



Office of Inspector General

Appalachian Regional Commission

**Audit of Grant Award to
Region 4 Planning and Development Council
Grant Number PW-20085**

Report Prepared by Castro & Co, LLC

Report Number 26-05

October 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

October 27, 2025

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 26-05 – Region 4 Planning and Development Council

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number PW-20085 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 five 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-20085**

**For the period from October 1, 2020 to December 29, 2023
Awarded to the Region 4 Planning and Development Council**

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

October 24, 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-20085 awarded by the Appalachian Regional Commission (ARC) to the Region 4 Planning and Development Council (R4PDC or the Grantee) for the period of October 1, 2020 to December 29, 2023. 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 Findings 01 and 02 related to financial management, as 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 R4PDC's management, at the conclusion of our fieldwork. The Grantee's response has been included as **Attachment 1 – Region 4 Planning and Development Council'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
October 24, 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-20085 awarded to the Region 4 Planning and Development Council (R4PDC or the Grantee) for the period of October 1, 2020 to December 29, 2023.

ARC awarded Grant No. PW-20085 to the R4PDC for the creation of a program that strengthened the recovery-to-work ecosystem in West Virginia through the growth of social entrepreneurship in the food sector. This work assisted businesses to meet the needs of communities coping with the opioid crisis by creating a central location that offers cohort-based training for food-based businesses and entrepreneurs seeking to invest in the social mission of recovery. Grant funding supported land purchase, personnel, fringe benefits, travel, equipment, supplies, and contractual expenses.

The original period of performance for Grant No. PW-20085 covered the period from October 1, 2020 to December 29, 2023. The grant agreement provided a budget of \$1,499,894 in ARC funds and required non-ARC matching funds of \$836,638 for total project costs of \$2,336,532. 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 July 1, 2023 to December 29, 2023 that identified total cumulative ARC costs of \$1,499,894 (53%) and non-ARC matching costs of \$1,325,405 (47%) for a total project cost of \$2,825,299.

During our audit, we noted differences in the amounts reported on the SF 270 and costs incurred by the Grantee which included total expended costs of \$1,499,894 (53%) for ARC funded and \$1,306,193 (47%) for a total project cost of \$2,806,087.

Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC's Office of Inspector General to conduct a performance audit of R4PDC to determine compliance with the requirements of the ARC Grant No. PW-20085 for the period of October 1, 2020 to December 29, 2023.

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

Exhibit A: Schedule of Grant Budget			
Category	Federal	Non-Federal	Total
Personnel	\$ 479,543	\$ 441,678	\$ 921,221
Fringe Benefits	\$ 74,799	\$ -	\$ 74,799
Travel	\$ 11,744	\$ 5,216	\$ 16,960
Equipment	\$ 102,287	\$ -	\$ 102,287
Supplies	\$ 207,825	\$ 4,000	\$ 211,825
Contractual	\$ 102,246	\$ 18,000	\$ 120,246
Other	\$ 521,450	\$ 367,744	\$ 889,194
Total	\$ 1,499,894	\$ 836,638	\$ 2,336,532

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 R4PDC's system that specifically apply to ARC such as personnel, fringe benefits, travel, equipment, supplies, contractual, and other costs. We conducted this performance audit from August 2024 to September 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

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

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 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 Mr. John Tuggle, Executive Director, and Ms. Donna Ward, Financial Manager, for R4PDC during the exit conference on October 17, 2025. R4PDC concurred with our results. R4PDC's response has been incorporated into the report and a copy of the response, in its entirety, can be found in **Attachment 1 – Region 4 Planning and Development Council's Response**.

Summary of Results

Castro & Co's procedures determined that except for Findings 01 and 02 related to financial management as described in **Appendix A**; R4PDC 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.

R4PDC's internal guidelines, including program (internal) controls, were adequate and operating effectively, except for the matters described in Findings 01 and 02. 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). We identified discrepancies and questioned costs of \$46,617 for ARC funded expenses and \$39,212 for non-ARC matching cost share expenses.

