



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to The Conservation Fund Grant Number CO-15421-C7

Report Prepared by Castro & Co, LLC

Report Number 26-25

May 4, 2026

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



Office of Inspector General

Appalachian Regional Commission

May 4, 2026

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 26-25 – The Conservation Fund

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number CO-15421-C7 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 therein. The auditors issued no recommendations in the report. We do not express any opinion on the conclusions presented in the audit report. To fulfill our responsibilities, we:

- Reviewed the approach to and planning of the audit;
- Evaluated the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Coordinated periodic meetings, as necessary;
- Reviewed the draft and final audit reports; and
- Coordinated the issuance of the audit report.

We thank your staff for the assistance extended to the auditors during this audit. Please contact me at 202-884-7675 if you have any questions regarding the report.



**Appalachian Regional Commission
Performance Audit Report
of Grant No. CO-15421-C7**

**For the period from January 1, 2024 to April 30, 2025
Awarded to The Conservation Fund**

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

April 29, 2026

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 CO-15421-C7 awarded by the Appalachian Regional Commission (ARC) to The Conservation Fund (the Grantee) for the period of January 1, 2024 to April 30, 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 the Grantee's financial management, administrative procedures, and related internal controls were adequate to manage the ARC grant funds. There were no findings and recommendations resulting from this performance audit engagement.

We discussed the results of this performance audit with The Conservation Fund's management, at the conclusion of our fieldwork.

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

Castro & Company, LLC

Alexandria, VA
April 29, 2026

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.) CO-15421-C7 awarded to The Conservation Fund (the Grantee) for the period of January 1, 2024 to April 30, 2025.

ARC awarded Grant No. CO-15421-C7 to The Conservation Fund to provide funding for training and technical assistance to communities that serve as gateways to the region's public lands and heritage areas. Under this initiative, ARC partnered with another organization to implement Round 9 of the Appalachian Gateway Communities Cultural Heritage Initiative.

The program was designed to deliver targeted training focused on emerging trends and opportunities in Appalachian gateway communities with an emphasis on sustainable economic development drivers. Training topics included cultural heritage and natural resource tourism, outdoor recreation, downtown revitalization, and the role of the arts in strengthening local economies and community identity. The training model incorporated national and regional subject matter experts and included key components such as pre- and post-workshop coaching, as well as an action-planning process to help each community address specific local challenges or opportunities.

The original period of performance for Grant No. CO-15421-C7 covered the period from January 1, 2024 to December 31, 2025 but was subsequently amended to the period of January 1, 2024 to June 30, 2026. The grant agreement provided a budget of \$166,000 in ARC funds and required non-ARC matching funds of \$3,600 for total project costs of \$169,600. The allowable percentage breakout of ARC to non-ARC funding for the project was 98% ARC funds to 2% matching funds.

We obtained the Standard Form (SF-270) *Request for Advance or Reimbursement* for the period covering January 1, 2025 to April 30, 2025 that identified total cumulative ARC costs of \$95,917 (96%) and non-ARC matching costs of \$3,600 (4%) for a total project cost of \$99,517.

Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC's Office of Inspector General to conduct a performance audit of The Conservation Fund to determine compliance with the requirements of the ARC Grant No. CO-15421-C7 for the period of January 1, 2024 to April 30, 2025.

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

| Exhibit A: Schedule of Approved Budget | | | |
|--|------------------------|-----------------|-------------------|
| Category | Federal | Non-Federal | Total |
| Personnel | \$ 26,797 | \$ - | \$ 26,797 |
| Fringe Benefits | \$ 7,503 | \$ - | \$ 7,503 |
| Travel | \$ 3,500 | \$ - | \$ 3,500 |
| Supplies | \$ 770 | \$ - | \$ 770 |
| Contractual | \$ 42,000 ¹ | \$ - | \$ 42,000 |
| Other | \$ 82,000 | \$ 3,600 | \$ 85,600 |
| Indirect Costs | \$ 3,430 | \$ - | \$ 3,430 |
| Total | \$ 166,000 | \$ 3,600 | \$ 169,600 |

The objectives of our audit were to determine whether the Grantee used grant funding from the ARC in accordance with its ARC grant agreement and complied with financial management requirements, specifically to determine whether:

- Program funds were managed in accordance with the ARC and Federal grant requirements;
- Grant funds were expended as provided for in the approved grant budget;
- Internal grant guidelines, including program (internal) controls, were adequate and operating effectively;
- Accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements);
- Matching requirements were met; and
- Reported performance measures were fair and reasonable.

The scope of this audit includes those costs addressed in The Conservation Fund’s system that specifically apply to ARC such as personnel, fringe benefits, travel, supplies, contractual, other, and indirect costs. We conducted this performance audit from September 2025 to April 2026 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)², the ARC Code, and the Grant Agreement.

To meet the audit objectives, our overall methodology included the following:

¹ ARC partnered with the National Endowment for the Arts (NEA) to fund Round 9 of the Appalachian Gateway Communities Cultural Heritage Initiative. The NEA funding of \$30,000 was transferred to ARC in September 2024.

² The applicable version of the Uniform Guidance was published January 1, 2024.

- Obtaining an understanding of the Grantee’s internal controls and documenting key controls over cash disbursements, personnel, travel, 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 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. Hilary Toma, Director of Field Financial Services, Ms. Hillina Feteawoke, Director of Accounting & Financial Reporting, and Ms. Kerry McGowen, Senior Grant Administrator, for The Conservation Fund during the exit conference on April 22, 2026. The Conservation Fund concurred with our results.

Summary of Results

Castro & Co’s procedures determined that The Conservation Fund 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).

The Grantee reported a total of \$95,917 in ARC costs and \$3,600 in non-ARC matching costs; therefore, we determined the Grantee met the match requirements as of April 30, 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 The Conservation Fund and noted the Grantee had a Single Audit performed for the year ended December 31, 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 The Conservation Fund and costs recommended as a result of the grant audit.

| Exhibit B: Schedule of Claimed and Audit Recommended Costs | | | | | | | |
|--|------------------|-----------------|-------------|-------------|-------------------|-----------------|------------------|
| Category | Claimed | | Questioned | | Audit Recommended | | |
| | Federal | Non-Federal | Federal | Non-Federal | Federal | Non-Federal | Total |
| Personnel | \$ 24,279 | \$ - | \$ - | \$ - | \$ 24,279 | \$ - | \$ 24,279 |
| Fringe Benefits | \$ 3,198 | \$ 3,600 | \$ - | \$ - | \$ 3,198 | \$ 3,600 | \$ 6,798 |
| Travel | \$ 1,393 | \$ - | \$ - | \$ - | \$ 1,393 | \$ - | \$ 1,393 |
| Supplies | \$ 85 | \$ - | \$ - | \$ - | \$ 85 | \$ - | \$ 85 |
| Contractual | \$ 12,416 | \$ - | \$ - | \$ - | \$ 12,416 | \$ - | \$ 12,416 |
| Other | \$ 51,438 | \$ - | \$ - | \$ - | \$ 51,438 | \$ - | \$ 51,438 |
| Indirect Costs ³ | \$ 3,108 | \$ - | \$ - | \$ - | \$ 3,108 | \$ - | \$ 3,108 |
| Total | \$ 95,917 | \$ 3,600 | \$ - | \$ - | \$ 95,917 | \$ 3,600 | \$ 99,517 |

³ The grantee utilized the 10% De-minimis rate for indirect costs based on total Personnel and Fringe ARC costs.