



## Office of Inspector General

Appalachian Regional Commission

### **Audit of Grant Award to Infinity Visual and Performing Arts, Inc.**

**Grant Number NY-19653**

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Report Prepared by Castro & Co, LLC

Report Number 24-32

June 20, 2024

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



# Office of Inspector General

Appalachian Regional Commission

June 20, 2024

TO: Brandon McBride, Executive Director

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

SUBJECT: Audit Report 24-32 – Infinity Visual and Performing Arts, Inc.

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number NY-19653 per its agreement with the Appalachian Regional Commission. The objective of the audit was to determine if costs claimed were allowable, allocable, reasonable, and in conformity with the Commission's award terms and conditions and Federal financial assistance requirements. In addition, the audit determined whether the performance measures were reasonable, supported, and fairly represented to the Commission.

Castro & Company, LLC, is responsible for the attached audit report and the conclusions expressed in this report. We do not express any opinion on the conclusions presented in the audit report. To fulfill our responsibilities, we:

- Reviewed the approach to and planning of the audit;
- Evaluated the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Coordinated periodic meetings, as necessary;
- Reviewed the draft and final audit reports; and
- Coordinated the issuance of the audit report.

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

We thank your staff for the assistance extended to the auditors during this audit. Please contact me at 202-884-7675 if you have any questions regarding the report.



**Appalachian Regional Commission  
Performance Audit Report  
of Grant No. NY-19653**

**For the period from May 1, 2019 to February 28, 2023  
Awarded to Infinity Visual and Performing Arts, Inc.**

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

**June 18, 2024**

**Final Report**

## Table of Contents

|  |    |
|--|----|
| Executive Summary .....  | 1  |
| Background.....  | 2  |
| Objectives, Scope, and Methodology .....                               | 2  |
| Summary of Results.....  | 4  |
| Appendix A: Findings and Recommendations .....                         | 6  |
| Attachment 1: Infinity Visual and Performing Arts, Inc. Response ..... | 16 |

## Executive Summary

Appalachian Regional Commission  
Office of Inspector General  
1666 Connecticut Avenue, NW; Suite 700  
Washington, DC 20009

Castro & Company, LLC (Castro & Co) conducted a performance audit of Grant Number NY-19653 awarded by the Appalachian Regional Commission (ARC) to Infinity Visual and Performing Arts, Inc. (Infinity or the Grantee) for the period of May 1, 2019 to February 28, 2023. The audit was conducted at the request of the ARC Office of Inspector General to assist it in its oversight of ARC grant funds.

The objectives of the performance audit were to determine whether: (1) grant funds were managed in accordance with the ARC and Federal grant requirements; (2) grant funds were expended, as provided for in the approved grant budget; (3) internal guidelines, including program (internal) controls, were adequate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with accounting principles generally accepted in the United States of America (or other applicable accounting and reporting requirements); (5) matching requirements were met; and (6) the reported performance measures were fair and reasonable.

We determined that except for Findings 01 and 02 related to financial management and Findings 03 and 04 related to administrative procedures as described in **Appendix A – Findings and Recommendations**; the Grantee’s financial management, administrative procedures, and related internal controls were adequate to manage the ARC grant funds.

We discussed the results of this performance audit with Infinity’s management at the conclusion of our fieldwork. The Grantee’s response has been included as **Attachment 1 – Infinity Visual and Performing Arts, Inc. Response** to this report.

Castro & Co appreciates the cooperation and assistance received from the Grantee and ARC staff during this performance audit.

*Castro & Company, LLC*

Alexandria, VA  
June 18, 2024

## Background

The Appalachian Regional Commission (ARC) is a regional economic development agency, representing a unique partnership of Federal, state, and local governments. ARC-funded programs are used to support education and job training; health care; water and sewer systems; housing; highway construction; and other essentials of comprehensive economic development. ARC grants are made to a wide range of entities including local development districts, state ARC offices, state and local governments, educational establishments, nonprofit organizations, and for a variety of economic development projects. Castro & Company, LLC (Castro & Co) was contracted by the ARC's Office of Inspector General to perform the audit of Grant No. NY-19653 awarded to Infinity Visual and Performing Arts, Inc. (Infinity or the Grantee) for period from May 1, 2019 to February 28, 2023.

