



Office of Inspector General

Appalachian Regional Commission

**Audit of Grant Award to
Fort Payne-DeKalb County Entrepreneurial Center
Grant Number AL-20634**

Report Prepared by Castro & Co, LLC

Report Number 25-10

December 9, 2024

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



Office of Inspector General

Appalachian Regional Commission

December 9, 2024

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 25-10 – Fort Payne-DeKalb County Entrepreneurial Center

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number AL-20634 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 three 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. AL-20634**

**For the period from January 1, 2022 to December 30, 2023
Awarded to Fort Payne-DeKalb County Entrepreneurial Center**

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

December 6, 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 AL-20634 awarded by the Appalachian Regional Commission (ARC) to Fort Payne - DeKalb County Entrepreneurial Center (DeKalb E-Center or the Grantee) for the period of January 1, 2022 to December 30, 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 Findings 01 and 02 related to financial management and Finding 03 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 the DeKalb E-Center's management at the conclusion of our fieldwork. The Grantee's response has been included as **Attachment 1 – Fort Payne - DeKalb County Entrepreneurial Center Response**.

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

Castro & Company, LLC

Alexandria, VA
December 6, 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. AL-20634 awarded to Fort Payne - DeKalb County Entrepreneurial Center (DeKalb E-Center or the Grantee) for the period from January 1, 2022 to December 30, 2023.

ARC awarded Grant No. AL-20634 to the DeKalb E-Center to provide funding support for Phase II: Fort Payne / DeKalb County E - Center - Educate, Equip, Empower, which included personnel, equipment, marketing and curricula development, and minor renovations for Phase II of the DeKalb County - Fort Payne E-Center (E-Center). The E-Center would be dedicated to providing comprehensive entrepreneurial resources, knowledge, and support to all current and future entrepreneurs in DeKalb County.

Phase I, which was completed prior to applying for ARC funding, formed a partnership between the E-Center, Fort Payne Chamber of Commerce, and Farmers Telecommunications Cooperative (FTC) to open a coworking space, equipped to serve 12 individuals. The Fort Payne Chamber of Commerce donated and retrofitted unoccupied space in their office and donated a printer, copy machine, and installed Wi-Fi throughout the space. COVID-19 delayed the opening of Phase I, due to social distancing guidelines. Phase I of the project did not include funding from ARC, therefore Phase I costs were not included as part of the audit of ARC Grant No. AL-20634.

The period of performance for Grant No. AL-20634 covered the period from January 1, 2022 to December 30, 2023. The grant agreement provided a budget of \$200,000 in ARC funds and required non-ARC matching funds of \$86,000 for total project costs of \$286,000. The allowable percentage breakout of ARC to non-ARC funding for the project was 70% ARC funds to 30% matching funds.

We obtained ARC Standard Form (SF) 270, *Request for Advance or Reimbursement*, for the period covering September 1, 2023 to December 30, 2023 that identified cumulative total ARC costs of \$200,000 (59%) and non-ARC matching costs of \$137,439 (41%) for a total project cost of \$337,439.

Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC's Office of Inspector General to conduct a performance audit of the DeKalb E-Center to determine compliance with the requirements of the ARC Grant No. AL-20634 for the period from January 1, 2022 to December 30, 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	\$ 120,000	\$ -	\$ 120,000
Fringe Benefits	\$ -	\$ 14,000	\$ 14,000
Equipment	\$ 64,000	\$ -	\$ 64,000
Contractual	\$ -	\$ 43,200	\$ 43,200
Other	\$ 16,000	\$ 28,800	\$ 44,800
Total	\$ 200,000	\$ 86,000	\$ 286,000

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 the DeKalb E-Center's system that specifically apply to ARC such as personnel, fringe benefits, equipment, contractual, and other costs. We conducted this performance audit from March 2024 to November 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 the DeKalb E-Center 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 Inspectors General for 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. Vicky Kirby, President, and Ms. Diana Goss, Grant Administrator, for the DeKalb E-Center during the exit conference on November 6, 2024. The DeKalb E-Center partially concurred with our results. The DeKalb E-Center’s response has been incorporated into the report and a copy of the response, in its entirety, can be found in **Attachment 1 – Fort Payne - DeKalb County Entrepreneurial Center Response**.

