



## Office of Inspector General

Appalachian Regional Commission

**Audit of Grant Award to  
West Virginia Development Office (WVDO)  
Grant Number WV-7762-C40**

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Report Prepared by Castro & Co, LLC

Report Number 25-16

February 10, 2025

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



## Office of Inspector General

Appalachian Regional Commission

February 10, 2025

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 25-16 – West Virginia Development Office (WVDO)

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number WV-7762-C40 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 one recommendation in the report. Within the next 30 days, please provide me with your management decision describing the specific action 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. WV-7762-C40**

**For the period from July 1, 2022 to June 30, 2023  
Awarded to West Virginia Development Office**

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

**February 10, 2025**

**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 – West Virginia Development Office’s Response.....	8

## 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 WV-7762-C40 awarded by the Appalachian Regional Commission (ARC) to the West Virginia Development Office (WVDO or the Grantee) for the period of July 1, 2022 to June 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 Finding 01 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 WVDO's management at the conclusion of our fieldwork. The Grantee's response has been included as **Attachment 1 – West Virginia Development Office's Response**.

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

*Castro & Company, LLC*

Alexandria, VA  
February 10, 2025

## 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.) WV-7762-C40 awarded to the West Virginia Development Office (WVDO or the Grantee) for the period of July 1, 2022 to June 30, 2023.

ARC awarded Grant No. WV-7762-C40 to WVDO to support the state's Consolidated Technical Assistance program. Grant funds were used to carry out two specific work programs: 1) ARC programs and initiatives and 2) the West Virginia Main Street and ON TRAC programs. The primary activities of this program included project development, delivery of technical assistance, project monitoring, planning, regional coordination, and delivery of enhanced technical assistance to distressed counties for ARC's area development, POWER and INSPIRE initiatives. The Grantee provided technical assistance for the West Virginia Main Street and ON TRAC programs to support downtown revitalization, community planning and economic development for West Virginian towns and communities.

The period of performance for Grant No. WV-7762-C40 covered the period from July 1, 2022 to June 30, 2023. The grant agreement provided a budget of \$220,000 in ARC funds and required non-ARC matching funds of \$220,000 for total project costs of \$440,000. The allowable percentage breakout of ARC to non-ARC funding for the project was 50% ARC funds to 50% matching funds.

We obtained Standard Form (SF) 270, *Request for Advance or Reimbursement*, for the period covering April 1, 2023 to June 30, 2023 that identified cumulative total ARC costs of \$177,262 (50%) and non-ARC matching costs of \$177,262 (50%) for a total project cost of \$354,524.

## Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC's Office of Inspector General to conduct a performance audit of WVDO to determine compliance with the requirements of the ARC Grant No. WV-7762-C40 for the period of July 1, 2022 to June 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	\$ 74,645	\$ 74,644	\$ 149,289
Fringe Benefits	\$ 29,111	\$ 29,112	\$ 58,223
Travel	\$ 7,500	\$ 7,500	\$ 15,000
Supplies	\$ 1,244	\$ 1,244	\$ 2,488
Contractual	\$ 95,000	\$ 95,000	\$ 190,000
Other	\$ 12,500	\$ 12,500	\$ 25,000
<b>Total</b>	<b>\$ 220,000</b>	<b>\$ 220,000</b>	<b>\$ 440,000</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 WVDO's system that specifically applied to ARC, such as payroll, travel, supplies, contractual, and other costs. We conducted this performance audit from March 2024 to December 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 Subtitle A Chapter II 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, payroll, travel, contractual, and match costs through reviews of policies and procedures, prior audit reports, organization charts, inquiry of WVDO 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 Mr. James Bush, ARC Program Manager for WVDO, during the exit conference on February 6, 2025. WVDO concurred with our results. WVDO’s response has been incorporated into the report and a copy of the response, in its entirety, can be found in **Attachment 1 – West Virginia Development Office’s Response**.

## **Summary of Results**

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

WVDO’s financial management, administrative procedures, and internal controls were adequate to account for the funds provided under the ARC grant. 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 \$177,262 in ARC costs and \$177,262 in non-ARC matching costs; therefore, we determined the Grantee met the match requirements as of June 30, 2023. 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 WVDO and noted the Grantee had Single Audits performed for the years ended June 30, 2023, and June 30, 2022. The Single Audit report for the year ended June 30, 2023, identified a material weakness in



internal control over compliance related to properly verifying subrecipients had been audited as required. The Single Audit report identified deficiencies in internal control over compliance requirements as outlined in the OMB Compliance Supplement that could impact the Grantee's financial reporting of expended grant funds to ARC.

