Machine Upgrade in Georgia *($498,612 SEID)*, addressing critical diagnostic needs and improving patient care across Ben Hill, Irwin, Turner, and Wilcox counties.

Goal 3: Strengthen Workforce Capacity

SCRC invests in workforce training programs that align with employer needs and regional economic priorities.

➔ **FY2024 highlights include:**

- Lenoir Community College Aviation Academy in North Carolina *($285,480 SEID)*, expanding the Aviation Center for Excellence at the North Carolina Global TransPark to train aviation mechanics for employers like Draken International and Spirit AeroSystems;
- Roanoke-Chowan Community College Weld to Work Pipeline in North Carolina *($470,140 SEID)*, offering affordable short-term welding training across Hertford, Bertie, and Northampton counties with financial assistance for transportation and tuition;
- Horry-Georgetown Technical College Marine Technology Center in South Carolina *($200,000 SEID)*, establishing programs in Boat Building Technology and Outboard Marine Technology to address workforce shortages in the boating industry;
- Northeast Georgia Regional Commission NEGA STEM Connects *($350,000 SEID)*, enhancing workforce skills through experiential learning and regional marketing to promote careers in advanced manufacturing and STEM fields across Clarke, Newton, and Walton counties.

Goal 4: Foster Entrepreneurial and Business Development

SCRC supports business development through investments in entrepreneurship hubs, small business training programs, and economic development infrastructure.

➔ **FY2024 highlights include:**

- OPAL Community Capital in Alabama *($226,664 SEID)*, a new Community Development Financial Institution engaging eight communities to support economic initiatives and assist small businesses in low-income Alabama communities;

- Town of Tabor City Business Incubator in North Carolina *($496,000 SEID)*, revitalizing the Central Business District with incubator space for start-up businesses and stimulating private investment;
- Georgia Heir Property Law Center *($600,000 SEID)*, providing legal services for title clearing, estate planning, and asset education to resolve heirs property issues impacting generational wealth and community stability.

Goal 5: Expand Affordable Housing Stock and Access

Housing affordability and access are growing challenges across the SCRC region. The Commission invests in projects that address housing availability, resolve title and heirship issues that prevent property transfer, and provide legal assistance to families facing eviction or land tenure challenges.

- SCDHC Emporia Rail Depot Townhomes in Virginia *($350,000 SEID)*, supporting sidewalk, utility, and broadband improvements to enable 52 affordable townhomes in Emporia, where no new rental units have been built since 2003;
- City of Myrtle Beach Zoning Rewrite in South Carolina *($150,000 SEID)*, updating zoning regulations to support workforce housing for a growing population;
- Maggie Walker Community Land Trust Oak Grove Resilience project in Virginia, supporting the construction of 15 townhomes for low- and moderate-income families in Richmond through planning, road construction, sewer implementation, and utilities.

Goal 6: Promote Environmental Conservation

Environmental quality and natural resource access are economic assets as much as quality-of-life concerns. SCRC supports environmental cleanup, conservation, and outdoor recreation across the region.

➔ **FY2024 highlights include:**

- Troy University Arboretum Enhancements in Alabama *($162,266 SEID)*, restoring the Hickory Loop Nature Trail, building a wildlife viewing area, and installing pedestrian bridges to support environmental education and conservation in the Wiregrass Region;
- Open Space Institute Black River Initiative in South Carolina *($500,000 SEID)*, building approximately 3,710 linear feet of trail—including boardwalks, bridges, and overland paths—to provide inclusive access for the inaugural Black River State Park in Williamsburg County;
- Neshoba County Burnside Park Improvements in Mississippi *($312,000 SEID)*, constructing public restrooms to enhance park usability and support outdoor recreation.

Financial Highlights

Financial Metric	FY 2024	FY 2023
Total Assets	**$ 50,971,290.71**	**$ 32,746,934.32**
Fund Balance with Treasury	$ 50,888,329.42	$ 32,663,973.03
Cash and Other Monetary Assets	$ 60,000.00	$ 60,000.00
Accounts Receivable, net	$ 22,961.29	$ 22,961.29
Total Liabilities	**$ 850,822.72**	**$ 458,391.08**
Total Net Position	**$ 50,120,467.99**	**$ 32,288,543.24**
Unexpended Appropriations	$ 50,112,130.40	$ 32,273,909.15
Cumulative Results of Operations	$ 8,337.59	$ 14,634.09
Appropriations Received	$ 20,000,000.00	$ 20,000,000.00
Gross Program Costs	$ 2,632,769.59	$ 1,339,647.52
Less: Earned Revenue	$ 429,948.21	$ 274,895.29
Net Cost of Operations	$ 2,202,821.38	$ 810,061.54
Total Budgetary Resources	**$ 53,380,583.85**	**$ 33,766,229.84**
New Obligations & Upward Adjustments	$ 24,740,103.03	$ 1,143,050.53
Unobligated Balance, End of Year	$ 28,640,480.82	$ 32,623,179.31
Agency Outlays, Net	$ 1,775,643.61	$ 654,386.84

SCRC received $20,000,000 in appropriations during FY 2024 and had total budgetary resources of $53,380,583.85, including unobligated balances carried forward from prior years. New obligations and upward adjustments totaled $24,740,103.03, reflecting the agency's inaugural SEID grant award cycle.

PART III

Independent Auditor’s Report

Report on the Financial Statements

DISCLAIMER OF OPINION

We were engaged to audit the Southeast Crescent Regional Commission (SCRC) financial statements. SCRC financial statements comprise the balance sheets as of September 30, 2023, and September 30, 2024; the related statements of net cost, changes in net position, and budgetary resources for the fiscal year then ended; and the related notes to the financial statements.

We do not express an opinion on the presentation of SCRC's financial position as of September 30, 2023, and September 30, 2024, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

BASIS FOR DISCLAIMER OF OPINION

We were unable to obtain sufficient appropriate audit evidence about the agency's disbursements and revenues because management did not provide adequate supporting documentation. As a result, material transactions and related financial statement line items could not be substantiated. Furthermore, management did not design, implement, and maintain effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, and compliance with applicable provisions of laws, regulations, contracts, and grant agreements. Management also was unable to provide documented policies and procedures for the agency's key processes. These matters constitute a limitation on the scope of our audit and prevented us from obtaining sufficient appropriate audit evidence to form an audit opinion on the financial statements.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the SCRC's fiscal year 2023 and 2024 financial statements in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and Office of Management Budget (OMB) Bulletin 24-02, Audit Requirements for Federal Financial Statements. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

We are required to be independent of SCRC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Required Supplementary Information (RSI)

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required under standards issued by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Report on Internal Control over Financial Reporting

In connection with our audit of SCRC's financial statements, we considered SCRC's internal control over financial reporting, consistent with the auditor's responsibilities discussed below.