ARC awarded Grant No. NY-19653 to Infinity to provide funding for two staff positions and the purchase of equipment and supplies for the Clay House project, the anchor tenant of a mixed-use historic building in downtown Jamestown, New York. The Clay House offers pottery classes for visitors and tourists, technical workshops and for-rent equipment for local artisans, and a commercial storefront for arts entrepreneurs to sell their work. The grant also supported the first-year salaries of two new full-time positions responsible for the management and programming of the Clay House, as well as preliminary marketing costs.

The original period of performance for Grant No. NY-19653 covered the period from May 1, 2019 to May 1, 2020 but was subsequently extended to February 28, 2023. The grant agreement provided a budget of \$149,851 in ARC funds and required non-ARC matching funds of \$149,851 for total project costs of \$299,702. The allowable percentage breakout of ARC to non-ARC funding for the project was 50% ARC funds to 50% matching funds.

We obtained ARC Standard Form (SF) 270, *Request for Advance or Reimbursement*, for the period covering April 1, 2022 to February 28, 2023 that identified cumulative total ARC costs of \$149,851 (50%) and non-ARC matching costs of \$149,851 (50%) for a total project cost of \$299,702.

## Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC Office of Inspector General to conduct a performance audit of Infinity to determine compliance with the requirements of the ARC Grant No. NY-19653 for the period from May 1, 2019 to February 28, 2023.

The budgeted amounts for the grant are presented in Exhibit A below:

| Exhibit A: Schedule of Grant Budget |                   |                    |                   |
|-------------------------------------|-------------------|--------------------|-------------------|
| Category                            | Federal Amount    | Non-Federal Amount | Total             |
| Personnel                           | \$ 69,960         | \$ 30,079          | \$ 100,039        |
| Fringe Benefits                     | \$ 18,889         | \$ 8,121           | \$ 27,010         |
| Equipment                           | \$ 22,800         | \$ 30,000          | \$ 52,800         |
| Supplies                            | \$ 34,202         | \$ 18,751          | \$ 52,953         |
| Other                               | \$ 4,000          | \$ 62,900          | \$ 66,900         |
| <b>Total</b>                        | <b>\$ 149,851</b> | <b>\$ 149,851</b>  | <b>\$ 299,702</b> |

The objectives of our audit were to determine whether the Grantee used grant funding from the ARC in accordance with its ARC grant agreement and complied with financial management requirements, specifically to determine whether:

- Program funds were managed in accordance with the ARC and Federal grant requirements;
- Grant funds were expended as provided for in the approved grant budget;
- Internal grant guidelines, including program (internal) controls, were adequate and operating effectively;
- Accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements);
- Matching requirements were met; and
- Reported performance measures were fair and reasonable.

The scope of this audit includes those costs addressed in Infinity's system that specifically apply to ARC such as costs for personnel, fringe benefits, supplies, equipment, and other costs. We conducted this performance audit from June 2023 to April 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit was conducted using the applicable requirements contained in Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the ARC Code, and the Grant Agreement.

To meet the audit objectives, our overall methodology included the following:

- Obtaining an understanding of the Grantee's internal controls and documenting key controls over payroll, cash disbursements, cash receipts, procurement, equipment, and match costs through reviews of policies and procedures, prior audit reports, organization charts, inquiry of Infinity management and other available documentation, assessing control risk, and determining the extent of testing needed based on the control risk assessment;

- Considering fraud risk through a team fraud brainstorming session and inquiries of the Grantee’s management about their understanding of the risks of fraud related to grant awards, programs and controls the Grantee has established to mitigate specific fraud risks, and whether management is aware of any allegations of fraud or suspected fraud;
- Selecting a sample of expenditures based on materiality calculated using Government Accountability Office (GAO)/Council of the Inspectors General on Integrity and Efficiency (CIGIE) Financial Audit Manual (FAM) sections 230.01 through 230.13 and auditing, on a test basis, evidence supporting the grant funds were expended during the grant period, were properly supported, and allowable under both Federal and ARC requirements;
- Testing match costs to determine whether match requirements were met, were properly supported, and allowable under both Federal and ARC requirements;
- Conducting interviews with the Grantee to evaluate the Grantee’s processes for accurately tracking and reporting on the grant performance measures.

