



## Office of Inspector General

Appalachian Regional Commission

### **Audit of Grant Award to Southern Tier West Regional Planning and Development Board Grant Number PW-20055**

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Report Prepared by Castro & Co, LLC

Report Number 25-34

August 1, 2025

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



# Office of Inspector General

Appalachian Regional Commission

August 1, 2025

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 25-34 – Southern Tier West Regional Planning and Development Board

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number PW-20055 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 four 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. PW-20055**

**For the period from October 1, 2020 to August 30, 2024**

**Awarded to  
Southern Tier West Regional Planning and Development Board**

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

**July 30, 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 PW-20055 awarded by the Appalachian Regional Commission (ARC) to Southern Tier West Regional Planning and Development Board (STW or the Grantee) with a grant performance period of October 1, 2020 to August 30, 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 except for Finding 01 related to financial management and Finding 02 related to administrative procedures 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 STW's management at the conclusion of our fieldwork. The Grantee's response has been included as **Attachment 1 – Southern Tier West Regional Planning and Development Board's Response** to this report.

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

*Castro & Company, LLC*

Alexandria, VA  
July 30, 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.) PW-20055 awarded to Southern Tier West Regional Planning and Development Board (STW or the Grantee) for the period of October 1, 2020 to August 30, 2024.

ARC awarded Grant No. PW-20055 to STW to provide funding support for new wireless broadband antennas at twelve county-owned tower locations in Allegany County, New York. Through enhanced fixed wireless deployment, the project provided high-speed, low latency coverage with no or high data caps to over 2,800 address locations currently served only by low latency, data cap driven satellite broadband service. This basic infrastructure supported educational resources available to both students and teachers while at home, supported existing rural-based businesses, allowed telemedicine to serve the most rural areas of the region, and enabled food producers to market their products effectively. The grantee maintains ownership of the equipment and leases it to existing internet service providers in the area to reach new customers and improve service for existing customers. The grantee, in partnership with a local internet service provider, currently owns and operates a network of wireless broadband telecom sites throughout the Southern Tier region.

The original period of performance for Grant No. PW-20055 covered the period from October 1, 2020 to September 30, 2022 but was subsequently extended to April 30, 2025. The grant agreement provided a budget of \$426,304 in ARC funds and required non-ARC matching funds of \$237,600 for total project costs of \$663,904. The allowable percentage breakout of ARC to non-ARC funding for the project was 64% ARC funds to 36% matching funds.

We obtained the ARC Standard Form (SF) 270 *Request for Advance or Reimbursement* for the period covering January 1, 2023 to August 30, 2024 that identified total cumulative ARC costs of \$384,509 (69%) and non-ARC matching costs of \$175,875 (31%) for a total project cost of \$560,384.

## Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC's Office of Inspector General to conduct a performance audit of STW to determine compliance with the requirements of the ARC Grant No. PW-20055 for the grant period from October 1, 2020 to August 30, 2024.

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	\$ 8,000	\$ -	\$ 8,000
Fringe Benefits	\$ 2,480	\$ -	\$ 2,480
Equipment	\$ 340,844	\$ -	\$ 340,844
Contractual	\$ 74,980	\$ 237,600	\$ 312,580
<b>Total</b>	<b>\$ 426,304</b>	<b>\$ 237,600</b>	<b>\$ 663,904</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 STW's system that specifically apply to ARC such as personnel, fringe benefits, equipment, and contractual costs. We conducted this performance audit from May 2024 to July 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 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 payroll, cash disbursements, cash receipts, procurement, equipment, 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

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<sup>1</sup> The applicable version of the Uniform Guidance was published on January 1, 2024.

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 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. Lisa Keck, Executive Director, and Mr. Richard Zink, former Executive Director, for STW during the exit conference on July 29, 2025. STW concurred with our results. STW's response has been incorporated into the report and a copy of the response, in its entirety, can be found in **Attachment 1 – Southern Tier West Regional Planning and Development Board's Response**.

### **Summary of Results**

Castro & Co's procedures determined that except for Finding 01 related to financial management and Finding 02 related to administrative procedures as described in **Appendix A**; STW 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 Grantee's internal guidelines, including program (internal) controls, were adequate and operating effectively except for the matter described in Finding 01. We noted the Grantee had written policies and procedures for applicable grant activities, which we considered adequate for administering the grant except for the matter described in Finding 02. 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 except for the matter described in Finding 02.