RESULTS OF OUR CONSIDERATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of SCRC's internal control over financial reporting. Given these limitations, during our fiscal year 2023 and 2024 audit, we identified three deficiencies in internal control that we consider to be material weaknesses. These deficiencies are described in the accompanying Exhibit I, Findings and Recommendations – Material Weakness, to this report.

We also identified three deficiencies in internal control over financial reporting that we consider to be significant deficiencies. These deficiencies are described in the accompanying Exhibit II, Findings and Recommendations - Significant Deficiency, to this report. In addition, we identified three deficiencies in SCRC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies that nonetheless warrant management's attention. We have communicated these matters to SCRC management and, where appropriate, will report them separately.

We considered the material weaknesses and significant deficiencies in determining the nature, timing, and extent of our audit procedures on SCRC's fiscal years 2023 and 2024 financial statements. The material weaknesses and significant deficiencies in internal control affected our opinion on SCRC's fiscal years 2023 and 2024 financial statements. As such, misstatements may occur in unaudited financial information reported internally and externally by SCRC because of the internal control deficiencies described in this report.

BASIS FOR RESULTS OF OUR CONSIDERATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING

We performed our procedures related to SCRC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

RESPONSIBILITIES OF MANAGEMENT FOR INTERNAL CONTROL OVER FINANCIAL REPORTING

SCRC management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES FOR THE CONSIDERATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of SCRC's financial statements as of and for the fiscal years ended September 30, 2023 and September 30, 2024, in accordance with U.S. generally accepted government auditing standards, we considered SCRC's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SCRC's internal control over financial reporting. Accordingly, we do not express an opinion on SCRC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

DEFINITION AND INHERENT LIMITATIONS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that:

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and

- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

INTENDED PURPOSE OF REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The purpose of this report is solely to describe the scope of our consideration of SCRC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of SCRC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audit of SCRC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

RESULTS OF OUR TESTS FOR COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal years 2023 and 2024 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to SCRC. Accordingly, we do not express such an opinion.

BASIS FOR RESULTS OF OUR TESTS FOR COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

RESPONSIBILITIES OF MANAGEMENT FOR COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

SCRC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to SCRC.

AUDITOR'S RESPONSIBILITIES FOR TESTS OF COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to SCRC that have a direct effect on the determination of material amounts and disclosures in SCRC's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to SCRC. We caution that noncompliance may occur and not be detected by these tests.

INTENDED PURPOSE OF REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

SCRC'S RESPONSE TO FINDINGS

SCRC's responses to findings identified during our audit is described immediately following the auditor's recommendation in Exhibit I and II. SCRC's responses was not subjected to the auditing procedures that we applied to our audit of the financial statements and, therefore, we express no opinion on the response.

Allmond & Company, LLC
Lanham, MD
March 3, 2026

PART III

Report on Internal Controls

Exhibit I — Findings and Recommendations: Material Weakness

Lack of Proper Accrual for State Assessment Collections (2024-04)

CONDITION

Improvements are needed in the Southeast Crescent Regional Commission's (SCRC) state assessment accrual. SCRC did not accrue for state assessments that were invoiced in FY 2023 and subsequently received or collected in FY 2024. Further, SCRC did not accrue for FY 2024 state assessments that were subsequently invoiced and received or collected in FY 2025.

CRITERIA

Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Standards 7: Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, Paragraph 39 states, "When cash has not yet been received at the time revenue is recognized, a receivable should be recorded. An appropriate allowance for estimated bad debts should be established."

Federal Accounting Standards Advisory Board's (FASAB Statement of Federal Financial Accounting Concepts 5: Definitions of Elements and Basic Recognitions Criteria for Accrual-Basis Financial Statements, Paragraph A20 states, "The recognition criteria established in this Statement ('basic recognition criteria,' as discussed later) include a conclusion as to whether the asset is measurable, meaning that a monetary amount can be determined with reasonable certainty or is reasonably estimable."

Government Accountability Office (GAO), Standards for Internal Controls in the Federal Government, (issued September 2014), Principle 10 - Design of Appropriate Types of Control Activities, 10.03, Accurate and Timely Recording of Transactions, states on page 54, "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

CAUSE

SCRC personnel were not aware that an accrual was necessary to account for state assessment receivables which were invoiced but not received by September 30th.

EFFECT

Failure to accrue for the state assessments that were invoiced in FY 2023 but collected in subsequent periods resulted in material misstatements in SCRC's FY 2023 financial statements and footnotes. Specifically, the Earned Revenue balance reported on SCRC's Statement of Net Cost was understated by approximately $925,746.76 for FY 2023. The Accounts Receivable balance reported on SCRC's Balance Sheet was understated by approximately $925,746.76 for FY 2023. The Other than Intragovernmental - Accounts Receivable balance reported in SCRC's Footnote 3 - Accounts Receivable was understated by approximately $925,746.76 for FY 2023.

Failure to accrue for the state assessments that were recognized as earned revenue in FY 2024 but collected in subsequent periods resulted in material misstatements in SCRC's FY 2024 financial statements and footnotes. Specifically, the Earned Revenue balance reported on SCRC's Statement of Net Cost was understated by approximately $450,589.00 for FY 2024. The Accounts Receivable balance reported on SCRC's Balance Sheet was understated by approximately $450,589.00 for FY 2024. The Other than Intragovernmental - Accounts Receivable balance reported in SCRC's Footnote 3 - Accounts Receivable was understated by approximately $450,589.00 for FY 2024.

RECOMMENDATION

1. Develop and implement policies and procedures to accrue for state assessment collections not received by September 30th.

2. Develop and implement a "look-back" analysis to validate the reasonableness of the accrual by comparing the accrual estimate to actual subsequent state assessment collections and revenue.