## Grantee’s Response to Audit Results

Our audit results were discussed with Ms. Shane Hawkins, Executive Director for Infinity, during the exit conference on May 28, 2024. Infinity did not concur with our results. Infinity’s response has been incorporated into the report and a copy of the response, in its entirety, can be found in **Attachment 1 – Infinity Visual and Performing Arts, Inc. Response** of this report. In addition, Castro & Co’s response to Infinity’s nonconcurrence can be found in **Appendix A** of this report.

## Summary of Results

Castro & Co’s procedures determined that except for Findings 01 and 02 related to financial management and Findings 03 and 04 related to administrative procedures as described in **Appendix A**; Infinity managed the grant funds in accordance with the ARC and Federal grant requirements. Grant funds were expended as provided for in the approved grant budget.

Infinity’s financial management, administrative procedures, and internal controls were not adequate to account for the funds provided under the ARC grant as described in Findings 01 and 02. The Grantee’s internal guidelines, including program (internal) controls, were not adequate and operating effectively. We noted the Grantee did not have written policies and procedures for applicable grant activities as described in Finding 03. 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 except for the matter described in Finding 04. We questioned \$22,383 of ARC funded costs and \$55,356 of non-ARC matching cost share as a result of unsupported expenses incurred.

The Grantee reported a total of \$149,851 in ARC costs and \$149,851 in non-ARC matching costs. However, we determined the Grantee did not meet the match requirements as of February 28, 2023 as described in Finding 02. The claimed matching funds were properly supported and allowable under both Federal and ARC requirements except for questioned costs totaling \$55,396 described



in Finding 02. Based on our review of the Grantee's procedures, the performance results reported to ARC were fair and reasonable.

We determined the Grantee was not subject to Single Audit requirements under the Uniform Guidance.

Exhibit B below presents costs claimed by Infinity and costs recommended as a result of the grant audit.

| <b>Exhibit B: Schedule of Claimed and Audit Recommended Costs</b> |                   |                    |                   |                    |                          |                    |                   |
|---|-------------------|--------------------|-------------------|--------------------|--------------------------|--------------------|-------------------|
|   | <b>Claimed</b>    |                    | <b>Questioned</b> |                    | <b>Audit Recommended</b> |                    |                   |
| <b>Category</b>   | <b>Federal</b>    | <b>Non-Federal</b> | <b>Federal</b>    | <b>Non-Federal</b> | <b>Federal</b>           | <b>Non-Federal</b> | <b>Total</b>      |
| Personnel   | \$ 69,960         | \$ 30,079          | \$ 5,000          | \$ 14,956          | \$ 64,960                | \$ 15,123          | \$ 80,083         |
| Fringe Benefits   | \$ 18,889         | \$ 8,121           | \$ -              | \$ -               | \$ 18,889                | \$ 8,121           | \$ 27,010         |
| Equipment   | \$ 22,800         | \$ 30,000          | \$ 17,383         | \$ -               | \$ 5,417                 | \$ 30,000          | \$ 35,417         |
| Supplies  | \$ 34,202         | \$ 18,751          | \$ -              | \$ -               | \$ 34,202                | \$ 18,751          | \$ 52,953         |
| Other   | \$ 4,000          | \$ 62,900          | \$ -              | \$ 40,400          | \$ 4,000                 | \$ 22,500          | \$ 26,500         |
| <b>Total</b>  | <b>\$ 149,851</b> | <b>\$ 149,851</b>  | <b>\$ 22,383</b>  | <b>\$ 55,356</b>   | <b>\$ 127,468</b>        | <b>\$ 94,495</b>   | <b>\$ 221,963</b> |

