



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to

Pollen8

Grant Number IS-20264

Report Prepared by Castro & Co, LLC

Report Number 25-40

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 25-40 – Pollen8

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number IS-20264 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 two 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. IS-20264**

**For the period from April 1, 2021 to November 30, 2024
Awarded to Pollen8**

**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-20264 awarded by the Appalachian Regional Commission (ARC) to Pollen8 (the Grantee) for the period of April 1, 2021 to November 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 as described in **Appendix A - Finding 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 Pollen8's management at the conclusion of our fieldwork. The Grantee's response has been included as **Attachment 1 – Pollen8'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-20264 awarded to the Pollen8 (the Grantee) for the period of April 1, 2021 to November 30, 2024.

ARC awarded Grant No. IS-20264 to Pollen8 to provide funding for a recovery-to-work program that included treatment, personal development, education, and employment for women recovering from substance use disorder. This program included in-patient and out-patient treatment, job skill development, safe housing and employment placement for women overcoming a Substance Use Disorder (SUD).

The period of performance for Grant No. IS-20264 originally covered the period from April 1, 2021 to April 1, 2024, but was subsequently extended to July 31, 2025. On August 26, 2024, ARC approved a budget revision adding additional match funds to the project which provided a revised budget of \$494,652 in ARC funds and required non-ARC matching funds of \$508,103 for total project cost of \$1,002,755. The allowable percentage breakout of ARC to non-ARC funding for the project was 49% ARC funds to 51% matching funds.

We obtained the Standard Form (SF) 270, *Request for Advance or Reimbursement*, for the period covering August 1, 2024 to November 30, 2024 that identified total cumulative ARC costs of \$419,872 (50%) and non-ARC matching costs of \$426,011 (50%) for a total project cost of \$845,883.

Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC's Office of Inspector General to conduct a performance audit of Pollen8 to determine compliance with the requirements of the ARC Grant No. IS-20264 for the period of April 1, 2021 to November 30, 2024.

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

Exhibit A: Schedule of Grant Budget			
Category	Federal	Non-Federal	Total
Personnel	\$ 243,500	\$ 295,982	\$ 539,482
Benefits	\$ 25,202	\$ 50,634	\$ 75,836
Travel	\$ 3,600	\$ -	\$ 3,600
Equipment	\$ 151,600	\$ -	\$ 151,600
Supplies	\$ 13,700	\$ 110,367	\$ 124,067
Other	\$ 57,050	\$ 51,120	\$ 108,170
Total	\$ 494,652	\$ 508,103	\$ 1,002,755

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 Pollen8's system that specifically apply to ARC such as personnel, fringe benefits, travel, equipment, supplies, match, and other costs. We conducted this performance audit from August 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 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, 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 auditing, on a test basis, evidence supporting the grant funds were expended during the

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

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. Hollie McCraw, Chief Operating Officer, Ms. Pam Brooks, Grants Administrator, and Ms. Mary Howard, Executive Administrative Assistant, for the Pollen8 during the exit conference on September 9, 2025. Pollen8 concurred with our results. Pollen8's response has been incorporated into the report and a copy of the response, in its entirety, can be found in **Attachment 1 – The Pollen8's Response** of this report.

Summary of Results

Castro & Co's procedures determined that except for Finding 01 related to financial management described in **Appendix A**; the Pollen8 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 ARC funded personnel and fringe benefit questioned cost totaling \$4,555 described in Finding 01.

The Grantee reported a total of \$419,872 in ARC costs and \$426,011 in non-ARC matching costs; therefore, we determined the Grantee has not met the match requirements as of November 30, 2024. We also noted that as of November 30, 2024, the grant had not been closed yet. 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 Pollen8 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
Personnel	\$ 227,230	\$ 265,283	\$ (4,231)	\$ -	\$ 222,999	\$ 265,283	\$ 488,282
Benefits	\$ 19,118	\$ 24,070	\$ (324)	\$ -	\$ 18,794	\$ 24,070	\$ 42,864
Travel	\$ 3,600	\$ -	\$ -	\$ -	\$ 3,600	\$ -	\$ 3,600
Equipment	\$ 126,540	\$ -	\$ -	\$ -	\$ 126,540	\$ -	\$ 126,540
Supplies	\$ 7,679	\$ 32,182	\$ -	\$ -	\$ 7,679	\$ 32,182	\$ 39,861
Other	\$ 35,705	\$ 104,476	\$ -	\$ -	\$ 35,705	\$ 104,476	\$ 140,181
Total	\$ 419,872	\$ 426,011	\$ (4,555)	\$ -	\$ 415,317	\$ 426,011	\$ 841,328

Appendix A - Finding and Recommendations

Finding 01: Duplicate ARC funded Personnel and Fringe Benefit Costs

Condition:

During our procedures, Castro & Company, LLC (Castro & Co) reviewed supporting documentation provided by Pollen8 (the Grantee) for ARC-funded personnel and fringe benefits costs incurred during the period of April 1, 2021 to November 30, 2024. Castro & Co identified duplicate ARC funded personnel costs totaling \$4,231 and ARC funded fringe benefits costs totaling \$324 related two (2) employees for the pay date of May 19, 2022. As a result, Castro & Co questioned costs totaling \$4,555 of ARC funded personnel and fringe benefit costs.

