



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to Village of Gnadenhutten Grant Number OH-20535

Report Prepared by Castro & Co, LLC

Report Number 25-19

February 27, 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 27, 2025

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 25-19 – Village of Gnadenhutten

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number OH-20535 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. OH-20535**

**For the period of July 1, 2021 to May 23, 2024
Awarded to the Village of Gnadenhutten**

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

February 26, 2025

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 OH-20535 awarded by the Appalachian Regional Commission (ARC) to the Village of Gnadenhutten (Grantee) for the period of July 1, 2021 to May 23, 2024. 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); and (5) 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 the Village of Gnadenhutten'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.



Alexandria, VA
February 26, 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.) OH-20535 awarded to the Village of Gnadenhutten (Grantee) for the period of July 1, 2021 to May 23, 2024.

ARC awarded Grant No. OH-20535 to the Village of Gnadenhutten to repair the headworks of its wastewater treatment plant (WWTP) and construct an enclosure for the headworks. The headworks, in part, filters the incoming wastewater stream to remove large and small debris that would damage treatment plant equipment. Wastewater passes through a series of screens where the debris is collected and is manually removed by WWTP workers. The ARC grant project replaced the screens, automated the debris removal process, and enclosed the headworks to protect it from the weather and more importantly from freezing improving the operations of the headworks and reducing labor and maintenance costs.

The grant was administered by a Federal Agency under a Memorandum of Understanding (MOU) executed with ARC and the Appalachian Regional Development Act (ARDA) Section 214 (40 U.S.C. § 14507). As a result, funding provided by the administering Federal Agency is not considered to be non-ARC matching cost share and the Grantee was not required to provide any additional non-ARC matching cost share.

The period of performance for Grant No. OH-20535 covered the period from July 1, 2021 to June 30, 2024. The grant agreement provided a budget of \$250,000 in ARC funds. The total project cost of \$2,021,000 included other Federal funds of \$1,771,000 that were not part of the scope of this audit.

We obtained the Final Basic Agency Monitoring Report (BAMR) dated May 23, 2024 that identified cumulative total ARC costs of \$250,000.

Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC's Office of Inspector General to conduct a performance audit of the Village of Gnadenhutten to determine compliance with the requirements of the ARC Grant No. OH-20535 for the period of July 1, 2021 to May 23, 2024.

The budgeted amounts are presented in Exhibit A below as approved by ARC:

Exhibit A: Schedule of Grant Budget	
Category	ARC Funded
Architectural and Engineering Fees, Construction, Miscellaneous, and Contingencies	\$ 250,000
Total	\$ 250,000

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); and
- Reported performance measures were fair and reasonable.

The scope of this audit included those costs addressed in the Village of Gnadenhutten's system that specifically applied to ARC such as architectural and engineering (A&E) fees and construction costs. We conducted this performance audit from March 2024 to February 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)¹, 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, and procurement costs through reviews of policies and procedures, prior audit reports, organization charts, inquiry of the Village of Gnadenhutten 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

¹ The Uniform Guidance applicable to the grant was published January 1, 2024.

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;
- 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. Kim Stull, Fiscal Officer, for the Village of Gnadenhutzen during the exit conference on February 26, 2025. The Village of Gnadenhutzen concurred with our results.

Summary of Results

Castro & Co's procedures determined that the Village of Gnadenhutzen 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 Village of Gnadenhutzen'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.

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.

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

Exhibit B: Schedule of ARC Funded Claimed and Audit Recommended Costs			
Cost Category	Claimed	Questioned	Audit Recommended
Architectural and Engineering Fees	\$ 157,367	\$ -	\$ 157,367
Construction	\$ 92,633	\$ -	\$ 92,633
Total	\$ 250,000	\$ -	\$ 250,000