## Appendix A: Findings and Recommendations

### Finding 01 – Unsupported ARC Funded Questioned Costs

#### Condition:

As part of our procedures, Castro & Company, LLC (Castro & Co) reviewed supporting documentation from Infinity Visual and Performing Arts, Inc. (Infinity or the Grantee) for ARC funded costs incurred during the grant period. The Grantee claimed \$69,960 in personnel costs and \$22,800 in equipment costs; however, under 2 CFR Title 2 Subtitle A Chapter II Part 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance or 2 CFR Part 200), costs totaling \$22,383 were deemed unsupported ARC funded costs. Specifically, we noted:

- For one (1) of the nine (9) samples tested, costs incurred for personnel were not supported with adequate documentation, such as timesheets or activity reports, and salary information, to determine whether the amount allocated to the grant was accurate which resulted in questioned costs of \$5,000.
- For two (2) of the three (3) samples tested, costs incurred for equipment were not supported with adequate documentation to determine whether the Grantee followed procurement standards for small purchases in accordance with the Uniform Guidance which resulted in questioned costs of \$17,383.

#### Criteria:

2 CFR Part 200.318, *General procurement standards*, states:

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

2 CFR Part 200.320, *Methods of procurement to be followed*, states:

- (a)(2)(i) *Small purchase procedures*. The acquisition of property or services, the aggregate dollar amount of which is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity.

2 CFR Part 200.430, *Compensation – personal services*, states:

- (i)(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
  - (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities.
  - (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

**Cause:**

Infinity did not have adequate policies and procedures established to ensure compliance with the grant agreement terms and Federal regulations including: (a) personnel records with sufficient detail to support the allocated amounts; and (b) procurement process. Additionally, the Grantee stated the purchase of the equipment was based on a recommendation and, although they do not have a formal procurement process in place, their limited budget requires them to make purchases only after ensuring they have the best price.

**Effect:**

The absence of adequate policies and procedures prevented Infinity from maintaining adequate documentation for personnel activities and procurement process including retaining price comparisons or quotes to establish cost reasonableness. Therefore, ARC could require the Grantee to reimburse questioned costs totaling \$22,383 of ARC funded personnel and equipment expenses.

**Recommendations:**

We recommend the Grantee:

1. Work with ARC to resolve the questioned costs totaling \$5,000 for ARC funded personnel costs.
2. Work with ARC to resolve the questioned costs totaling \$17,383 for ARC funded equipment costs.

**Grantee's Response:**

This is the only funding requested for the Executive Director (ED) position. The ED was the only staff member involved with the ARC grant and was solely responsible for managing the Pearl City Clay House capital project over the course of 4 years.

I am still unclear of what records should have been kept to satisfy the audit that this was a justified expense. Had I known this audit process, and the resulting number of hours were going to be a factor, I would have certainly increased the amount requested for support of my time.

At no time throughout the ARC grant process were "procurement standards" or processes discussed, requested, or required. This was a new term for me, first heard in the Audit process. The equipment and supplies charged to the ARC grant are present onsite at the facility that houses Pearl City Clay House. It is standard practice, as a nonprofit with a tight budget, that I check prices and order supplies and equipment from the cheapest vendor I can find that offers the quality equipment we are seeking.

Having this as a finding in the audit 4 years later seemed disconnected from our interaction with ARC, and had we known what data was recommended, we certainly would have provided that.

**Auditor's Response:**

Castro & Co has reviewed Infinity's response. In consideration of those views, Castro noted that Infinity's response did not alter our results.

The Grantee claimed personnel and equipment costs; however, Infinity did not provide documentation to establish the reasonableness of costs as required by 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 Grant Agreement states the ARC grant is to be administered in accordance with the Uniform Guidance which is publicly available information. It is ultimately the Grantee's responsibility to ensure compliance with the terms of the ARC Grant Agreement and the Uniform Guidance.