3. Develop policies and procedures to aid in the timely receipt of state assessments.

4. Reclassify coding and/or transaction descriptions in the Pegasys financial system to show the FY 2023 state assessments that were collected in FY 2024 were applicable to FY 2023.

MANAGEMENT'S RESPONSE

Management concurs with the condition and will consider the recommendation provided when determining if a corrective action plan should be developed once the audit concludes. In addition, corrective action will be taken and completed during the current fiscal year.

AUDITOR'S RESPONSE

We will conduct follow-up procedures during the FY 2025 audit to determine whether corrective actions have been developed and implemented.

Lack of Sufficient and Proper Retention of Documentation (2024-05)

CONDITION

Improvements are needed in the Southeast Crescent Regional Commission's (SCRC) procedures for maintaining sufficient documentation to properly support transactions. Specifically, we noted SCRC was unable to provide adequate supporting documentations for transactions recorded in the general ledger related to J1 Visa Application Fee Waiver Revenue, New Obligations, and Non-Payroll Disbursements for the fiscal years (FYs) ending September 30, 2023 and 2024.

J1 Visa Application Fee Waiver Revenue: For 7 of 20 samples tested, adequate supporting documentation was not provided, resulting in $21,000.00 of unsupported revenue as of September 30, 2023. For 12 of 43 samples tested, adequate supporting documentation was not provided, resulting in $36,000.00 of unsupported revenue as of September 30, 2024.

New Obligations: For 5 of 10 samples tested, adequate supporting documentation was not provided, resulting in $6,264.78 of unsupported obligations as of September 30, 2023. For 2 of 25 samples tested, adequate supporting documentation was not provided, resulting in $1,658.78 of unsupported obligations as of September 30, 2024.

Non-Payroll Disbursements: For 52 of 61 samples tested, adequate supporting documentation was not provided, resulting in $402,828.65 of unsupported disbursements as of September 30, 2023. For 13 of 74 samples tested, adequate supporting documentation was not provided, resulting in $181,765.57 of unsupported disbursements as of September 30, 2024.

CRITERIA

Government Accountability Office (GAO), Standards for Internal Control in the Federal Government (issued September 2014), Principle 10 - Design Control Activities, 10.03, Appropriate documentation of transactions and internal control, states, "Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination."

U.S. Government Accountability Office (GAO), Standards for Internal Control in the Federal Government (issued September 2014), Section 4 - Additional Considerations, Subsection OV4.08 Documentation Requirements, of the Greenbook states, "Documentation is a necessary part of an effective internal control system. The level and nature of documentation vary based on the size of the entity and the complexity of the operational processes the entity performs. Management uses judgment in determining the extent of documentation that is needed. Documentation is required for the effective design, implementation, and operating effectiveness of an entity's internal control system."

CAUSE

SCRC does not have adequate policies and procedures in place to retain documentation to support transactions and make them readily available for examination.

EFFECT

Failure to properly maintain sufficient and adequate documentation increases the risk for potential fraud or misstatement of significant financial statement line items. Also, incorrect amounts or information could be entered into the financial system.

RECOMMENDATION

1. Document policies and procedures related to the retention of documentation.

2. Ensure all transactions are properly supported to show the life cycle of the transaction i.e. initiation, receipt and acceptance, payment or processing, confirmation of processing, and the various levels of approval at each stage.

3. Ensure transactions and the associated supporting documentation is readily available for examination.

MANAGEMENT'S RESPONSE

Management concurs with the condition and will consider the recommendation provided when determining if a corrective action plan should be developed once the audit concludes. In addition, corrective action will be taken and completed during the current fiscal year.

AUDITOR'S RESPONSE

We will conduct follow-up procedures during the FY 2025 audit to determine whether corrective actions have been developed and implemented.

Lack of Sufficient Controls over the Financial Statement and Footnote Preparation Process (2024-06)

CONDITION

The Southeast Crescent Regional Commission (SCRC) lacks sufficient internal controls over financial reporting to ensure the reliability of financial reporting information and adherence to applicable financial reporting requirements. SCRC's financial management service provider, the General Services Administration's (GSA) Office of the Chief Financial Officer (OCFO) did not prepare SCRC's financial statements and footnotes disclosures consistently in accordance with the updated Office of Management and Budget (OMB) Circular A-136 dated July 14, 2025. In addition, SCRC did not perform an adequate review of the financial statements and footnote disclosures.

For FY 2023, SCRC improperly presented the balances for accrued payroll and unfunded leave in the Accounts Payable line item and not in the Federal Employee Salary, Leave, and Benefits Payable line item on the face of the statement.

For FY 2024, SCRC omitted the presentation of Administrative Fee Revenue (USSGL Account 5325) on the Statement of Net Cost and the Offset to Non-Entity Collections (USSGL Account 599300) on the Statement of Changes in Net Position, in the amount of $408,000.

SCRC did not properly present the footnote disclosure for Leases disclosing the intragovernmental lease information pursuant to SFFAS 54, paragraph 38.

SCRC did not include a footnote disclosure for Federal Employee Benefits Payable disclosing the amounts that comprise the Federal Employee Benefits Payable line item from the Balance Sheet.

CRITERIA

The Government Accountability Office (GAO), Standards for Internal Controls in the Federal Government, (issued September 2014), Principle 10 - Design Control Activities, 10.03, Accurate and Timely Recording of Transactions, states, "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions."

Office of Management and Budget (OMB) Circular A-136, dated July 14, 2025, Section II.3.8.15. Note 15: Federal Employee [and Veterans] Benefits Payable, states, "...include disclosures for both Balance Sheet Template lines 29 and 30, if applicable."

Office of Management and Budget (OMB) Circular A-136, dated July 14, 2025 Section II.3.8.19. Note 19: Leases, states, "Lessee entities should disclose: intragovernmental leases information (pursuant to SFFAS 54, paragraph 37 and TR 20, paragraph 17), with major asset categories determined by management and with all payments required by the lease treated as lease expenses..."

CAUSE

SCRC does not have adequate policies and procedures in place to review the financial statements and note disclosures prepared by their service provider GSA OCFO for completeness, accuracy, and compliance with financial reporting requirements.

EFFECT

Continuing to misuse the OMB Circular A-136 could significantly impact the relevance and reliability of the financial statements and footnote disclosures. Furthermore, the lack of internal financial reporting controls can result in misstatements in the financial statements or incorrect classification of line items in accordance with generally accepted accounting principles.