The Grantee reported a total of \$384,509 in ARC costs and \$175,875 in non-ARC matching costs; therefore, we determined the Grantee has not met the match requirements as of August 30, 2024. We also noted that as of August 30, 2024, the grant had not been closed yet. These matching funds were properly supported and allowable under both Federal and ARC requirements except for non-ARC Funded in-kind questioned cost totaling \$46,900 that was unsupported as 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 that the Grantee was not subject to the Single Audit requirements under the Uniform Guidance.

The Exhibit B below presents costs claimed by STW 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	\$ 7,800	\$ -	\$ -		\$ 7,800	\$ -	\$ 7,800
Fringe Benefits	\$ 2,292	\$ -	\$ -		\$ 2,292	\$ -	\$ 2,292
Equipment	\$ 324,578	\$ -	\$ -		\$ 324,578	\$ -	\$324,578
Contractual	\$ 49,839	\$175,875	\$ -	\$ (46,900)	\$ 49,839	\$ 128,975	\$178,814
<b>Total</b>	<b>\$ 384,509</b>	<b>\$175,875</b>	<b>\$ -</b>	<b>\$ (46,900)</b>	<b>\$ 384,509</b>	<b>\$ 128,975</b>	<b>\$513,484</b>

## Appendix A – Findings and Recommendations

### Finding 01: Unsupported Non-ARC Funded In-kind costs.

#### Condition:

As part of our procedures, Castro and Company, LLC (Castro & Co) obtained and inspected supporting documentation provided by Southern Tier West Regional Planning and Development Board (STW) for non-ARC matching in-kind costs incurred during the grant period and reported to ARC. We noted that the Grantee claimed \$175,875 in non-ARC matching in-kind contributions related to cell tower rental fees; however, the documentation provided was not sufficient to support the valuation of the in-kind services in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Subtitle A Chapter II Part 200 (2 CFR 200 or the Uniform Guidance).

Specifically, the Grantee claimed the value of the in-kind contributions at \$375 per month, per tower, per antenna. However, according to the grant application the value of the rental fee was \$275 per month per antenna. STW was not able to provide documentation to support the higher rate of \$375. STW provided supporting documentation including sample invoices and a rate agreement that reflected lower rates of \$250 and \$299 per month, respectively.

As a result, Castro & Co used the average of the supported rates and rate per the grant application of \$275 to recalculate the in-kind costs. The recalculation below resulted in questioned costs totaling \$46,900 of the non-ARC matching in-kind contributions claimed.

Tower Name	(a) No. Months	(b) No. Antennas	(c) Monthly Rate Claimed	(d=a*b*c) Costs Claimed	(e) Monthly Rate Supported	(f=a*b*e) Corrected Amount with Supported Rate	(g=d-f) Questioned Costs
Courthouse	3	1	\$ 375	\$ 1,125	\$ 275	\$ 825	\$ 300
Corbin	11	3	\$ 375	\$ 12,375	\$ 275	\$ 9,075	\$ 3,300
Granger	31	1	\$ 375	\$ 11,625	\$ 275	\$ 8,525	\$ 3,100
Cuba	14	3	\$ 375	\$ 15,750	\$ 275	\$ 11,550	\$ 4,200
Rushford	15	3	\$ 375	\$ 16,875	\$ 275	\$ 12,375	\$ 4,500
Granger	25.5	2	\$ 375	\$ 19,125	\$ 275	\$ 14,025	\$ 5,100
Birdsall	23	3	\$ 375	\$ 25,875	\$ 275	\$ 18,975	\$ 6,900
Alfred 2	28	3	\$ 375	\$ 31,500	\$ 275	\$ 23,100	\$ 8,400
Andover/Pingree	3	2	\$ 375	\$ 2,250	\$ 275	\$ 1,650	\$ 600
Angelica	35	3	\$ 375	\$ 39,375	\$ 275	\$ 28,875	\$ 10,500
<b>Totals</b>	<b>188.5</b>	<b>24</b>		<b>\$ 175,875</b>		<b>\$ 128,975</b>	<b>\$ 46,900</b>

#### Criteria:

2 CFR Part 200.306, *Cost sharing or matching*, states:

(b) For all Federal awards, the Federal agency or pass-through entity must accept any cost sharing funds (including cash and third-party in-kind contributions, and also including funds committed by the recipient, subrecipient, or third parties) as part of the recipient's or subrecipient's contributions to a program when the funds:

(1) Are verifiable from the non-Federal entity's records

(j) For third-party in-kind contributions, the fair market value of goods and services must be

documented and to the extent feasible supported by the same methods used internally by the the recipient or subrecipient.