Criteria:

2 CFR Part 200.302, *Financial management*, states,

- (a) The financial management system of each non-Federal entity must provide for the following:
 - (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.328 and 200.329.

2 CFR § 200.430, *Compensation – Personnel Services*, states,

- (i) Standards for Documentation of Personnel Expenses
 - (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
 - (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Cause:

The Grantee stated the employees' paychecks were initially recorded for payment by check and were subsequently voided in order to be paid by direct deposit. The Grantee voiding the payment by check did not remove the costs from the grant project in the general ledger. Pollen8 did not have adequate internal control in place to detect and correct the duplicated transactions in their accounting records prior to reporting financial progress to ARC.

Effect:

Failure to ensure that accounting records for ARC funded costs used to report financial progress are complete and accurate resulted in inaccurate reporting to ARC. ARC could require the Grantee to reimburse questioned costs totaling \$4,555 of ARC funded personnel and fringe benefits costs.

Recommendations:

We recommend the Grantee:

1. Revise policies and procedures over the maintenance of accounting records to ensure costs incurred for Federal awards are accurately recorded and supported by documentation prior to reporting financial information to ARC.

2. Work with ARC to resolve the questioned costs totaling \$4,231 of ARC funded personnel cost and \$324 of ARC funded fringe benefits cost.

Grantee's Response:

Pollen8 acknowledges Castro & Company's finding that duplicate personnel and fringe benefit costs were charged to ARC totaling \$4,555 for the May 19, 2022 pay date. We agree with the identified cause: payroll was initially processed via check, later voided, and reissued via direct deposit, but the voided transaction was not properly removed from the grant project in the general ledger. This resulted in duplicate entries being reported.

Pollen8 takes full responsibility for this error and is committed to strengthening internal controls to prevent recurrence. We recognize the importance of maintaining accurate and complete accounting records in accordance with state and federal regulations.

Auditor's Response:

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

Attachment 1 - Pollen8's Response



September 9, 2025

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

Subject: Pollen8's Response to Castro & Company, LLC Performance Audit of Grant Number IS-20264

Response to Condition and Cause

Pollen8 acknowledges Castro & Company's finding that duplicate personnel and fringe benefit costs were charged to ARC totaling \$4,555 for the May 19, 2022 pay date. We agree with the identified cause: payroll was initially processed via check, later voided, and reissued via direct deposit, but the voided transaction was not properly removed from the grant project in the general ledger. This resulted in duplicate entries being reported.

Pollen8 takes full responsibility for this error and is committed to strengthening internal controls to prevent recurrence. We recognize the importance of maintaining accurate and complete accounting records in accordance with state and federal regulations.

Corrective Action Plan

1. **Immediate Remediation of Questioned Costs**
 - o Pollen8 will remove the duplicate charges of \$4,555 from ARC-funded expenses and revise grant reporting for corresponding period.
 - o Adjusting entries will be made in the general ledger to ensure accurate financial reporting.
2. **Revision of Policies and Procedures**
 - o Updated procedures will require dual verification of all payroll entries charged to federal awards.
 - o A secondary review process will be implemented to confirm that voided transactions are fully removed from grant project allocations prior to submission of financial reports.
3. **Internal Controls Enhancement**
 - o Pollen8 will establish a monthly reconciliation process where grant-funded payroll expenses in the general ledger are compared to payroll registers and void reports to detect any anomalies.

PO Box 8011 | South Charleston, WV 25303 | 304-389-0803 | Pollen8WV.org

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4. Training and Oversight

- Staff responsible for financial management and grant reporting will receive training on all processes and compliance verification, particularly those related to Compensation – Personnel Services and Financial Management standards.
- Training will include instruction on recognizing duplicate or voided transactions and proper coding of payroll adjustments.

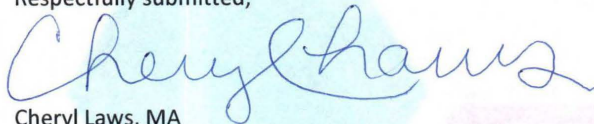
5. Ongoing Monitoring and Compliance

- Quarterly internal audits will be conducted payroll and fringe benefits transactions to ensure accuracy and compliance.
- Results of these audits will be documented and shared with Pollen8 leadership for accountability.

Conclusion

Pollen8 appreciates Castro & Company's review and recommendations. We have taken immediate action to correct the duplicate cost issue and are implementing strengthened controls to ensure compliance with federal requirements. These steps will help safeguard the integrity of ARC funds and reinforce our commitment to accurate and transparent financial management.

Respectfully submitted,



Cheryl Laws, MA
CEO, Pollen8

cheryl@pollen8wv.org
(304) 389-0803

PO Box 8011 | South Charleston, WV 25303 | 304-389-0803 | Pollen8WV.org

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