RECOMMENDATION

1. Ensure the updated OMB Circular A-136 is utilized when preparing and reviewing the financial statements and footnote disclosures.

2. Design and implement policies and procedures to have the reviewer of the financial statements and note disclosures review for completeness, accuracy, and compliance with financial reporting requirements.

3. Design and implement a checklist, to utilize during the review process, that describes key items and expectations regarding the presentation of the financial statements and footnote disclosures.

4. Design and implement policies and procedures to ensure the account balances, line items, and all corresponding balances agree to the agency's financial system.

MANAGEMENT'S RESPONSE

Management concurs with the condition and will consider the recommendation provided when determining if a corrective action plan should be developed once the audit concludes. In addition, corrective action will be taken and completed during the current fiscal year.

AUDITOR'S RESPONSE

We will conduct follow-up procedures during the FY 2025 audit to determine whether corrective actions have been developed and implemented.

Exhibit II — Findings and Recommendations: Significant Deficiency

Improvements Needed in SCRC Entity Level Control Policies and Procedures (2024-01)

CONDITION

Improvements are needed in the Southeast Crescent Regional Commission's (SCRC) entity level controls. Entity-level controls are an integral part of an entity internal control systems and serves as a foundation of the processes management uses to guide its operations. These controls include the control environment, risk assessment, information and communication, control activities, and monitoring activities. We noted SCRC has weaknesses in its entity-level controls within the following areas:

Design Appropriate Types of Control Activities - SCRC did not have documented policies and procedures over significant processes, as it relates to Financial Reporting, Fund Balance with Treasury, Procurement, Revenue, Budget, Information Systems, and Payroll during the FY 2024 Financial Statement Audit.

CRITERIA

U.S. Government Accountability Office (GAO), Standards for Internal Control in the Federal Government (issued September 2014), Principle 10 - Design Control Activities, Section 10.03 Design of Appropriate Types of Control Activities states that, "Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination."

U.S. Government Accountability Office (GAO), Standards for Internal Control in the Federal Government (issued September 2014), Principle 12 - Implement Control Activities, Sections 12.03 - 12.04 Documentation of Responsibilities Through Policies states, "Management documents in policies for each unit its responsibility for an operational process's objectives and related risks, and control activity design, implementation, and operating effectiveness."

U.S. Government Accountability Office (GAO), Standards for Internal Control in the Federal Government (issued September 2014), Section 4 - Additional Considerations, Subsection OV4.08 Documentation Requirements, of the Greenbook states, "Documentation is a necessary part of an effective internal control system."

CAUSE

SCRC management did not prioritize the need or requirement to document and maintain up-to-date Standard Operating Procedures (SOPs) and policies and procedures over significant processes. In addition, as a recently operational agency, the documentation of policies and procedures are still in the development and approval phases.

EFFECT

Without documented policies and procedures, SCRC is at risk of having an ineffective internal control system. More specifically, SCRC is susceptible to failing to design and implement control activities to achieve objectives and appropriately respond to risks.

RECOMMENDATION

1. Document policies, procedures, and process narratives for all significant process areas; including outlining the responsibilities of SCRC personnel and the responsibilities of SCRC's service providers.

2. Ensure that all management and personnel, directly and indirectly responsible for performing processes outlined, have read, and understand the documented policies and procedures.

3. Perform periodic review of policies and procedures, and policies and procedures are updated in a timely manner.

MANAGEMENT'S RESPONSE

Southeast Crescent Regional Commission (SCRC) concurs with the finding. SCRC was formally established in 2022 and remained in the early stages of operational development through fiscal year 2024. From its inception until May 2023, the Federal Co-Chair and Chief of Staff were the only employees of the Commission. The staff members responsible for developing and implementing policies and procedures were hired in May 2023 and served through September 2023, a period of less than five months. Additional staff were hired in January 2024 to continue addressing these operational needs.

As a newly established federal state partnership, SCRC faced significant staffing and operational challenges, including an inherited backlog of administrative functions and a hiring freeze that has limited the Commission's ability to employ the appropriate number of personnel. These constraints delayed the completion and implementation of formalized policies and procedures across key operational areas.

Despite these challenges, SCRC management has made progress in documenting Standard Operating Procedures (SOPs) and policy frameworks for core functional areas such as Financial Reporting, Procurement, Budget, Information Systems, and Payroll. Management remains committed to strengthening the Commission's internal control environment and will continue to update and expand documentation as staffing levels and resources allow. Additionally, SCRC will ensure that all relevant personnel are trained and informed on approved policies and procedures to promote compliance and consistency throughout the organization.

AUDITOR'S RESPONSE

We will perform follow-up procedures during the FY 2025 audit to determine if corrective actions have been fully implemented.

Improvements Needed in SCRC's Grant Accrual Methodology (2024-02)

CONDITION

Improvements are needed in the Southeast Crescent Regional Commission's (SCRC) grant accrual methodology. SCRC's mission and major functions encompass the issuance and administering of grant program(s) funded by its Congressional appropriation and the Bipartisan Infrastructure Law (BIL) (P.L. 117-58). Congress appropriated $20 million to SCRC in fiscal years (FYs) 2023 and 2024. The BIL appropriated an additional $5 million for SCRC to carry out the agency's mission. Of the combined funding, which is to remain available until expended, roughly 74 percent ($18.5 million) was allocated to SCRC's grant program(s) during FY 2023 and FY 2024. As of September 30, 2024, SCRC did not have a grant accrual methodology in place to estimate expenses incurred by grantees but have not yet been reimbursed.

CRITERIA

Federal Accounting Standards Advisory Board's (FASAB) Federal Financial Accounting Technical Release-Technical Release 12: Accrual Estimates for Grant Programs Paragraph 12 states, "Agencies should document and maintain support for the data and assumptions used to develop grant accrual estimates."

Federal Accounting Standards Advisory Board's (FASAB) Federal Financial Accounting Technical Release-Technical Release 12: Accrual Estimates for Grant Programs Paragraph 14 states, "Agencies must accumulate sufficient relevant and reliable data on which to base accrual estimates. Each agency should prepare grant accrual estimates based upon the best available data at the time the estimates are made."

