



## Office of Inspector General

Appalachian Regional Commission

### **Audit of Grant Award to Western NC Housing Partnership (WNCHP) Grant Number NC-20574**

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Report Prepared by Castro & Co, LLC

Report Number 25-01

October 1, 2024

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



# Office of Inspector General

Appalachian Regional Commission

October 1, 2024

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 25-01 – Western NC Housing Partnership (WNCHP)

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number NC-20574 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 two recommendations in the report. Within the next 30 days, please provide me with your management decisions describing the specific actions that you will take to implement the recommendations.

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



**Appalachian Regional Commission  
Performance Audit Report  
of Grant No. NC-20574**

**For the period from October 1, 2021 to October 1, 2023  
Awarded to Western North Carolina Housing Partnership**

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

**September 18, 2024**

**Final Report**

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## Executive Summary

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

Castro & Company, LLC (Castro & Co) conducted a performance audit of Grant Number NC-20574 awarded by the Appalachian Regional Commission (ARC) to Western North Carolina Housing Partnership (WNCHP or the Grantee) for the period of October 1, 2021 to October 1, 2023. The audit was conducted at the request of the ARC's 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 Finding 01 related to administrative procedures as described in **Appendix A – Finding 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 WNCHP's management at the conclusion of our fieldwork. The Grantee's response has been included as **Attachment 1 – Western NC Housing Partnership Response**.

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

*Castro & Company, LLC*

Alexandria, VA  
September 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 Number (No.) NC-20574 awarded to Western North Carolina Housing Partnership (WNCHP or the Grantee) for the period from October 1, 2021 to October 1, 2023.

ARC awarded Grant No. NC-20574 to WNCHP to engage in ongoing education and technical support through the development of marketing reports and managing tax credits awards and applications and facilitate conversations on the need for workforce housing to councils of government, towns, counties, related officials, organizations, and individuals in Western North Carolina.

The period of performance for Grant No. NC-20574 covered the period from October 1, 2021 to October 1, 2023. The grant agreement provided a budget of \$100,000 in ARC funds and required non-ARC matching funds of \$100,000 for total project costs of \$200,000. The allowable percentage breakout of ARC to non-ARC funding for the project was 50% ARC funds to 50% matching funds.

We obtained the Standard Form (SF) 270, *Request for Advance or Reimbursement*, for the period covering June 1, 2023 to September 30, 2023 that identified cumulative total ARC costs of \$100,000 (53%) and non-ARC matching costs of \$90,000 (47%) for a total project cost of \$190,000.

## Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC's Office of Inspector General to conduct a performance audit of WNCHP to determine compliance with the requirements of the ARC Grant No. NC-20574 for the period from October 1, 2021 to October 1, 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
Travel	\$ 3,500	\$ 3,500	\$ 7,000
Contractual	\$ 96,000	\$ 96,000	\$ 192,000
Other	\$ 500	\$ 500	\$ 1,000
<b>Total</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 200,000</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 included those costs addressed in WNCHP's system that specifically applied to ARC such as contractual and travel costs. We conducted this performance audit from March 2024 to August 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 cash disbursements, cash receipts, contractual, travel, and match costs through reviews of policies and procedures, prior audit reports, organization charts, inquiry of WNCHP 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 had established to mitigate specific fraud risks, and whether management was 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. Joy Strassel, Executive Director, for WNCHP during the exit conference on September 17, 2024. WNCHP concurred with our results. WNCHP's response has been incorporated into the report and a copy of the response, in its entirety, can be found in **Attachment 1 – Western NC Housing Partnership Response**.

### **Summary of Results**

Castro & Co's procedures determined that except for Finding 01 related to administrative procedures as described in **Appendix A**; WNCHP 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.

WNCHP's financial management, administrative procedures, and internal controls were adequate to account for the funds provided under the ARC grant except for the matter described in Finding 01. The Grantee's internal guidelines, including program (internal) controls, were adequate and operating effectively. We noted the Grantee had written policies and procedures for applicable grant activities, which we considered adequate for administering the grant. Accounting and reporting requirements were implemented in accordance with accounting principles generally accepted in the United States of America (or other applicable accounting and reporting requirements), including ARC requirements.

The Grantee reported a total of \$100,000 in ARC costs and \$90,000 in non-ARC matching costs; however, we noted that the Grantee inaccurately under reported non-ARC matching expenses as of September 30, 2023 as described in Finding 01. Based on our review of the Grantee's procedures, the performance results reported to ARC were fair and reasonable.