Summary of Results

Castro & Co’s procedures determined that except for Findings 01 and 02 related to financial management and Finding 03 related to administrative procedures as described in **Appendix A**; the DeKalb E-Center 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.

The DeKalb E-Center’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 nor 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. We questioned \$78,555 of ARC funded costs and \$14,650 of non-ARC matching cost share as a result of unallowable and unsupported expenses incurred.

The Grantee reported a total of \$200,000 in ARC costs and \$137,439 in non-ARC matching costs; therefore, we determined the Grantee met the match requirements as of December 30, 2023. These matching funds were properly supported and allowable under both Federal and ARC requirements except for questioned costs totaling \$14,650 described in Finding 01. 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 the Single Audit requirements under the Uniform Guidance.

The Exhibit B below presents costs claimed by the DeKalb E-Center and costs recommended as a result of the grant audit.

Exhibit B: Schedule of Claimed and Audit Recommended Costs							
	Claimed		Questioned		Audit Recommended		
Category	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Personnel	\$ 120,000	\$ -	\$(45,370)	\$ -	\$ 74,630	\$ -	\$ 74,630
Fringe Benefits	\$ -	\$ 16,019	\$ -	\$ -	\$ -	\$ 16,019	\$ 16,019
Equipment	\$ 64,000	\$ -	\$(30,392)	\$ -	\$ 33,608	\$ -	\$ 33,608
Contractual	\$ -	\$ 46,785	\$ -	\$ -	\$ -	\$ 46,785	\$ 46,785
Other	\$ 16,000	\$ 74,635	\$ (2,793)	\$ (14,650)	\$ 13,207	\$ 59,985	\$ 73,192
Total	\$ 200,000	\$ 137,439	\$(78,555)	\$ (14,650)	\$ 121,445	\$ 122,789	\$ 244,234

Appendix A – Findings and Recommendations

Finding 01 – Inaccurate Reporting of Financial Progress

Condition:

As part of our procedures, Castro & Company, LLC (Castro & Co) performed a reconciliation of general ledger (GL) transactions to cumulative total costs reported by Fort Payne – DeKalb County Entrepreneurial Center (DeKalb E-Center or the Grantee) on the Standard Form (SF) 270, *Request for Advance or Reimbursement* for ARC funded and non-ARC match costs as of December 30, 2023. Castro noted discrepancies of \$52,706 in the ARC funded and \$14,650 in non-ARC match costs reported to ARC. Specifically, DeKalb E-Center reported to ARC more costs than were incurred and supported in the Grantee's GL. Therefore, Castro & Co determined the Grantee did not accurately report the total costs incurred for ARC funded and non-ARC match cost expenditures on the SF 270. See the table below for the unsupported questioned costs by budget category.

Budget Category	Costs per SF 270	Cost per GL Detail	Difference
Personnel	\$ 120,000	\$ 74,630	\$ 45,370
Equipment	\$ 64,000	\$ 59,457	\$ 4,543
Other	\$ 16,000	\$ 13,207	\$ 2,793
Total ARC Funded	\$ 200,000	\$ 147,294	\$ 52,706
Other	\$ 74,635	\$ 59,985	\$ 14,650
Total Match Cost Share	\$ 74,635	\$ 59,985	\$ 14,650
Total Questioned Cost			\$ 67,356

Criteria:

Part II ARC Grant Agreement: General Provisions, *Article 11 Method of Payment*, states in part:

(3) Final Payment. Upon Grantee's satisfactory completion of the Agreement, Grantee shall receive any balance of funds which may be due under this Agreement.

(4) Disbursements. All disbursements shall be for obligations incurred, after the effective date, in the performance of this Agreement, and shall be supported by contracts, invoices, vouchers and other data, as appropriate, evidencing the disbursements.

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

Required Content for All Reports

Both interim and final reports must include:

Payment requests must include the following documents:

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:

(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 stated the DeKalb E-Center did not have sufficient financial resources and sought ARC grant funds to begin operations. Throughout the grant performance period, the Grantee requested advance payments of ARC grant funds in order to continue performing grant activities. In addition, the Grantee did not have a correct understanding of the concepts behind advance payments and reimbursements to distinguish between the types of payments they were requesting. As a result, the Grantee submitted the Final SF 270 with the amount of costs incurred and the amount of funding they were planning to use for DeKalb E-Center initiatives in the months following the grant end date versus actual costs incurred. Furthermore, the DeKalb E-Center did not have adequate internal controls to ensure all costs incurred were accurately reported to ARC.