Federal Accounting Standards Advisory Board's (FASAB) Federal Financial Accounting Technical Release-Technical Release 12: Accrual Estimates for Grant Programs, Section 26 states, "As part of agencies' internal control procedures to ensure that grant accrual estimates for the basic financial statements were reasonable, agencies should validate grant accrual estimates by comparing the estimates with subsequent grantee reporting."

CAUSE

SCRC Finance personnel were unaware of the requirement to record an accrual for grants. In addition, SCRC personnel were unsure of how to properly accrue for grants, in terms of the best method to use in order to calculate and record the expenses for grantees that have incurred expenses but have not yet been reimbursed.

EFFECT

Failure to establish a grant accrual methodology can result in material misstatements in SCRC's financial statements and footnotes.

Additionally, since the funding and administering of grants is a major function of SCRC, failure to establish a grant accrual methodology can negatively impact SCRC's ability to properly account for and anticipate incurred expenses that have not yet been reimbursed.

RECOMMENDATION

1. Develop and implement a grant accrual methodology to be performed at least annually.

2. Develop and implement a "look-back" analysis to validate the reasonableness of the accrual by comparing the accrual estimate to actual subsequent grantee reporting.

3. Ensure that existing grants have been properly accrued and undelivered order balances are accurate and reasonable at year end.

MANAGEMENT'S RESPONSE

Southeast Crescent Regional Commission (SCRC) does not concur with this finding. During fiscal year 2024, grant obligations were issued in September 2024, near the end of the fiscal year. As of September 30, 2024, only one grantee had received a formal notice to proceed prior to year-end. This notice to proceed was signed on September 27th, 2024. Given that grantees had not yet begun incurring eligible expenditures under their respective grant agreements as of September 30, 2024, an accrual for grant-related expenses was not warranted or appropriate.

In accordance with Federal Accounting Standards Advisory Board (FASAB) Technical Release 12, accruals are required only when expenses have been incurred but not yet reimbursed. Since no expenses were incurred by grantees prior to the end of the fiscal year, management concluded that there was no basis for recording a grant accrual at that time.

Moving forward, SCRC management will develop and document a grant accrual methodology to ensure compliance with federal accounting standards for future reporting periods. The methodology will include procedures to evaluate the timing of grantee expenditures and to determine whether an accrual is necessary at fiscal year-end.

AUDITOR'S RESPONSE

We have reviewed management's response and acknowledge management's explanation regarding the timing of fiscal year 2024 grant obligations and notices to proceed, as well as management's conclusion that no grant-related expenses had been incurred by grantees as of September 30, 2024. We also note management's commitment to develop and document a grant accrual methodology for future periods.

However, our finding focuses on the absence, as of September 30, 2024, of a documented, implemented grant accrual methodology and related procedures to identify, estimate, and validate grant expenses incurred but not yet reimbursed, consistent with FASAB Technical Release 12 requirements for documented methodologies, use of the best available data, and validation of estimates through subsequent reporting.

Regardless of whether a numerical accrual was ultimately required for FY 2024, the lack of such a methodology and supporting documentation represents a control weakness over a major program area. Accordingly, our position on Finding 2024-02 and the related recommendations remains unchanged.

We will perform follow-up procedures during the FY 2025 audit to determine if corrective actions have been fully implemented.

Lack of Proper Timekeeping Requirements (2024-03)

CONDITION

The Southeast Crescent Regional Commission's (SCRC) does not properly maintain time and attendance records for its employees. Specifically, SCRC does not utilize timesheets to track and monitor employee time and attendance information on a daily basis.

CRITERIA

Code of Federal Regulations, Title 29, Subtitle B, Chapter V, Subchapter A, Part 516: Records to be Kept by Employees, Subpart A: General Requirements, Section 516.2: Employees Subject to Minimum Wage or Minimum Wage and Overtime Provisions Pursuant to Section 6 or Sections 6 and 7(a) of the Act; Subsection a(7): Items Required, states, "Every employer shall maintain and preserve payroll or other records containing the following information and data with respect to each employee...Hours worked each workday and total hours worked each workweek."

U.S. Government Accountability Office (GAO), Standards for Internal Control in the Federal Government (issued September 2014), Principle 10 - Design Control Activities, Section 10.03 Design of Appropriate Types of Control Activities states that, "Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination."

U.S. Government Accountability Office (GAO), Standards for Internal Control in the Federal Government (issued September 2014), Section 4 - Additional Considerations, Subsection OV4.08 Documentation Requirements, of the Greenbook states, "Documentation is a necessary part of an effective internal control system."

CAUSE

SCRC was not aware of the requirement to maintain time and attendance records. In addition, SCRC management deemed it unnecessary to utilize timesheets, as all employees are salaried.

EFFECT

Without adequate time-keeping practices and the utilization of timesheets, SCRC is at risk of having inaccurate or invalid payroll processed for any given pay period. In addition, SCRC is susceptible to failing to design and implement control activities to achieve objectives and appropriately respond to risks.

RECOMMENDATION

1. Develop and document policies and procedures over the time and attendance process.
2. Create an internal timesheet or update agreements with SCRC payroll service providers to utilize the time-keeping function of the payroll system.
3. Implement a review and approval process over employee timesheets.

MANAGEMENT'S RESPONSE

Management concurs with the condition SCRC maintains a workforce of non-federal and federal salaried employees who follow fixed work schedules. Payroll costs are allocated on a consistent basis, 50 percent federal and 50 percent state funding for non-federal staff, 100 percent federal for federal staff. Because of this fixed allocation and uniform schedule, timekeeping variances do not affect payroll distributions.

SCRC acknowledges that formal time and attendance records have not historically been maintained in the form of daily timesheets.

To strengthen internal controls and address the recommendation, SCRC has implemented an electronic timekeeping process that integrates with our payroll system. Timesheets are submitted by the employee and approved by the direct supervisor for non-federal staff. The Federal Co-Chair will review the agreement with GSA payroll to determine and adjust compliance as necessary.

AUDITOR'S RESPONSE

We will conduct follow-up procedures during the FY 2025 audit to determine whether corrective actions have been developed and implemented.

PART III

Report on Compliance

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audit of SCRC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

RESULTS OF OUR TESTS FOR COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal years 2023 and 2024 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to SCRC. Accordingly, we do not express such an opinion.

