



## Office of Inspector General

Appalachian Regional Commission

### **Audit of Grant Award to Hamot Health Foundation Grant Number IS-20247**

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Report Prepared by Castro & Co, LLC

Report Number 25-39

September 16, 2025

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



# Office of Inspector General

Appalachian Regional Commission

September 16, 2025

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 25-39 – Hamot Health Foundation

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number IS-20247 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. IS-20247**

**For the period from April 1, 2021 to March 31, 2025  
Awarded to Hamot Health Foundation**

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

**September 15, 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 IS-20247 awarded by the Appalachian Regional Commission (ARC) to Hamot Health Foundation (HHF or the Grantee) for the period of April 1, 2021 to March 31, 2025. 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 – Finding and Recommendation**; 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 Hamot Health Foundation management at the conclusion of our fieldwork. The Grantee's response has been included as **Attachment 1 – Hamot Health Foundation'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  
September 15, 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.) IS-20247 awarded to Hamot Health Foundation (HHF or the Grantee) for the period of April 1, 2021 to March 31, 2025.

ARC awarded Grant No. IS-20247 to HHF to coordinate prevention, treatment, and workforce services for people in recovery from substance use disorders. The Grantee is part of a consortium of service providers offering treatment and wraparound services. The consortium added three workforce training providers to their efforts. Consortium members referred patients to a program of "Mobile Case Management" featuring Certified Recovery Specialists. Participants received personal development instruction and soft skills training; some clients also were matched with workforce training services that provided certificates in high demand fields. Other organizations provided links and support for employers. ARC funds primarily supported personnel costs for case managers, recovery specialists, an enrollment specialist and workforce training faculty.

The original period of performance for Grant No. IS-20247 covered the period from April 1, 2021 to March 31, 2024, but was subsequently extended to March 31, 2025. The grant agreement provided a budget of \$500,000 in ARC funds and required non-ARC matching funds of \$500,000 for total project costs of \$1,000,000. The allowable percentage breakout of ARC to non-ARC funding for the project was 50% ARC funds to 50% matching funds.

We obtained the ARC Standard Form (SF) 270, *Request for Advance or Reimbursement*, for the period covering August 1, 2024 to November 30, 2024 (Final) and Close-out memo that identified total cumulative ARC costs of \$500,000 (50%) and non-ARC matching costs of \$500,000 (50%) for a total project cost of \$1,000,000.

## Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC's Office of Inspector General to conduct a performance audit of HHF to determine compliance with the requirements of the ARC Grant No. IS-20247 for the period of April 1, 2021 to March 31, 2025.

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

Exhibit A: Schedule of Grant Budget			
Category	ARC	Non-ARC	Total
Personnel	\$ 342,504	\$ 369,168	\$ 711,672
Fringe Benefits	\$ 97,086	\$ 80,832	\$ 177,918
Travel	\$ 6,675	\$ 2,025	\$ 8,700
Supplies	\$ 8,280	\$ 2,520	\$ 10,800
Indirect	\$ 45,455	\$ 45,455	\$ 90,910
<b>Total</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ 1,000,000</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 includes those costs addressed in HHF's system that specifically apply to ARC such as personnel, fringe benefits, travel, supplies, and indirect costs. We conducted this performance audit from August 2024 to August 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 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;

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<sup>1</sup> 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. Michelle Robertson, Grants Officer for HHF, during the exit conference on September 5, 2025. HHF concurred with our results. HHF’s response has been incorporated into the report and a copy of the response, in its entirety, can be found in **Attachment 1 – Hamot Health Foundation’s Response**.

### **Summary of Results**

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

The Grantee reported a total of \$500,000 in ARC costs and \$500,000 in non-ARC matching costs; therefore, we determined the Grantee met the match requirements as of March 31, 2025. 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 HHF and noted the Grantee had a Single Audit performed for the year(s) ended June 30, 2024. The Single Audit report did not include any findings or recommendations related to internal control and



compliance with the requirements outlined in the OMB Compliance Supplement for the management of federal assistance awards.