The Grantee expended a total of \$1,499,894 in ARC costs and \$1,306,193 in non-ARC matching costs; therefore, we determined the Grantee met the match requirements as of December 29, 2023. These matching funds were properly supported and allowable under both Federal and ARC requirements, except for questioned cost totaling \$39,212 as described in Findings 01 and 02. 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 R4PDC and noted the Grantee had Single Audit(s) performed for the year(s) ended June 30, 2023, and June 30, 2021. The Single Audit report for the year ended June 30, 2023 did not identify deficiencies in internal control over compliance requirements as outlined in the OMB Compliance Supplement. However, we noted the Independent Auditor's Report identified material weaknesses in internal control over the use of entity-issued credit cards, payroll transactions, and a formal financial close and reporting process, and one (1) instance of noncompliance related to the late submission of the Single Audit Reporting Package. As described in [Appendix A](#), we noted similar issues related to unsupported payroll transactions and inaccurate reporting of financial progress as a result of our audit procedures.

The Exhibits B1 and B2 below present variances in cumulative costs claimed (reported) by R4PDC on the SF 270 as of December 29, 2023, and costs reconciled from the Grantee's general ledger (GL) as described in Finding 02.

Exhibit B1: Schedule of Variances Between Claimed and Reconciled Costs - Federal			
Category	Costs Claimed on SF 270 (a)	Costs Reconciled from GL (b)	Variance (c=b-a)
Personnel	\$ 479,543	\$ 442,109	\$ (37,434)
Benefits	\$ 74,799	\$ 80,397	\$ 5,598
Travel	\$ 11,744	\$ 7,762	\$ (3,982)
Equipment	\$ 102,287	\$ 72,325	\$ (29,962)
Supplies	\$ 208,106	\$ 267,772	\$ 59,666
Contractual	\$ 102,246	\$ 127,288	\$ 25,042
Other	\$ 521,169	\$ 502,241	\$ (18,928)
Total Federal	\$ 1,499,894	\$ 1,499,894	\$ -

Exhibit B2: Schedule of Variances Between Claimed and Reconciled Costs - Non-Federal			
Category	Costs Claimed on SF 270 (a)	Costs Reconciled from GL (b)	Variance (c=b-a)
Personnel	\$ 763,674	\$ 747,606	\$ (16,068)
Benefits	\$ 12,447	\$ 5,665	\$ (6,782)
Travel	\$ 3,912	\$ 3,000	\$ (912)
Supplies	\$ 7,202	\$ 7,202	\$ -
Contractual	\$ 19,095	\$ 19,095	\$ -
Other	\$ 519,075	\$ 523,625	\$ 4,550
Total Non-Federal	\$ 1,325,405	\$ 1,306,193	\$ (19,212)

The Exhibit C below presents reconciled costs from the Grantee's GL, questioned costs, and the resulting audit recommended costs.

Exhibit C: Schedule of Reconciled and Audit Recommended Costs							
	Reconciled Costs		Questioned Cost		Audit Recommended		
Category	Federal (Exb. B1)	Non-Federal (Exb. B2)	Federal	Non-Federal	Federal	Non-Federal	Total
Personnel	\$ 442,109	\$ 747,606	\$ (22,290)	\$ -	\$ 419,819	\$ 747,606	\$ 1,167,425
Benefits	\$ 80,397	\$ 5,665	\$ (12,595)	\$ -	\$ 67,802	\$ 5,665	\$ 73,467
Travel	\$ 7,762	\$ 3,000	\$ -	\$ -	\$ 7,762	\$ 3,000	\$ 10,762
Equipment	\$ 72,325	\$ -	\$ -	\$ -	\$ 72,325	\$ -	\$ 72,325
Supplies	\$ 267,772	\$ 7,202	\$ (11,732)	\$ -	\$ 256,040	\$ 7,202	\$ 263,242
Contractual	\$ 127,288	\$ 19,095	\$ -	\$ -	\$ 127,288	\$ 19,095	\$ 146,383
Other	\$ 502,241	\$ 523,625	\$ -	\$ (20,000)	\$ 502,241	\$ 503,625	\$ 1,005,866
Total	\$1,499,894	\$ 1,306,193	\$ (46,617)	\$ (20,000)	\$1,453,277	\$ 1,286,193	\$ 2,739,470

Appendix A – Findings and Recommendations

Finding 01 – Unsupported ARC Funded and Non-ARC Matching Cost Share Expenditures

Condition:

As part of our procedures, Castro & Company, LLC (Castro & Co) reviewed supporting documentation provided by the Region 4 Planning and Development Council (R4PDC or the Grantee) for ARC funded and non-ARC matching cost share expenditures incurred during the period of October 1, 2020 to December 29, 2023. Castro & Co identified project expenditures that were not adequately supported by documentation in accordance with the requirements of 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* (the Uniform Guidance or 2 CFR Part 200) as described in **Table A1** below.