Exhibit B below presents costs claimed by WVDO 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 <sup>1</sup>	\$ 89,338	\$ 89,337	\$ -	\$ -	\$ 89,338	\$ 89,337	\$ 178,675
Fringe Benefits	\$ 21,398	\$ 21,398	\$ -	\$ -	\$ 21,398	\$ 21,398	\$ 42,796
Travel <sup>1</sup>	\$ 8,851	\$ 8,852	\$ -	\$ -	\$ 8,851	\$ 8,852	\$ 17,703
Contractual	\$ 42,421	\$ 42,421	\$ -	\$ -	\$ 42,421	\$ 42,421	\$ 84,842
Other <sup>1</sup>	\$ 15,254	\$ 15,254	\$ -	\$ -	\$ 15,254	\$ 15,254	\$ 30,508
<b>Total</b>	<b>\$ 177,262</b>	<b>\$ 177,262</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 177,262</b>	<b>\$ 177,262</b>	<b>\$ 354,524</b>

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<sup>1</sup> The amount claimed for ARC funded Personnel, Travel, and Other costs exceeded the approved budget amount by \$14,693, \$1,351, and \$2,754, respectively, for a total of \$18,798 which is less than \$44,000 or 10% of the total grant; therefore, prior ARC approval was not required.

## Appendix A – Findings and Recommendations

### Finding 01: Untimely Quarterly Progress Reporting

#### Condition:

As part of our procedures, Castro & Company, LLC (Castro & Co) reviewed interim and final Performance Progress Reports (PPR) submitted by the West Virginia Development Office (WVDO or the Grantee) during the grant period of July 1, 2022 to June 30, 2023. Based on our review, we noted the following PPRs were not submitted within 30 days from the close of the reporting period, as required by ARC:

- PPR for the period ending December 31, 2022 was submitted four (4) days after the due date.
- PPR for the period ending March 31, 2023 was submitted one (1) day after the due date.
- PPR for the period ending June 30, 2023 was submitted twelve (12) days after the due date.

#### 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.

2 CFR 200.329, *Monitoring and reporting program performance*, states,

(b) *Reporting program performance.* The Federal agency must use OMB-approved common information collections (for example, Research Performance Progress Reports) when requesting performance reporting information.

(c) (1) The recipient or subrecipient must submit performance reports as required by the Federal award. Intervals must be no less frequent than annually nor more frequent than quarterly except if specific conditions are applied...

#### Cause:

The Grantee did not have adequate 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. The Grantee stated the West Virginia ARC State Program Manager was not able to submit the reports on time due to being responsible for multiple grant programs.

#### Effect:

Without adequate policies and procedures to ensure timely quarterly reporting, inaccurate financial and performance information may be reported to ARC. As a result of the audit, the Grantee has implemented the use of a spreadsheet to track reporting requirements and due dates for active grant programs to prevent late submissions of reports in the future.

**Recommendations:**

We recommend the Grantee revise policies and procedures to reflect the updated process for progress report tracking to ensure the timely submission of progress reports.

**Grantee's Response:**

The WVDED takes no exception to and agrees with Castro & Company, LLC's finding presented in the audit report of Grant Number WV-7762-C40 with a grant performance period of July 1, 2022 to June 30, 2023.

**Auditor's Response:**

The Grantee concurred with the finding; therefore, no further response is necessary.

## Attachment 1 – West Virginia Development Office’s Response



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Building 3, Suite 600  
Charleston, West Virginia, 25305  
(800) 982-3386 • (304) 558-2234  
[westvirginia.gov](http://westvirginia.gov)

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January 27, 2025

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

Subject: The West Virginia Department of Economic Development's (WVDED), formally the West Virginia Development Office, response to Castro & Company, LLC's Performance Audit of grant number WV-7762-C40.

The WVDED takes no exception to and agrees with Castro & Company, LLC's finding presented in the audit report of Grant Number WV-7762-C40 with a grant performance period of July 1, 2022 to June 30, 2023.

If you have any questions, please contact James Bush, ARC State Program Manager, at 304-558-2234 or [james.e.bush@wv.gov](mailto:james.e.bush@wv.gov).

Sincerely,

A handwritten signature in blue ink that reads "Jennifer Ferrell".

Jennifer Ferrell  
Director, Community Advancement and Development  
WV ARC State Alternate