We reviewed Single Audit reports available on the Federal Audit Clearinghouse for WNCHP and noted the Grantee had a Single Audit performed for the year ended June 30, 2023. The Single Audit report did not include any findings or recommendations related to internal control and compliance with the requirements outlined in the OMB Compliance Supplement for the management of federal assistance awards.

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



Exhibit B: Schedule of Claimed and Audit Recommended Costs							
Category	Claimed		Questioned		Audit Recommended		
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Travel	\$ 1,500	\$ 1,500	\$ -	\$ -	\$ 1,500	\$ 1,500	\$ 3,000
Contractual <sup>1</sup>	\$ 98,500	\$ 88,500	\$ -	\$ -	\$ 98,500	\$ 88,500	\$ 187,000
<b>Total</b>	<b>\$ 100,000</b>	<b>\$ 90,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ 90,000</b>	<b>\$ 190,000</b>

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<sup>1</sup> The amount claimed for ARC funded Contractual cost exceeded the approved budget amount by \$2,500 which is less than \$20,000 or 10% of the total grant. Therefore, prior ARC approval was not required.

## Appendix A – Finding and Recommendations

### Finding 01 – Inaccurate Financial Reporting of Non-ARC Matching Cost Share

#### Condition:

As part of our procedures, Castro & Company, LLC (Castro & Co) performed a reconciliation of general ledger (GL) transactions to cumulative total costs reported on the Standard Form (SF) 270, *Request for Advance or Reimbursement* for ARC funded and non-ARC match costs as of October 1, 2023. Castro & Co found that the Western North Carolina Housing Partnership (WNCHP or the Grantee) GL transaction listing did not adequately segregate transactions related to the ARC Grant No. NC-20574 to facilitate the identification and tracking of ARC grant costs.

In addition, Castro & Co noted discrepancies in the non-ARC match costs reported to ARC. Specifically, WNCHP reported a total of \$90,000 for non-ARC match costs; however, the Grantee’s GL transaction listing and documentation supported non-ARC match costs of \$117,326 as of October 1, 2023. Therefore, Castro & Co determined the Grantee did not accurately report the total costs incurred for non-ARC match cost expenditures on the SF 270.

#### Criteria:

ARC Grant Agreement, Part 1 – Special Provisions, Section 4 *Consideration and Method of Payment*, states:

##### A. Total.

For the complete and satisfactory performance of this grant agreement, as determined by ARC, Grantee shall be paid by ARC a total sum not to exceed \$100,000 of actual, reasonable and eligible project costs. Grantee shall pay, or cause to be paid, the non-ARC share of \$100,000 in cash, contributed services, or in-kind contributions, as approved by ARC.

ARC Grant Administration Manual for Non-Construction Grants (February 2020), *Reports*, states:  
Required Content for All Reports

Both interim and final reports must include:

3. Standard Form 270–Request for Advance or Reimbursement; and
4. An ARC Reimbursement and Payment Advance Request Worksheet that summarizes actual expenditures by approved budget line items.

2 CFR 200.302, Financial management, states:

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

- (1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the Assistance Listings title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.
- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in 2 CFR 200.328 and 200.329.
- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards,

authorizations, financial obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

**Cause:**

The Grantee's internal controls were not adequate to ensure all costs incurred for ARC Grant No. NC-20574 were adequately tracked in the GL transaction listing and that all non-ARC match cost expenditures were accurately reported to ARC.

**Effect:**

Inadequate tracking of costs incurred resulted in the Grantee under reporting the match cost share amount as of October 1, 2023. Therefore, ARC may require the Grantee to revise the SF 270 to reflect supported non-ARC match costs of \$117,326.

**Recommendation:**

We recommend that the Grantee:

1. Develop policies and procedures to ensure GL grant expenditures are reconciled with supporting documentation to reflect accurate reporting of financial information on the SF 270.
2. Work with ARC to resolve the reporting discrepancies of non-ARC matching cost share expenditures to reflect the total cost incurred of \$117,326.

## Attachment 1 – Western North Carolina Housing Partnership Response



JOY STRASSEL  
Executive Director

September 4, 2024

Castro & Company, LLC  
1635 King Street  
Alexandria, VA 22314  
(703) 229-4440

Subject: Western NC Housing Partnership (WNCHP) Response to Castro & Company, LLC's Performance Audit of Grant Number NC-20574.

WNCHP takes no exception and agrees with Castro & Company, LLC's findings presented in the audit report of Grant Number NC-20574 with a grant performance period of October 1, 2021 to October 1, 2023.

Sincerely,

A handwritten signature in blue ink that reads "Joy Strassel".

Joy Strassel  
Executive Director  
Western NC Housing Partnership  
828-279-2654