Table A1: Unsupported Cost Claimed - Questioned Costs			
Cost Category	Federal	Non-Federal	Note
Personnel	\$ 22,290	\$ -	a
Fringe Benefits	\$ 12,595	\$ -	a
Supplies	\$ 11,732	\$ -	b
Other	\$ -	\$ 20,000	c
Total Questioned Costs	\$ 46,617	\$ 20,000	

- a. Personnel and Fringe Benefits – R4PDC claimed Personnel costs totaling \$75,476 and Fringe Benefits cost totaling \$36,844 incurred by their sub-recipient; however, we determined the supported amounts were \$53,186 for Personnel and \$24,249 for Fringe Benefits based on supporting documentation provided by R4PDC and their sub-recipient resulting in questioned cost of \$22,290 for Personnel and \$12,595 for Fringe Benefits.
- b. Supplies – R4PDC claimed a total of \$129,493 for Supplies cost incurred by their sub-recipient which included \$11,732 from a food service vendor. R4PDC and their sub-recipient were unable to provide adequate documentation to support the food service vendor had been competitively procured or that the cost was reasonable resulting in questioned costs of \$11,732.
- c. Other – R4PDC claimed a total of \$185,000 in error for the appraised market value of in-kind land provided by a third-party project partner. The total amount supported was \$165,000 resulting in questioned cost of \$20,000.

Criteria:

2 CFR Part 200.403, *Factors affecting allowability of costs*, states:

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

(g) Be adequately documented.

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

(b) The recipient's and subrecipient's financial management system must provide for the following:

(3) Maintaining records that sufficiently identify the amount, source, and expenditure of Federal funds for Federal awards. These records must contain information necessary to identify Federal awards, authorizations, financial obligations, unobligated balances, as well as assets, expenditures, income, and interest. All records must be supported by source documentation.

Cause:

The Grantee did not have adequate policies and procedures in place to ensure that costs incurred by sub-recipients for ARC funded and non-ARC matching cost share expenditures were adequately supported in accordance with the Uniform Guidance requirements.

Effect:

The lack of adequate policies and procedures prevented R4PDC from identifying unsupported sub-recipient costs and ensuring the financial information reported to ARC was accurate and adequately supported as required by the Uniform Guidance. As a result, ARC may require the Grantee to revise the ARC Standard Form (SF) 270 to exclude the questioned cost of \$46,617 for unsupported ARC funded expenses and \$20,000 for unsupported non-ARC matching cost share expenses.

Recommendation:

We recommend that the Grantee:

1. Establish policies and procedures to track and maintain sub-recipient documentation to ensure expenditures are adequately supported prior to reporting financial information to ARC.
2. Work with ARC to resolve the questioned cost totaling \$46,617 for unsupported ARC funded Personnel, Fringe Benefits, and Supplies cost.
3. Work with ARC to resolve the questioned cost totaling \$20,000 for unsupported non-ARC matching Other cost.

Grantee's Response:

R4PDC takes no exception to and agrees with Castro & Company, LLC's findings presented in the audit report of Grant Number PW-20085 with a grant performance period of October 1, 2020 to December 29, 2023.

We greatly appreciate the Castro & Company team's time, diligence, and professionalism throughout this process. While we take no exception to the findings, we would like to provide additional context for each item noted as follows:

Finding 01: Unsupported ARC Funded and Non-ARC Matching Cost Share Expenditures

- A. Personnel and Fringe Benefits: We affirm that the costs in question were incurred and paid appropriately; however, less than sufficient supporting documentation is the root cause of this issue. The sub-recipient provided detailed quarterly time-tracking sheets for staff, including labor and fringe breakdowns. However, payroll records as additional support documentation, which would have strengthened the documentation, was not provided. Additionally, since the grant's implementation, the sub-recipient has transitioned to a new payroll accounting system, making electronic retrieval of historical supporting documentation extremely challenging.
- B. Supplies: We acknowledge and sincerely apologize for the inadequacies regarding the solicitation of quotes for the supplies in question. The purchases, totaling \$11,732, were made over a three-month period. We did not anticipate that cumulative costs would exceed the micro-purchase threshold. In retrospect, procedures for improved cost projections should have been conducted in case the aggregate amount would possibly trigger the \$10,000 procurement implementation threshold.
- C. Other: This discrepancy resulted from a typographical error originating at the inception of the grant, which was only identified during the audit process.

