



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to The Harvest Foundation Grant Number VA-20107

Report Prepared by Castro & Co, LLC

Report Number 25-24

May 29, 2025

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



Office of Inspector General

Appalachian Regional Commission

May 29, 2025

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 25-24 – The Harvest Foundation

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number VA-20107 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. VA-20107**

**For the period from October 1, 2020 to March 31, 2024
Awarded to The Harvest Foundation**

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

May 28, 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 VA-20107 awarded by the Appalachian Regional Commission (ARC) to The Harvest Foundation (Grantee) for the period of October 1, 2020 to March 31, 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); (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 The Harvest Foundation'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
May 28, 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.) VA-20107 awarded to The Harvest Foundation (Grantee) for the period of October 1, 2020 to March 31, 2024.

ARC awarded Grant No. VA-20107 to The Harvest Foundation to expand early childhood education businesses by increasing the number of fully trained and credentialed early childcare professionals in Henry County. Childcare specialists supervised project activities. Business support activities and training for early childhood professionals were provided through existing programs. Business owners with childcare centers or entrepreneurs aspiring to start early childhood education businesses received assistance through training and support from specialists in small business development and through increased availability of certified, qualified childcare professionals. Micro-loan programs and other financial incentives seeded some centers and allowed others to expand hours or capacity based on clear needs for these services across the community.

The original period of performance for Grant No. VA-20107 covered the period from October 1, 2020 to September 30, 2022, but was subsequently extended to March 31, 2024. The grant agreement provided a budget of \$216,880 in ARC funds and required non-ARC matching funds of \$95,083 for total project costs of \$311,963. The allowable percentage breakout of ARC to non-ARC funding for the project was 70% ARC funds to 30% matching funds.

We obtained the ARC Standard Form (SF) 270, *Request for Advance or Reimbursement*, for the period covering February 1, 2024 to March 31, 2024 that identified total cumulative ARC costs of \$216,880 (70%) and non-ARC matching costs of \$95,083 (30%) for a total project cost of \$311,963.

Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC's Office of Inspector General to conduct a performance audit of The Harvest Foundation to determine compliance with the requirements of the ARC Grant No. VA-20107 for the period of October 1, 2020 to March 31, 2024.

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

Exhibit A: Schedule of Grant Budget			
Category	ARC	Non-ARC	Total
Salaries	\$ 101,180	\$ 35,820	\$ 137,000
Benefits	\$ 23,881	\$ 10,306	\$ 34,187
Travel	\$ 500	\$ -	\$ 500
Supplies	\$ 2,000	\$ -	\$ 2,000
Other Costs	\$ 89,319	\$ 48,957	\$ 138,276
Total	\$ 216,880	\$ 95,083	\$ 311,963

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 The Harvest Foundation's system that specifically apply to ARC such as salaries/personnel, benefits, travel, supplies, and other costs. We conducted this performance audit from August 2024 to May 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 payroll, 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;

¹ The applicable version of the Uniform Guidance was published January 1, 2024.

- 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 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. Sandy Strayer, Program Officer, and Ms. Georgia Compton, Senior Finance and Administration Officer, for The Harvest Foundation during the exit conference on May 27, 2025. The Harvest Foundation concurred with our results.

Summary of Results

Castro & Co's procedures determined that The Harvest Foundation 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 Harvest Foundation'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 \$216,880 in ARC costs and \$95,083 in non-ARC matching costs; therefore, we determined the Grantee met the match requirements as of March 31, 2024. 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 determined that the Grantee was not subject to the Single Audit requirements under the Uniform Guidance.

The Exhibit B below presents costs claimed by The Harvest Foundation 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
Salaries	\$ 101,180	\$ 35,820	\$ -	\$ -	\$ 101,180	\$ 35,820	\$ 137,000
Benefits	\$ 23,881	\$ 10,306	\$ -	\$ -	\$ 23,881	\$ 10,306	\$ 34,187
Travel	\$ 294	\$ -	\$ -	\$ -	\$ 294	\$ -	\$ 294
Supplies	\$ 1,119	\$ -	\$ -	\$ -	\$ 1,119	\$ -	\$ 1,119
Other	\$ 90,406	\$ 48,957	\$ -	\$ -	\$ 90,406	\$ 48,957	\$ 139,363
Total	\$ 216,880	\$ 95,083	\$ -	\$ -	\$ 216,880	\$ 95,083	\$ 311,963