## Finding 02 - Unsupported Non-ARC Matching Costs

### Condition:

As part of our procedures, Castro & Co reviewed supporting documentation from Infinity for non-ARC match costs incurred during the grant period. The Grantee claimed \$30,079 in personnel costs and \$62,900 in other costs; the following costs as match cost share; however, under 2 CFR Part 200, costs totaling \$55,356 were deemed unsupported non-ARC match costs. Specifically, we noted:

- For five (5) of the nine (9) samples tested, costs incurred for personnel were not supported with adequate documentation, such as timesheets or activity reports, and salary information, to determine whether the amount allocated to the grant was accurate which resulted in questioned costs of \$14,956.
- For one (1) of the three (3) samples tested, other costs incurred were not adequately supported with documentation to demonstrate the in-kind professional services were valued at a rate consistent with the labor market or for similar services previously performed which resulted in questioned costs of \$40,400.

### Criteria:

2 CFR Part 200.306, *Cost sharing or matching*, states,

(e) Volunteer services furnished by third-party professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for third-party volunteer services must be consistent with those paid for similar work by the non-Federal entity. In those instances, in which the required skills are not found in the non-Federal entity, rates must be consistent with those paid for similar work in the labor market in which the non-Federal entity competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, necessary, allocable, and otherwise allowable may be included in the valuation.

2 CFR Part 200.430, *Compensation – personal services*, states:

(i)(1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities.

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

(i)(4) Salaries and wages of employees used in meeting cost sharing or matching requirements on Federal awards must be supported in the same manner as salaries and wages claimed for reimbursement from Federal awards.

ARC Match Requirements for ARC Grants, states:

“Amounts proposed for match are expected to be achieved consistent with what is proposed, allowable per applicable federal cost principles, and adequately documented. All match becomes part of the project and is subject to federal regulations.”

**Cause:**

Infinity did not have policies and procedures established to ensure compliance with the grant agreement terms and Federal regulations including: (a) personnel records with sufficient detail to support the allocated amounts; and (b) adequate documentation to demonstrate in-kind professional services were claimed using market rates.

**Effect:**

The absence of adequate policies and procedures prevented Infinity from identifying unsupported costs to ensure compliance with the Federal grant requirements prior to reporting claimed costs to ARC. When questioned costs were excluded from the Infinity claimed costs, the Grantee did not meet the match requirements as of February 28, 2023. ARC could require the Grantee to exclude questioned costs totaling \$55,356 from non-ARC match costs as a result of not complying with the ARC match requirements.

**Recommendations:**

We recommend the Grantee:

3. Work with ARC to resolve the questioned costs totaling \$14,956 for non-ARC match personnel costs.
4. Work with ARC to resolve the questioned costs totaling \$40,400 for non-ARC match other in-kind costs.

**Grantee's Response:**

Payroll records were supplied to ARC as part of the ARC grant reporting process, reports were approved, and paid out. These same reports were provided to the Audit team. I was unaware of what else would have been required, or what else should have been tracked. Had we known from ARC, we certainly would have tracked it and provided it.

The ‘in kind’ values were reviewed with ARC in August 2019 and deemed sufficient. At no time was any additional information requested from ARC. For the audit, extrapolating backwards five years and devising a way to demonstrate that the in-kind professional services were valued at a rate consistent with the labor market of our western NY region was not something I had knowledge of, nor am I aware of how to do this even now. The opportune time to have illustrated that would have been in 2018 or 2019 during the ARC grant application and review process. Which we would have worked to provide, had we known.

**Auditor's Response:**

Castro & Co has reviewed Infinity's response. In consideration of those views, Castro noted that Infinity's response did not alter our results.

The Grantee claimed personnel and other match costs; however, Infinity did not provide documentation to establish the reasonableness of costs as required by the Uniform Guidance. The ARC Grant Agreement states the ARC grant is to be administered in accordance with the Uniform

Guidance which is publicly available information. It is ultimately the Grantee's responsibility to ensure compliance with the terms of the ARC Grant Agreement and the Uniform Guidance.

## **Finding 03 – Lack of Written Policies and Procedures**

### **Condition:**

As part of our procedures, Castro & Co reviewed Infinity's policies and procedures for applicable grant activities and noted Infinity did not have written procedures for determining the allowability and allocability of costs, record retention, safeguarding of equipment, and procurement standards under the Uniform Guidance. We also noted that Infinity did not have written timekeeping policies and procedures in place to track, review, and approve employees' time charged to the ARC Grant Number NY-19653.