Auditor's Response:

The Grantee agreed with our finding; therefore, no further response is needed.

Finding 02 – Inaccurate Reporting of Financial Progress

Condition:

As part of our audit procedures, Castro & Co compared general ledger (GL) detail transactions to cumulative total costs reported by R4PDC on the SF 270 for ARC funded and non-ARC matching costs as of December 29, 2023. We noted the Grantee did not adequately track costs incurred and reconcile the GL transactions to the amounts reported to ARC to verify completeness and accuracy of the costs incurred by the Grantee and their sub-recipients. Castro & Co identified material variances in the claimed amounts for ARC funded and non-ARC matching cost share as detailed in the table below.

Category	Claimed	Incurred	Variance
Personnel	\$ 479,543	\$ 442,109	\$ 37,434
Benefits	\$ 74,799	\$ 80,397	\$ (5,598)
Travel	\$ 11,744	\$ 7,762	\$ 3,982
Equipment	\$ 102,287	\$ 72,325	\$ 29,962
Supplies	\$ 208,106	\$ 267,772	\$ (59,666)
Contractual	\$ 102,246	\$ 127,288	\$ (25,042)
Other	\$ 521,169	\$ 502,241	\$ 18,928
Total ARC Funded	\$ 1,499,894	\$1,499,894	\$ -
Personnel	\$ 763,674	\$ 747,606	\$ 16,068
Benefits	\$ 12,447	\$ 5,665	\$ 6,782
Travel	\$ 3,912	\$ 3,000	\$ 912
Supplies	\$ 7,202	\$ 7,202	\$ -
Contractual	\$ 19,095	\$ 19,095	\$ -
Other	\$ 519,075	\$ 523,625	\$ (4,550)
Total Match Costs	\$ 1,325,405	\$1,306,193	\$ 19,212
Total Overall Costs	\$ 2,825,299	\$2,806,087	\$ 19,212

Criteria:

Part II ARC Grant Agreement: General Provisions, Article 11 Method of Payment, states in part:

(3) Final Payment. Upon Grantee's satisfactory completion of the Agreement, Grantee shall receive any balance of funds which may be due under this Agreement.

(4) Disbursements. All disbursements shall be for obligations incurred, after the effective date, in the performance of this Agreement, and shall be supported by contracts, invoices, vouchers and other data, as appropriate, evidencing the disbursements.

2 CFR 200.302, *Financial management*, states:

(b) 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 2 CFR 200.328 and 200.329.

(3) Records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards,

authorizations, financial obligations, unobligated balances, assets, expenditures, income, and interest and be supported by source documentation.

Cause:

The Grantee retained financial information in the form of resolutions which included ARC funded and non-ARC matching cost share amounts in PDF documents; however, R4PDC did not have policies and procedures in place to track cost incurred and perform reconciliations throughout the grant period to ensure complete and accurate financial information was reported to ARC.

Effect:

The absence of policies and procedures to ensure complete and accurate financial information resulted in variances totaling \$19,212 in the amount reported to ARC for non-ARC matching Personnel, Fringe Benefits, and Travel cost. ARC may require the Grantee to revise the SF 270 to exclude the questioned cost of \$19,212 for non-ARC matching cost share.

Recommendation:

We recommend that the Grantee:

4. Establish policies and procedures to track and reconcile cost incurred throughout the grant period to ensure complete and accurate financial reporting.
5. Work with ARC to revise reported projects costs for ARC funded and non-ARC match costs.

Grantee's Response:

R4PDC takes no exception to and agrees with Castro & Company, LLC's findings presented in the audit report of Grant Number PW-20085 with a grant performance period of October 1, 2020 to December 29, 2023.