Effect:

The lack of adequate internal controls resulted in the DeKalb E-Center reporting inaccurate ARC funded and non-ARC match cost incurred to ARC. Therefore, ARC may require the Grantee to revise the SF 270 to exclude the questioned cost of \$52,706 for ARC funded cost and \$14,650 for the non-ARC match costs.

Recommendation:

We recommend that the Grantee:

1. Work with ARC to resolve the reporting discrepancies and revise the Final SF 270 to exclude the questioned cost of \$52,706 for ARC funded cost and \$14,650 for non-ARC match costs.

Grantee's Response:

The E-Center takes no exception to and agrees with this finding.

Because we cancelled all projects and the failure to extend the grant window as described above, the cause of the grant's end date and actual costs reported was correctly seen by the auditors. There were more costs reported to ARC than were incurred because we cancelled the projects.

We will work with ARC to resolve and revise the final SF 270 and to consider extending the grant window to properly record grant expenses that did occur after December 31, 2023.

Auditor's Response:

DeKalb E-Center concurred with the finding; therefore, no further response is necessary.

Finding 02 – Unsupported and Unallowable ARC funded Equipment Costs

Condition:

As part of our procedures, Castro & Co reviewed supporting documentation from DeKalb E-Center for ARC funded equipment costs incurred during the grant period. The Grantee claimed \$64,000 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 \$25,799 were deemed unsupported and \$50 were deemed unallowable ARC funded costs for a total of \$25,849 in questioned costs. Specifically, we noted:

- The Grantee was unable to provide documentation supporting the procurement process performed or to justify sole source selection in accordance with Uniform Guidance requirements for equipment costs related to curriculum and related classroom carts which resulted in unsupported questioned cost of \$25,799.
- The Grantee incurred a late fee for website services that was not necessary for the accomplishment of grant activities and was not directly allocable to the grant which resulted in unallowable questioned cost of \$50.

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) *Informal procurement methods*

(2) *Small purchases* —

- (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.

(c) *Noncompetitive procurement.* There are specific circumstances in which noncompetitive procurement can be used. Noncompetitive procurement can only be awarded if one or more of the following circumstances apply:

- (1) The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (see paragraph (a)(1) of this section);
- (2) The item is available only from a single source;
- (3) The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation;
- (4) The Federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the non-Federal entity; or
- (5) After solicitation of a number of sources, competition is determined inadequate.

2 CFR Part 200.403, *Factors affecting allowability of costs*, states:

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

2 CFR Part 200.405, *Allocable costs*, states:

(a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- (1) Is incurred specifically for the Federal award;
- (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

Cause:

DeKalb E-Center stated that a teacher volunteer received training in the related curriculum and equipment prior to the school year beginning and the Grantee was not aware of any similar programs available for comparison. However, the Grantee did not adequately document the procurement process performed and justification for a sole source purchase. Additionally, the Grantee did not have adequate controls in place to ensure unallowable costs were excluded from the claimed ARC funded expenses.

Effect:

The absence of procurement policies and procedures prevented DeKalb E-Center from performing and documenting the Grantee's procurement process as required by the Uniform Guidance to establish the reasonableness of costs incurred. Additionally, the absence of adequate internal controls prevented DeKalb E-Center from identifying unallowable costs to ensure compliance with the Federal grant requirements prior to reporting claimed costs to ARC. Therefore, ARC could require the Grantee to reimburse questioned costs totaling \$25,849 of ARC funded equipment expenses.

Recommendation:

We recommend that the Grantee:

- 2. Work with ARC to resolve the questioned cost totaling \$25,849 for ARC funded equipment costs.

Grantee's Response:

The E-Center takes exception to and disagrees with this finding.

This is a noncompetitive procurement in that this purchase was from a single source. It was a necessary and reasonable cost in that it prepares middle school students to develop entrepreneurial and best work practices to enter the workforce in our county. This was to fulfill the purpose of this

grant project - to provide comprehensive entrepreneurial resources, knowledge, and support to all current and future entrepreneurs in DeKalb County.

The E-Center conveyed to the auditors during this audit process that this purchase of \$25,799 was a single source selection. However, we confirm that we did not provide the auditors with any board-approved procurement policy procedures for this purchase. The late charge for the website host is acknowledged.