**Cause:**

The Grantee did not establish or maintain adequate internal controls to ensure that in-kind cost contributions were supported by documentation that established the method used to determine the value in accordance with the Uniform Guidance requirements based on the type of cost and source of the in-kind contributions. Additionally, the Grantee did not retain sufficient records to justify the rates used in valuing the non-ARC matching in-kind contributions, resulting in unsupported cost claims.

**Effect:**

The absence of adequate internal controls prevented STW from retaining sufficient documentation and identifying unsupported costs to ensure compliance with Federal grant requirements prior to reporting claimed costs to ARC. When questioned costs were excluded from the STW claimed costs, the Grantee did not meet the match requirements as of August 30, 2024. As a result, ARC may require the Grantee to exclude the total questioned costs of \$46,900 from the reported non-ARC matching funds.

**Recommendations:**

We recommend that the Grantee:

1. Establish internal controls to ensure all in-kind contributions are properly supported by documentation to establish the method used to determine the value of in-kind contributions in accordance with the Uniform Guidance requirements based on the type of cost and source of in-kind contributions.
2. Establish internal controls to ensure STW retains accurate and complete supporting documentation in accordance with record retention requirements in the ARC grant agreement and the Uniform Guidance.
3. Work with ARC to resolve the non-ARC in-kind questioned costs of \$46,900 to reflect the \$275 rental fee rate.

**Grantee's Response:**

STW takes no exception to and agrees with Castro & Company, LLC's findings presented in the audit report of Grant Number PW-20055 with a grant performance period of October 1, 2020 to August 30, 2024.

**Auditor's Response:**

The Grantee concurred with our results. Therefore, no further response is necessary.

## Finding 02 – Untimely Quarterly Progress Reporting

### Condition:

As part of our procedures, Castro & Co reviewed interim Performance Progress Reports (PPR) submitted by STW during the period from October 1, 2020 to August 30, 2024. Based on our review, we noted that for five (5) PPRs, the progress reporting coverage periods exceeded 120 days or four months as required in the grant agreement:

PPR Coverage Period	# of Days Covered on PPR
January 1, 2021 to August 31, 2021	242
September 1, 2021 to January 31, 2022	152
February 1, 2022 to June 30, 2022	149
December 1, 2022 to May 31, 2023	181
June 1, 2023 to August 31, 2024	457

### 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 every 120 days or every four months as required. The Grantee stated, due to the inactivity of grant activities as a result of a number of scheduling issues resulting from COVID restrictions and staffing issues there was nothing to report for long periods of time. The grantee further stated they realize the reports, even with no activity, should have been filed to keep ARC aware of the situations that were being encountered.

### Effect:

Without adequate policies and procedures to ensure timely quarterly reporting, inaccurate financial and performance information may be reported to ARC.

### Recommendation:

We recommend that the Grantee:

4. Establish policies and procedures for the timely submission of progress reports in accordance with the Uniform Guidance and grant agreement.

**Grantee's Response:**

STW takes no exception to and agrees with Castro & Company, LLC's findings presented in the audit report of Grant Number PW-20055 with a grant performance period of October 1, 2020 to August 30, 2024.

**Auditor's Response:**

The Grantee concurred with our results. Therefore, no further response is necessary.

## Attachment 1 – Southern Tier West Regional Planning and Development Board's Response



### Southern Tier West Regional Planning & Development Board

Donald McCord, **Chairman**  
Richard T. Zink, **Executive Director**

July 29, 2025

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

Subject Southern Tier West Regional Planning and Development Board (STW) Response to Castro & Company, LLC's Performance Audit of Grant Number PW-20055.

Dear Ms. Donaldson, Senior Auditor:

STW takes no exception to and agrees with Castro & Company, LLC's findings presented in the audit report of Grant Number PW-20055 with a grant performance period of October 1, 2020 to August 30, 2024.

Thank you for your consideration of this vital initiative. If you have any questions, please feel free to contact me at [lkeck@southerntierwest.org](mailto:lkeck@southerntierwest.org) or directly at 716-945-5301 x 2203.

Sincerely,

Lisa Keck  
Executive Director

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