The Exhibit B below presents costs claimed by HHF 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>2</sup>	\$ 355,574	\$ 369,168	\$ -	\$ -	\$ 355,574	\$ 369,168	\$ 724,742
Fringe Benefits	\$ 93,676	\$ 80,832	\$ -	\$ -	\$ 93,676	\$ 80,832	\$ 174,508
Travel	\$ 428	\$ -	\$ -	\$ -	\$ 428	\$ -	\$ 428
Supplies	\$ 4,867	\$ -	\$ -	\$ -	\$ 4,867	\$ -	\$ 4,867
Indirect	\$ 45,455	\$ 50,000	\$ -	\$ -	\$ 45,455	\$ 50,000	\$ 95,455
<b>Total</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ 1,000,000</b>

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<sup>2</sup> Actual cost incurred for ARC funded Personnel cost of \$355,574 exceeded the ARC approved budget amount of \$342,504 by \$13,070; however, the amount does not exceed \$100,000 or 10% of the total grant budget. Therefore, prior approval from ARC was not required.

## Appendix A – Finding and Recommendation

### Finding 01 – Untimely Quarterly Progress Reporting

#### Condition:

As part of our procedures, we reviewed interim performance progress reports (PPR) submitted by Hamot Health Foundation (HHF or the Grantee) during the grant period from April 1, 2021 to March 31, 2025. Based on our review, we noted quarterly reporting exceptions on the following PPRs:

- For one (1) PPR, the progress reporting coverage periods exceeded 120 days or four months as required in the grant agreement:
  - PPR for the period ending March 31, 2024 covered a period of 182 days.
- For six (6) PPRs, the reports were not submitted within 30 days from the close of the reporting period, as required by ARC, specifically:

PPR Coverage Period	Due Date	Submission Date	# of Days Late
July 31, 2021 to November 30, 2021	December 30, 2021	February 18, 2022	50
October 1, 2022 to January 31, 2023	March 2, 2023	April 5, 2023	34
February 1, 2023 to May 31, 2023	June 30, 2023	July 14, 2023	14
October 1, 2023 to March 31, 2024	April 30, 2024	May 24, 2024	24
April 1, 2024 to July 31, 2024	August 30, 2024	October 2, 2024	33
August 1, 2024 to November 30, 2024	December 30, 2024	January 9, 2025	10

#### 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 every 120 days or every four (4) months and submitted to ARC within 30 days from the close of the reporting period. The Grantee stated they were unaware PPRs were required to be

submitted within 30 days of the reporting period end and that financial and performance information was not received from their project partners in a timely manner.

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

**Grantee's Response:**

HHF takes no exception to and agrees with Castro & Company, LLC's findings presented in the audit report of Grant Number IS-20247 with a grant performance period of April 1, 2021 to March 31, 2025.

**Auditor's Response:**

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

## Attachment 1 - Hamot Health Foundation's Response

September 5, 2025

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



Subject: Hamot Health Foundation's Response to Castro & Company, LLC's Performance Audit of Grant Number IS-20247.

Hamot Health Foundation takes no exception to and agrees with Castro & Company, LLC's findings presented in the audit report of Grant Number IS-20247 with a grant performance period of April 1, 2021 to March 31, 2025.

We acknowledge the audit finding regarding the absence of adequate policies and procedures to ensure the timely preparation and submission of quarterly Progress Performance Reports (PPRs) in accordance with the Uniform Guidance and the grant agreement.

To address this issue, the Grantee has taken the following corrective actions:

1. **Policy Development:** We will develop and implement formal written policies and procedures that outline the specific timelines and responsibilities for preparing and submitting quarterly PPRs. These policies ensure that reports are prepared every 120 days and submitted to the Appalachian Regional Commission (ARC) within 30 days following the close of each reporting period.
2. **Internal Controls:** We will establish internal controls to monitor compliance with reporting deadlines. This includes the use of a reporting calendar, automated reminders, and periodic reviews by program management to ensure timely submission.
3. **Staff Training:** Relevant staff will be trained on the new policies and procedures to ensure consistent understanding and application across the organization.
4. **Monitoring and Evaluation:** We will conduct periodic internal audits to assess adherence to the reporting requirements and make adjustments as necessary to improve efficiency and compliance.

These actions demonstrate our commitment to maintaining compliance with federal regulations and ensuring transparency and accountability in the administration of grant funds.

Sincerely,

Michelle M. Robertson  
Grants Officer