



## Office of Inspector General

Appalachian Regional Commission

### **Audit of Grant Award to City of Anderson Grant Number SC-20002**

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Report Prepared by Castro & Co, LLC

Report Number 25-17

February 20, 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 20, 2025

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 25-17 – City of Anderson

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number SC-20002 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. The auditors issued no recommendations in the 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.

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. SC-20002**

**For the period from November 1, 2020 to October 20, 2023  
Awarded to the City of Anderson**

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

**February 19, 2025**

**Final Report**

## Table of Contents

Executive Summary .....	1
Background.....	2
Objectives, Scope, and Methodology .....	2
Summary of Results.....	4

## 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 SC-20002 awarded by the Appalachian Regional Commission (ARC) to the City of Anderson (Grantee) for the period of November 1, 2020 to October 20, 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 the Grantee's financial management, administrative procedures, and related internal controls were adequate to manage the ARC grant funds. There were no findings and recommendations resulting from this performance audit engagement.

We discussed the results of this performance audit with City of Anderson's management at the conclusion of our fieldwork.

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

*Castro & Company, LLC*

Alexandria, VA  
February 19, 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.) SC-20002 awarded to City of Anderson (Grantee) for the period of November 1, 2020 to October 20, 2023.

ARC awarded Grant No. SC-20002 to the City of Anderson to support entrepreneurial food ventures by developing a shared kitchen incubator. This incubator, Innovate Kitchen, is a licensed commercial space that provides a pathway for food entrepreneurs to start and grow their business and serve as an extension of current programming operated by the City of Anderson's economic development division staff. The project served area agribusinesses, chefs, caterers, food truck owners, bakers, farmers, packaged food and beverage makers, and value-added producers.

The original period of performance for Grant No. SC-20002 covered the period from November 1, 2020 to March 1, 2022 but was subsequently extended to October 20, 2023. The grant agreement provided a budget of \$500,000 in ARC funds and required non-ARC matching funds of \$852,072 for total project costs of \$1,352,072. The allowable percentage breakout of ARC to non-ARC funding for the project was 37% ARC funds to 63% matching funds.

We obtained the ARC Final Drawdown Request No. 6 dated October 3, 2023 that identified total cumulative ARC costs of \$500,000 (28%) and non-ARC matching costs of \$1,276,391 (72%) for a total project cost of \$1,776,391.

## Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC's Office of Inspector General to conduct a performance audit of City of Anderson to determine compliance with the requirements of the ARC Grant No. SC-20002 for the period of November 1, 2020 to October 20, 2023.

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

Exhibit A: Schedule of Grant Budget	
Category	Total
Administrative and Legal	\$ 30,000
Architectural and Engineering	\$ 13,700
Construction	\$ 983,582
Equipment	\$ 259,371
Contingencies	\$ 65,419
<b>Total</b>	<b>\$ 1,352,072</b>
<b>Total Federal Amount (37%)</b>	<b>\$ 500,000</b>
<b>Total Non-Federal Amount (63%)</b>	<b>\$ 852,072</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 City of Anderson's system that specifically apply to ARC such as administrative, architectural and engineering, construction, equipment, and other costs. We conducted this performance audit from May 2024 to January 2025 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)<sup>1</sup>, 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, procurement, and match costs through reviews of policies and procedures, prior audit reports, organization charts, inquiry of the Grantee's 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 (FAO)/Council of the Inspectors General for Integrity and Efficiency (CIGIE) Financial Audit Manual (FAM) sections 230.01 through 230.13 and

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<sup>1</sup> For this audit, the applicable version of the Uniform Guidance was published January 1, 2024.

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. Brittney Gamble, Grant Specialist and Research Manager, for the City of Anderson during the exit conference on February 18, 2025. The City of Anderson concurred with our results.

### **Summary of Results**

Castro & Co's procedures determined that the City of Anderson 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 City of Anderson'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 \$500,000 in ARC costs and \$1,276,391 in non-ARC matching costs; therefore, we determined the Grantee met the match requirements as of October 20, 2023. These matching funds were properly supported and allowable under both Federal and ARC requirements. 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 the City of Anderson and noted the Grantee had Single Audits performed for the year(s) ended June 30, 2023, June 20, 2022, and June 30, 2021. The Single Audit report for the year ended June 30, 2023, identified a significant deficiency in internal control over financial reporting related to revenue recognition. The Single Audit report did not identify deficiencies in internal control over compliance requirements as outlined in the OMB Compliance Supplement; therefore, we determined that the prior years' finding does not impact the Grantee's financial reporting of expended grant funds to ARC.

The Exhibit B below presents costs claimed by the City of Anderson 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
Administrative and Legal	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000	\$ -	\$ 30,000
Architectural and Engineering <sup>2</sup>	\$ -	\$ 28,006	\$ -	\$ -	\$ -	\$ 28,006	\$ 28,006
Construction <sup>2</sup>	\$ 470,000	\$ 717,401	\$ -	\$ -	\$ 470,000	\$ 717,401	\$1,187,401
Equipment	\$ -	\$ 530,984	\$ -	\$ -	\$ -	\$ 530,984	\$ 530,984
<b>Total</b>	<b>\$ 500,000</b>	<b>\$1,276,391</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 500,000</b>	<b>\$1,276,391</b>	<b>\$1,776,391</b>

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<sup>2</sup> The total cost incurred for budget categories Architectural and Engineering and Construction exceeded the approved budget amounts by \$14,306 and \$203,819, respectively; however, the ARC funded portion of these costs did not exceed the budget amounts. Therefore, prior ARC approval was not required.