BASIS FOR RESULTS OF OUR TESTS FOR COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

RESPONSIBILITIES OF MANAGEMENT FOR COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

SCRC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to SCRC.

AUDITOR'S RESPONSIBILITIES FOR TESTS OF COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to SCRC that have a direct effect on the determination of material amounts and disclosures in SCRC's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to SCRC. We caution that noncompliance may occur and not be detected by these tests.

INTENDED PURPOSE OF REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

SCRC'S RESPONSE TO FINDINGS

SCRC's responses to findings identified during our audit is described immediately following the auditor's recommendation in Exhibit I and II. SCRC's responses was not subjected to the auditing procedures that we applied to our audit of the financial statements and, therefore, we express no opinion on the response.

Allmond & Company, LLC
Lanham, MD
March 3, 2026

PART III

Balance Sheet

Southeast Crescent Regional Commission
BALANCE SHEETS
As Of September 30, 2024 and 2023
(in dollars)

	2024	2023 (Reclassified)
Assets:		
Intragovernmental Assets:		
Fund Balance With Treasury (Note 2)	$ 50,888,329.42	$ 32,663,973.03
Total Intragovernmental Assets	**50,888,329.42**	**32,663,973.03**
Other than Intragovernmental Assets:		
Cash and Other Monetary Assets	60,000.00	60,000.00
Accounts Receivable, net (Note 3)	22,961.29	22,961.29
Total Other than Intragovernmental Assets	**82,961.29**	**82,961.29**
Total Assets	**$ 50,971,290.71**	**$ 32,746,934.32**
Liabilities:		
Intragovernmental Liabilities:		
Other Liabilities (Note 7)	$ 2,036.06	$ 1,638.99
Total Intragovernmental Liabilities	**2,036.06**	**1,638.99**
Other than Intragovernmental Liabilities:		
Accounts Payable	21,218.44	8,593.33
Federal Employee Salary, Leave, and Benefits Payable	50,154.73	6,201.60

Advances from Others and Deferred Revenue	777,413.49	441,957.16
Total Other than Intragovernmental Liabilities	**848,786.66**	**456,752.09**
Total Liabilities	**$ 850,822.72**	**$ 458,391.08**
Net Position:		
Unexpended Appropriations - All Other Funds (Consolidated Totals)	$ 50,112,130.40	$ 32,273,909.15
Cumulative Results of Operations - All Other Funds (Consolidated Totals)	8,337.59	14,634.09
Total Net Position - All Other Funds (Consolidated Totals)	**50,120,467.99**	**32,288,543.24**
Net Position	**$ 50,120,467.99**	**$ 32,288,543.24**
Total Liabilities and Net Position	**$ 50,971,290.71**	**$ 32,746,934.32**

The accompanying notes are an integral part of these statements.

SCRC finance team must prepare per FASAB/OMB A-136 standards. Required financial statement.

PART III

Statement of Net Cost

Southeast Crescent Regional Commission
STATEMENTS OF NET COST
For The Years Ended September 30, 2024 and 2023
(in dollars)

	2024	2023
Program Costs:		
Gross Costs (Note 7)	$ 2,632,769.59	$ 1,084,956.83
Less: Earned Revenue	429,948.21	274,895.29

Net Program Costs	2,202,821.38	810,061.54
Net Cost of Operations	$ 2,202,821.38	$ 810,061.54

\PART III

Statement of Changes in Net Position

Southeast Crescent Regional Commission
STATEMENTS OF CHANGES IN NET POSITION
For The Years Ended September 30, 2024 and 2023
(in dollars)

FY 2024 (CY) - Consolidated Total

	Amount
Unexpended Appropriations:	
Beginning Balance	$ 32,273,909.15
Appropriations received	20,000,000.00
Appropriations used	(2,161,778.75)
Net Change in Unexpended Appropriations	17,838,221.25
Total Unexpended Appropriations	**$ 50,112,130.40**
Cumulative Results from Operations	
Beginning Balances	$ 14,634.09
Appropriations used	2,161,778.75
Imputed Financing	34,746.13
Net Cost of Operations	(2,202,821.38)
Net Change in Cumulative Results of Operations	(6,296.50)
Total Cumulative Results of Operations	**8,337.59**
Net Position	**$ 50,120,467.99**

FY 2023 (PY) - Consolidated Total

	Amount
Unexpended Appropriations:	
Beginning Balance	$ 13,277,064.39
Appropriations received	20,000,000.00
Other Adjustments (+/-)	(1,003,155.24)
Net Change in Unexpended Appropriations	18,996,844.76
Total Unexpended Appropriations	**$ 32,273,909.15**
Cumulative Results from Operations	
Beginning Balances	$ (569.92)
Appropriations used	1,003,155.24
Imputed Financing	17,110.31
Other (+/-)	(195,000.00)
Net Cost of Operations	(810,061.54)
Net Change in Cumulative Results of Operations	15,204.01
Total Cumulative Results of Operations	**14,634.09**
Net Position	**$ 32,288,543.24**

The accompanying notes are an integral part of these statements.

SCRC finance team must prepare per FASAB/OMB A-136 standards. Required financial statement.

PART III

Statement of Budgetary Resources

Southeast Crescent Regional Commission
STATEMENTS OF BUDGETARY RESOURCES

For The Years Ended September 30, 2024 and 2023 (in dollars)

	2024 Budgetary	2023 Budgetary
Budgetary resources:		
Unobligated balance from prior year budget authority, net (Note 9)	$ 32,626,120.31	$ 13,277,064.39
Appropriations (discretionary and mandatory)	20,000,000.00	20,000,000.00
Spending authority from offsetting collections (discretionary and mandatory)	754,463.54	489,165.45
Total budgetary resources	**$ 53,380,583.85**	**$ 33,766,229.84**
Status of budgetary resources:		
New obligations and upward adjustments (total) (Note 8)	$ 24,740,103.03	$ 1,143,050.53
Unobligated balance, end of year:		
Apportioned, unexpired account	28,640,480.82	32,623,179.31
Unexpired unobligated balance, end of year	28,640,480.82	32,623,179.31
Unobligated balance, end of year (total)	28,640,480.82	32,623,179.31
Total budgetary resources	**$ 53,380,583.85**	**$ 33,766,229.84**
Outlay, net:		
Outlays, net (total) (discretionary and mandatory)	$ 2,205,591.82	$ 654,386.84
Distributed offsetting receipts (-)	(429,948.21)	
Agency outlays, net (discretionary and mandatory)	**$ 1,775,643.61**	**$ 654,386.84**

The accompanying notes are an integral part of these statements.