We will work with ARC to reconcile these equipment costs.

Auditor's Response:

Castro & Co has reviewed the DeKalb E-Center's response. In consideration of those view, Castro & Co noted that the DeKalb E-Center's response did not alter our results.

The Grantee claimed equipment costs; however, the DeKalb E-Center was not able to provide documentation from at the time of purchase to justify noncompetitive procurement in accordance with Uniform Guidance requirements.

Finding 03 – Lack of written policies and procedures.

Condition:

As part of our procedures, Castro & Co reviewed DeKalb E-Center's internal guidelines, policies, and procedures that were effective during the grant period of January 1, 2022 to December 30, 2023. Although DeKalb E-Center had developed bylaws and an employee handbook, we noted the Grantee did not have written policies and procedures for determining the allowability and allocability of costs, record retention, safeguarding of equipment, and procurement as required under the Uniform Guidance. We also noted that the DeKalb E-Center did not have written timekeeping policies and procedures in place to track, review, and approve employees' time charged to the ARC Grant No. AL-20634.

Criteria:

2 CFR 200.302, *Financial management*, states,

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

(5) Comparison of expenditures with budget amounts for each Federal award.

(6) Written procedures to implement the requirements of §200.305.

(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 200.305, *Federal Payment*, states,

(a) For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means.

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 the written policies and procedures provided were being developed during the grant period as the E-Center had not begun operations until the grant was initiated; however, the policies and procedures were never finalized.

Effect:

The establishment of written, formal policies and procedures is 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:

We recommend that the Grantee:

3. Establish and implement policies and procedures for determining the allowability and allocability of costs, record retention, safeguarding of equipment, timekeeping, and procurement standards as required under the Uniform Guidance.

Grantee's Response:

The E-Center takes no exception to and agrees with this finding.

We will implement these policies and procedures recommendations for the newly structured board of directors.

Auditor's Response:

DeKalb E-Center concurred with the finding; therefore, no further response is necessary.

Attachment 1 – Fort Payne - DeKalb County Entrepreneurial Center Response



FORT PAYNE · DEKALB COUNTY

Entrepreneurial Center

EDUCATE. EQUIP. EMPOWER.

November 15, 2024

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

Subject: Fort Payne-DeKalb Entrepreneurial Center (E-Center) Response to Castro & Company, LLC's Performance Audit of Grant Number AL-20634

Dear Castro & Company,

The E-Center takes exception to and disagrees with Castro & Company, LLC's one finding presented in the audit report of Grant Number AL-20634 with a grant performance period of January 1, 2022 to December 30, 2023.

Therefore, accept our response to your findings as follows.

Finding 01 — Inaccurate Reporting or Financial Progress

The E-Center takes no exception to and agrees with this finding.

Because we cancelled all projects and the failure to extend the grant window as described above, the cause of the grant's end date and actual costs reported was correctly seen by the auditors. There were more costs reported to ARC than were incurred because we cancelled the projects.

We will work with ARC to resolve and revise the final SF 270 and to consider extending the grant window to properly record grant expenses that did occur after December 31, 2023.

Finding 02 — Unsupported and Unallowable ARC funded Equipment Costs

The E-Center takes exception to and disagrees with this finding.

This is a noncompetitive procurement in that this purchase was from a single source. It was a necessary and reasonable cost in that it prepares middle school students to develop entrepreneurial and best work practices to enter the workforce in our county. This was to fulfill the purpose of this grant project—to provide comprehensive entrepreneurial resources, knowledge, and support to all current and future entrepreneurs in DeKalb County.

The E-Center conveyed to the auditors during this audit process that this purchase of \$25,799 was a single source selection. However, we confirm that we did not provide the auditors with any board-approved procurement policy procedures for this purchase. The late charge for the website host is acknowledged.

We will work with ARC to reconcile these equipment costs.



Finding 03 — Lack of written policies and procedures

The E-Center takes no exception to and agrees with this finding.

We will implement these policies and procedures recommendations for the newly structured board of directors.

The E-Center appreciates all the advice and time Castro & Company, LLC has provided us during this audit process. The staff made this experience worthwhile to us. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Vicky Kirby', is written over the printed name and title. The signature is fluid and cursive, with the first and last names being clearly legible despite the stylized script.

Vicky Kirby
President