### **Criteria:**

2 CFR 200.302, *Financial management*, states,

(b) The financial management system of each non-Federal entity must provide for the following:

(7) Written procedures for determining the allowability of costs in accordance with subpart E of this part [§§ 200.400 – 200.476] and the terms and conditions of the Federal award.

2 CFR 200.313, *Equipment*, states,

(d)(3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.

2 CFR 200.318, *General procurement standards*, states,

(a) The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §§ 200.317 through 200.327.

### **Cause:**

The Grantee stated due to limited staff, the Executive Director is responsible for performing the majority of tasks needed for the operation of the entity. Additionally, the Grantee stated that due to Infinity's limited budget, it is part of their informal process to compare prices and ensure the Grantee is obtaining the best value. However, Infinity's process has not been documented in a written policy and procedure.

### **Effect:**

The establishment of written, formal policies and procedures are critical in assuring that a system of internal controls is followed. The lack of monitoring compliance with established procedures can increase the risk that grant funding may not be utilized in accordance with grant terms and the Uniform Guidance.

### **Recommendation:**

Due to the close-out of ARC Grant No. NY-19653, Castro & Co did not issue a recommendation as a result of the Finding 03. Additionally, we noted that since Infinity does not have other awarded Federal grants; policies and procedures required for Federal grant activities are not necessary for the Grantee to develop at this time. However, should the Infinity pursue Federal grant funding in



the future, it would be best practice for Infinity to thoroughly review the requirements contained in the Uniform Guidance related to establishing formal policies and procedures for Federal grant activities.

**Grantee's Response:**

At no time throughout the grant process was it requested or mentioned that we needed written procedures for determining the “allowability and allocability of costs”, safeguarding of equipment, procurement standards, or Uniform Guidance. Many of these terms were first heard in the Audit process. Creating these procedures five years later seemed disconnected from our interaction with ARC. A list provided at the onset of the grant would have provided us with this knowledge.

**Auditor's Response:**

Castro & Co has reviewed Infinity's response. In consideration of those views, Castro noted that Infinity's response did not alter our results.

The ARC Grant Agreement states the ARC grant is to be administered in accordance with the Uniform Guidance which is publicly available information. In accordance with the Uniform Guidance, a non-Federal entity must have and use documented procedures. It is ultimately the Grantee's responsibility to ensure compliance with the terms of the ARC Grant Agreement and the Uniform Guidance.

## **Finding 04 – Untimely Quarterly Progress Reporting**

### **Condition:**

As part of our procedures, Castro & Co reviewed interim and final Performance Progress Reports (PPR) submitted by Infinity during the grant period from May 1, 2019 to February 28, 2023. Based on our review, we noted the following:

- The Grantee did not submit PPRs, as required by ARC, for the following grant periods: May 2020 to August 2020, September 2020 to December 2020, January 2021 to April 2021, April 2022 to August 2022, September 2022 to December 2022.

### **Criteria:**

The ARC *Grant Administration Manual for ARC Non-Construction Grants*, dated February 2020, states,

#### **Reports**

##### **Reporting Intervals**

The reporting period begins with the start date of the grant agreement. ARC requires interim progress reports every 120 days or every four months and a final report at the end of your project's period of performance. Reports are due no later than 30 days after the close of a reporting period.

### **Cause:**

The Grantee did not have policies and procedures in place to ensure quarterly PPRs were prepared and submitted to ARC for all reporting periods within 30 days from the close of the reporting period. Additionally, the Grantee was not able to access ARC.net, ARC's grant management site, throughout the grant period and experienced challenges receiving responses from the ARC project coordinator.

### **Effect:**

Without policies and procedures to ensure timely quarterly progress reporting, inaccurate financial and performance information may be reported to ARC.

### **Recommendation:**

Due to the close-out of ARC Grant No. NY-19653, Castro & Co did not issue a recommendation as a result of the Finding 04. Additionally, we noted that since Infinity does not have other awarded Federal grants; policies and procedures required for Federal grant activities are not necessary for the Grantee to develop at this time. However, should the Infinity pursue Federal grant funding in the future, it would be best practice for Infinity to thoroughly review the requirements contained in the Uniform Guidance and grant agreement terms related to progress reporting.