We greatly appreciate the Castro & Company team's time, diligence, and professionalism throughout this process. While we take no exception to the findings, we would like to provide additional context for each item noted as follows:

Finding 02: Inaccurate Reporting of Financial Progress

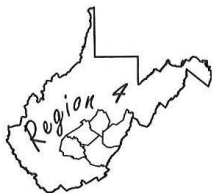
Several factors contributed to discrepancies in the final expenditure reporting. A budget amendment approved in mid-2023 was unintentionally left out of the final ARC budget totals. Incorporating this amendment aligns the final budget more closely with actual expenditures. Additionally, during a detailed reconciliation process, we identified other reporting inconsistencies that were previously overlooked.

We fully accept the recommendations provided and are committed to implementing stronger procedures for tracking and reconciling costs throughout future grant periods. Specifically, we will establish standardized reconciliation checkpoints, enhance internal review protocols, and provide additional staff training to ensure complete and accurate reporting.

Auditor's Response:

The Grantee agreed with our finding; therefore, no further response is needed.

Attachment 1 – Region 4 Planning and Development Council’s Response



Region 4 Planning and Development Council

885 Broad Street, Suite 100 Summersville, WV 26651
Phone: 304-872-4970
Fax: 304-872-1012
www.reg4wv.org

October 21, 2025

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

Subject: Region 4 Planning and Development Council (R4PDC) Response to Castro & Company, LLC’s Performance Audit of Grant Number PW-20085.

To whom it may concern:

R4PDC takes no exception to and agrees with Castro & Company, LLC’s findings presented in the audit report of Grant Number PW-20085 with a grant performance period of October 1, 2020 to December 29, 2023.

We greatly appreciate the Castro & Company team’s time, diligence, and professionalism throughout this process. While we take no exception to the findings, we would like to provide additional context for each item noted as follows:

Finding 01: Unsupported ARC Funded and Non-ARC Matching Cost Share Expenditures

- A. Personnel and Fringe Benefits: We affirm that the costs in question were incurred and paid appropriately; however, less than sufficient supporting documentation is the root cause of this issue. The sub-recipient provided detailed quarterly time-tracking sheets for staff, including labor and fringe breakdowns. However, payroll records as additional support documentation, which would have strengthened the documentation, was not provided. Additionally, since the grant’s implementation, the sub-recipient has transitioned to a new payroll accounting system, making electronic retrieval of historical supporting documentation extremely challenging.
- B. Supplies: We acknowledge and sincerely apologize for the inadequacies regarding the solicitation of quotes for the supplies in question. The purchases, totaling \$11,732, were made over a three-month period. We did not anticipate that cumulative costs would exceed the micro-purchase threshold. In retrospect, procedures for improved cost projections should have been conducted in case the aggregate amount would possibly trigger the \$10,000 procurement implementation threshold.
- C. Other: This discrepancy resulted from a typographical error originating at the inception of the grant, which was only identified during the audit process.

Finding 02: Inaccurate Reporting of Financial Progress

Several factors contributed to discrepancies in the final expenditure reporting. A budget amendment approved in mid-2023 was unintentionally left out of the final ARC budget totals. Incorporating this amendment aligns the final budget more closely with actual expenditures. Additionally, during a detailed reconciliation process, we identified other reporting inconsistencies that were previously overlooked.

We fully accept the recommendations provided and are committed to implementing stronger procedures for tracking and reconciling costs throughout future grant periods. Specifically, we will establish standardized reconciliation checkpoints, enhance internal review protocols, and provide additional staff training to ensure complete and accurate reporting.

In closing, we want to reaffirm our full commitment to implementing the recommendations outlined in the report. We take these findings seriously and deeply value the investments the Appalachian Regional Commission has made in our region. Ensuring that ARC's contributions deliver meaningful and measurable impact is a top priority for our organization. The referenced project has generated significant benefits across the region, creating opportunities and strengthening local economies in ways that will have a lasting effect. Moving forward, we are dedicated to enhancing our internal controls, improving compliance processes, and maintaining the highest standards of accountability to honor the trust placed in us by ARC and our community partners.

Sincerely,

A handwritten signature in blue ink, appearing to read "John W. Tuggle", is written over the printed name.

John W. Tuggle, P.E., P.S.
Executive Director