SCRC finance team must prepare per FASAB/OMB A-136 standards. Required financial statement.

PART III

Notes to Financial Statements

Southeast Crescent Regional Commission
Notes to Financial Statements
As of and For the Years Ended September 30, 2024 and 2023
Unaudited

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Southeast Crescent Regional Commission (SCRC) is a federal-state partnership serving a counties/parishes in an seven-state region. Led by a Federal Co-Chairman and the governors of each participating state, the SCRC is designed to remedy severe and chronic economic distress by stimulating economic development and fostering partnerships that will have a positive impact on the region's economy. The SCRC will help economically distressed communities to leverage other federal and state programs, which are focused on basic infrastructure development and transportation improvements, business development, and job training services.

Accounting Policies

Starting in FY 2024, Federal reporting entities are required to report a right-to-use lease asset and lease liability for non-intragovernmental, non-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement.

Basis of Presentation

These financial statements have been prepared from the accounting records of the SCRC in accordance with generally accepted accounting principles (GAAP), and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Circular No. A-136, as amended. GAAP for Federal entities are standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated the official accounting standards-setting body for the Federal Government by the American Institute of Certified Public Accountants.

OMB Circular No. A-136 requires agencies to prepare principal statements, which include a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and a Statement of Budgetary Resources. The balance sheet presents, as of September 30, 2024, amounts of future economic benefits owned or managed by the SCRC (assets), amounts owed by the SCRC (liabilities), and amounts, which comprise the difference (net position). The Statement of

Net Cost reports the full cost of the program, both direct and indirect costs of the output, and the costs of identifiable supporting services provided by other segments within the SCRC and other reporting entities. The Statement of Budgetary Resources reports an agency's budgetary activity.

Basis of Accounting

Transactions are recorded on the accrual accounting basis in accordance with standard government practice. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Revenues and Other Financing Sources

The SCRC is an appropriated fund and receives appropriations. Other financing sources for the SCRC consist of imputed financing sources which are costs financed by other Federal entities on behalf of the SCRC, as required by Statement of Federal Financial Accounting Standard (SFFAS) No. 5, Accounting for Liabilities of the Federal Government. SCRC also has received funds from the 2022 Infrastructure Investment and Jobs Act.

Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Reclassification of Prior Year Amounts

These financial statements for FY 2024 and FY 2023 (prior year) are presented on a comparative basis. DRA has reclassified the FY 2023 balance sheet data related to Federal Employee Salary, Leave, and Benefits payable for a comparable format in accordance with U.S. Treasury's updated U.S. Standard General Financial Statement Crosswalk for FY 2024.

Note 2 - Fund Balance with Treasury

SCRC's fund balance with treasury comes from appropriations and the reimbursable agreements. As of September 30, 2024, no reimbursable agreements had been entered.

	2024	2023
Fund Balance with Treasury		
General Fund	$ 50,888,329.42	$ 32,663,973.03
Status of Fund Balance with Treasury		
1) Unobligated Balance		

a) Available	28,634,598.82	32,623,179.31
b) Temporarily Sequestered	46,569.00	32,687.00
2) Obligated Balance not yet Disbursed	22,207,161.60	8,106.72
Total	**$ 50,888,329.42**	**$ 32,663,973.03**

Note 3 - Accounts Receivable, Net

Other than intragovernmental accounts receivable represents amounts due from current employees. No allowance for doubtful accounts has been established. The balance as of September 30, 2024, and 2023, are as follows:

	2024	2023
Other than intragovernmental accounts receivable	$ 22,961.29	$ 22,961.29
Total accounts receivable, net	**$ 22,961.29**	**$ 22,961.29**

Note 4 - Liabilities Not Covered by Budgetary Resources

Liabilities of SCRC are classified as liabilities covered or not covered by budgetary resources.

	2024	2023
Other than Intragovernmental		
Unfunded Leave	$ 14,623.70	$ 8,327.20
Total Other than Intragovernmental	**14,623.70**	**8,327.20**
Total liabilities not covered by budgetary resources	**$ 14,623.70**	**$ 8,327.20**
Total liabilities covered by budgetary resources	**836,199.02**	**450,063.88**
Total Liabilities	**$ 850,822.72**	**$ 458,391.08**

Note 5 - Other Liabilities

Other than intragovernmental other liabilities for the year ended September 30, 2024 and 2023, consist of Accrued Funded Payroll and Leave. Other Intragovernmental liabilities consist of Employer Contributions and Payroll Taxes Payable.

2024

	Non-Current	Current	Total
Other than Intragovernmental			
Employer Contributions and Payroll Taxes Payable	-	2,036.06	2,036.06
Total Other than Intragovernmental	**$ -**	**$ 2,036.06**	**$ 2,036.06**

2023

	Non-Current	Current	Total
Other than Intragovernmental			
Employer Contributions and Payroll Taxes Payable	-	1,638.99	1,638.99
Total Other than Intragovernmental	**$ -**	**$ 1,638.99**	**$ 1,638.99**

Note 6 - Leases

SCRC's rent expense for the fiscal years ended September 30, 2024, and 2023, was $56,835.09 and $45,144.28, respectively.

Note 7 - Inter-Entity Costs

SCRC recognizes certain inter-entity costs for goods and services that are received from other federal entities at no cost or at a cost less than the full cost. Certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost and are offset by imputed revenue. Such imputed costs relate to employee benefits. SCRC recognizes as inter-entity costs the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the periods ended September 30, 2024, and 2023 inter-entity costs were as follows:

	2024	2023
Office of Personnel Management	$ 34,746.13	$ 17,110.31
Total Imputed Financing Sources	**$ 34,746.13**	**$ 17,110.31**

Note 7 - Inter-Entity Costs (Continued)

The portion of the SCRC's program costs related to Intragovernmental Costs and Other than Intragovernmental Costs are shown as follows. Intragovernmental Costs are costs incurred from exchange transactions with other federal entities (e.g., building lease payments to government agencies). Other than Intragovernmental Costs are costs incurred from exchange transactions with non-federal entities (i.e., all other program costs).