### **Grantee's Response:**

Although the original period of performance for grant number NY-19653 is stated to have covered the period from 5/1/19 to 5/1/20, I was not made aware of the grant award until 8/21/19 when an email was received to "submit a report" from an ARC Grant Management do-not-reply email address.

We never received a formal grant approval document, which is typical for the more than 30 grants I write annually. As this was our first federal grant, we had no point of reference, and assumed this was just the way federal grants went.

At no time during our communications with ARC representatives were we informed of or had communications about things like “Uniform Guidance”, “Procurement”, or “Allocability”. These are terms we first heard during the audit process. There seem to be a vast disconnect between our ARC experience, and the audit process.

Prior to finding out we had been awarded the grant on 8/21/19, we had many instances of communication with an ARC rep to continue to alter the grant application from 6/13/19 – 8/6/19. We assumed the grant was still being decided.

Throughout the grant process, there was minimal interaction with ARC Representatives unless we had questions. We were never given a set schedule of reports, and when we asked for dates, we received contradictory dates. Emails from ARC asking for reports were very sporadic and not on any regular schedule. We were never able to access ARC Net, and were told to just email reports when we had them.

I communicated via email, and attempted phone calls with the ARC rep whenever updates about our project were available, or I had questions. Response from ARC was sporadic and replies were often delayed. Again, I just assumed this was how federal grants went.

There was also a global pandemic simultaneously occurring due to COVID-19. I also attributed the issues to that, and since we were unable to proceed as planned with the project due to the pandemic, I simply worked to make sure our ARC rep was aware of our situation and any progress. Throughout all of the interactions with ARC, I felt we were in compliance and adequately keeping our ARC rep aware of our progress throughout the Pandemic. I felt confident that our ARC rep understood the unprecedented situation and the resulting lack of communication and firm deadlines from ARC was a result of the pandemic, and it being a federal grant.

I take my role and responsibility as Executive Director of this organization very seriously. I am very diligent about following grant requirements. At no time did I feel we were not supplying everything ARC asked for and required.

**Auditor’s Response:**

Castro & Co has reviewed Infinity’s response. In consideration of those views, Castro noted that Infinity’s response did not alter our results.

Although, we understand Infinity was not able to access ARC.net, ARC’s grant management site, throughout the grant period and experienced challenges receiving responses from the ARC project coordinator, the Grantee did not provide copies of interim and final PPRs during the audit in accordance with the ARC Grant Agreement and ARC Grant Manual. It is ultimately the Grantee’s responsibility to ensure compliance with the terms of the ARC Grant Agreement and the Uniform Guidance.

## Attachment 1: Infinity Visual and Performing Arts, Inc. Response



EXPLORE! EXPERIENCE! EXCEL!



June 12, 2024

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Alexandria, VA 22314  
(703) 229-4440

Subject: Infinity Visual and Performing Arts, Inc. (Infinity) Response to Castro & Company, LLC's Performance Audit of Grant Number NY-19653.

Infinity takes exception to and disagrees with Castro & Company, LLC's findings presented in the audit report of Grant Number NY-19653 with a grant performance period of May 1, 2019 to February 28, 2023.

Sincerely,

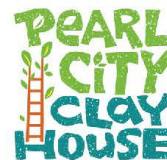
A handwritten signature in black ink that reads "Shane N. Hawkins".

Shane Hawkins  
Executive Director

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## EXPLORE! EXPERIENCE! EXCEL!



### Finding 01 – Unsupported ARC Funded Questioned Costs

1. Work with ARC to resolve the questioned costs totaling \$5,000 for ARC funded personnel costs.

Grantee's Response:

This is the only funding requested for the Executive Director position. The ED was the only staff member involved with the ARC grant, and was solely responsible for managing the Pearl City Clay House capital project over the course of 4 years.

I am still unclear of what records should have been kept to satisfy the audit that this was a justified expense. Had I known this audit process and the resulting number of hours were going to be a factor, I would have certainly increased the amount requested for support of my time.

2. Work with ARC to resolve the questioned costs totaling \$17,383 for ARC funded equipment costs.

Grantee's Response:

At no time throughout the ARC grant process were "procurement standards" or processes discussed, requested, or required. This was a new term for me, first heard in the Audit process.

The equipment and supplies charged to the ARC grant are present onsite at the facility that houses Pearl City Clay House. It is standard practice, as a nonprofit with a tight budget, that I check prices and order supplies and equipment from the cheapest vendor I can find that offers the quality equipment we are seeking.

Having this as a finding in the audit 4 years later seemed disconnected from our interaction with ARC, and had we known what data was recommended, we certainly would have provided that.

### Finding 02 - Unsupported Non-ARC Matching Costs

3. Work with ARC to resolve the questioned costs totaling \$14,956 for non-ARC match personnel costs.

Grantee's Response:

Payroll records were supplied to ARC as part of the ARC grant reporting process, reports were approved, and paid out. These same reports were provided to the Audit team. I was unaware of what else would have been required, or what else should have been tracked. Had we known from ARC, we certainly would have tracked it and provided it.

4. Work with ARC to resolve the questioned costs totaling \$40,400 for non-ARC match other in-kind costs.

Grantee's Response:

The 'in kind' values were reviewed with ARC in August 2019 and deemed sufficient. At no time was any additional information requested from ARC. For the audit, extrapolating backwards five years and devising a way to demonstrate that the in-kind professional services were valued at a rate consistent with the labor market of our western NY region was not something I had knowledge of, nor am I aware of how to do this even now. The opportune time to have illustrated that would have been in 2018 or 2019 during the ARC grant application and review process. Which we would have worked to provide, had we known.

### Finding 03 – Lack of Written Policies and Procedures

Grantee's Response:

At no time throughout the grant process was it requested or mentioned that we needed written procedures for determining the "allowability and allocability of costs", safeguarding of equipment, procurement standards, or Uniform Guidance. Many of these terms were first heard in the Audit process. Creating these procedures five years later seemed disconnected from our interaction with ARC. A list provided at the onset of the grant would have provided us with this knowledge.

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### Finding 04 – Untimely Quarterly Progress Reporting

#### Grantee's Response:

Although the original period of performance for grant number NY-19653 is stated to have covered the period from 5/1/19 to 5/1/20, I was not made aware of the grant award until 8/21/19 when an email was received to "submit a report" from a ARC Grant Management do-not-reply email address.

We never received a formal grant approval document, which is typical for the more than 30 grants I write annually. As this was our first federal grant, we had no point of reference, and assumed this was just the way federal grants went.

At no time during our communications with ARC representatives were we informed of or had communications about things like "Uniform Guidance", "Procurement", or "Allocability". These are terms we first heard during the audit process. There seem to be a vast disconnect between our ARC experience, and the audit process.

Prior to finding out we had been awarded the grant on 8/21/19, we had many instances of communication with an ARC rep to continue to alter the grant application from 6/13/19 – 8/6/19. We assumed the grant was still being decided.

Throughout the grant process, there was minimal interaction with ARC Representatives unless we had questions. We were never given a set schedule of reports, and when we asked for dates, we received contradictory dates. Emails from ARC asking for reports were very sporadic and not on any regular schedule. We were never able to access ARC Net, and were told to just email reports when we had them.

I communicated via email, and attempted phone calls with the ARC rep whenever updates about our project were available, or I had questions. Response from ARC was sporadic and replies were often delayed. Again, I just assumed this was how federal grants went.

There was also a global pandemic simultaneously occurring due to COVID-19. I also attributed the issues to that, and since we were unable to proceed as planned with the project due to the pandemic, I simply worked to make sure our ARC rep was aware of our situation and any progress.

Throughout all of the interactions with ARC, I felt we were in compliance and adequately keeping our ARC rep aware of our progress throughout the Pandemic. I felt confident that our ARC rep understood the unprecedented situation and the resulting lack of communication and firm deadlines from ARC was a result of the pandemic, and it being a federal grant.

I take my role and responsibility as Executive Director of this organization very seriously. I am very diligent about following grant requirements. At no time did I feel we were not supplying everything ARC asked for and required.

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