	Intragovernmental Costs	Other than Intragovernmental Costs	Total Gross Program Costs
FY2024	$ 242,241.22	$ 2,390,528.37	$ 2,632,769.59
FY2023	$ 270,286.30	$ 1,069,361.22	$ 1,339,647.52

The Foundation's program costs/net cost of operations by OMB Object Class (OC) are as follows:

OC	Description	FY 2024	FY 2023
11	Personnel Compensation	$ 691,681.47	$ 462,939.10
12	Personnel Benefits	187,074.41	57,121.55
21	Travel & Transportation of Persons	48,008.42	28,708.13
22	Transportation of Things	453.86	0.00
23	Communications & Utilities	76,946.63	45,144.28
25	Other Contractual Services	523,622.76	738,661.30
26	Supplies & Materials	34,953.95	14,195.18
31	Acquisition of Assets	33,471.65	0.00
41	Grants and Fixed Charges	850,241.10	7,500.00
42	Insurance Claims and Indemnities	180,093.92	35,700.00
94	Other	6,296.50	2,322.26
	Totals	**$ 2,632,769.59**	**$ 1,339,647.52**

Note 8 - Apportionment Categories of New Obligations and Upward Adjustments: Direct vs. Reimbursable Obligations

For FY2024 and FY2023, the direct obligations are obligations incurred against amounts apportioned under Category B on the latest SF132.

	2024	2023
Direct		
Category B		
New Obligations	$ 24,310,154.82	$ 1,063,155.24
Total Direct	**$ 24,310,154.82**	**$ 1,063,155.24**
Reimbursable		
Category B		
New Obligations	$ 429,948.21	$ 79,895.29
Total Obligations	**$ 429,948.21**	**$ 79,895.29**
Total Obligations	**$ 24,740,103.03**	**$ 1,143,050.53**

Note 9 - Net Adjustments To Unobligated Balance, Brought Forward, October 1

The Unobligated Balance Brought Forward from the prior fiscal year has been adjusted for recoveries of prior year paid and unpaid obligations and other changes such as canceled authority. The Adjustments to Unobligated Balance Brought Forward, October 1, as of September 30, 2024, and 2023, consisted of the following:

	2024	2023
Unobligated Balance Brought Forward, October 1	$ 32,626,120.31	$ 13,277,064.39
Unobligated Balance From Prior Year Budget Authority, Net	$ 32,626,120.31	$ 13,277,064.39

Note 10 - Undelivered Orders at the End of the Period

Undelivered orders represent the value of goods and services ordered and obligated that have not been received. This amount includes any orders for which advance payment has been made but for which delivery or performance has not yet occurred.

	Unpaid Undelivered Orders	Paid Undelivered Orders	Total Undelivered Orders
Intragovernmental			
2024	$ 0.00	$ 0.00	$ 1,908.17

2023	$ 0.00	$ 0.00	$ 0.00
Other than Intragovernmental			
2024	$ 22,148,376.07	$ 60,000.00	$ 22,206,467.90
2023	$ 0.00	$ 60,000.00	$ 60,000.00

Note 11 - Explanation of Differences Between the SBR and the Budget of the US Government

SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, requires an explanation of material differences between budgetary resources available, the status of those resources and outlays as presented in the Statement of Budgetary Resources (SBR) to the related actual balances published in the Budget of the United States Government (Budget). The Budget that will include FY 2024 actual budgetary execution information is scheduled for publication in February 2025, which will be available through OMB's website at http://www.whitehouse.gov/omb.

Accordingly, information required for such disclosure is not available at the time of publication of these financial statements.

Balances reported in the FY 2024 SBR and the related est. President's Budget reflected the following:

FY2023	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	$ 33,766,229.84	$ 1,000,000.00	$ -	$ 654,386.84
Difference 2 - Rounding (+/-)	233,770.16	-	-	(654,386.84)
Budget of the U.S. Government	$ 34,000,000.00	$ 1,000,000.00	$ -	$ -

Note 12 - Reconciliation of Net Operating Cost and Net Budgetary Outlays

SCRC has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

FY2024

	Intragovernmental	Other than Intragovernmental	Total

Net Operating Costs (SNC)	$ 242,241.22	$ 1,960,580.16	$ 2,202,821.38
Components of Net Operating Costs Not Part of the Budgetary Outlays			
(Increase)/Decrease in Liabilities not affecting Budget Outlays:			
Accounts payable	-	(21,218.44)	(21,218.44)
Federal employees salaries, leave, and benefits payable	(397.07)	(35,359.80)	(35,756.87)
Other Liabilities	-	(335,456.33)	(335,456.33)
Imputed Cost	(34,746.13)	-	(34,746.13)
Total Components of Net Costs Not Part of the Budget Outlays	**$ (35,143.20)**	**$ (392,034.57)**	**$ (427,177.77)**
Total Net Outlays (Calculated Total)	**$ (35,143.20)**	**$ (392,034.57)**	**$ (427,177.77)**
Budgetary Agency Outlays, net (SBR Line 4210)			$ 1,775,643.61

Note 12 - Reconciliation of Net Operating Cost and Net Budgetary Outlays (continued)

FY2023 (Reclassified)

	Intragovernmental	Other than Intragovernmental	Total
Net Operating Costs (SNC)	$ 207,612.53	$ 602,449.01	$ 810,061.54
Components of Net Operating Costs Not Part of the Budgetary Outlays			

Increase(Decrease) in Assets not affecting Budget Outlays:			
Accounts receivable, net	-	22,961.29	22,961.29
Other assets	-	(381,957.16)	(381,957.16)
(Increase)/Decrease in Liabilities not affecting Budget Outlays:			
Accounts payable	-	33,000.00	33,000.00
Federal employees salaries, leave, and benefits payable	(66.11)	(7,502.41)	(7,568.52)
Imputed Cost	(17,110.31)	-	(17,110.31)
Total Components of Net Operating Costs Not Part of the Budget Outlays	**$ (17,176.42)**	**$ (333,498.28)**	**$ (350,674.70)**
Total Net Outlays (Calculated Total)	**$ 190,436.11**	**$ 268,950.73**	**$ 459,386.84**
Budgetary Agency Outlays, net (SBR Line 4210)			$ 654,386.84

Note 13 - Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 15, 2024, which is the date the financial statements were issued.

Southeast Crescent Regional Commission

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