



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to B-K Health Center Inc. Grant Number IS-21818

Report Prepared by Allmond & Company, LLC

Report Number 26-26

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 26-26 – B-K Health Center Inc.

This memorandum transmits the Allmond & Company, LLC report for the audit of costs charged to grant number IS-21818 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.

Allmond & Company, LLC is responsible for the attached audit report and the conclusions expressed therein. 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 three 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.

**Report on Performance Audit
of
Appalachian Regional Commission
Grant No. IS-21818-1
For The Period of September 1, 2024 to August 31, 2025**

**Awarded To
B-K Health Center**

**Prepared For The Appalachian Regional Commission
Office of Inspector General**

April 17, 2026

**ALLMOND & COMPANY, LLC
Certified Public Accountants
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Appalachian Regional Commission
Office of Inspector General
1666 Connecticut Avenue, NW; Suite 700
Washington, DC 20009

EXECUTIVE SUMMARY

The Appalachian Regional Commission (ARC) Office of Inspector General (OIG) has contracted with Allmond & Company, LLC (Allmond & Company) to perform a performance audit of grant number IS-21818-1 awarded to B-K Health Center (BKHC). The scope of our audit is ARC Grant No. IS-21818-1 funds used during the period of September 1, 2024 through August 31, 2025.

The objectives of the grant performance audit will be to determine if BKHC (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; (6) The reported performance measures were fair and reasonable; (7) The single audit contained any findings or recommendations related to the management of federal assistant awards.

We conducted the performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, collectively referred to as generally accepted government auditing standards (GAGAS). 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 in accordance with our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Based on the audit procedures performed, we concluded that BKHC generally managed and expended grant funds in accordance with ARC and federal requirements, properly accounted for and controlled property, reported performance measures fairly and accurately during the audit period, and single audit did not contain any findings or recommendation. However, BKHC did not maintain adequate internal controls over grant financial management and we were unable to determine if BKHC met matching requirements.

Allmond & Company, LLC

Lanham, MD
April 17, 2026

BACKGROUND

The Appalachian Regional Commission (ARC) was established by the Appalachian Regional Development Act (ARDA) of 1965 to oversee economic development in the Region. It is the purpose of this subtitle to assist the region in meeting its special problems, to promote its economic development, and to establish a framework for joint federal and state efforts toward providing the basic facilities essential to its growth and attacking its common problems and meeting its common needs on a coordinated and concerted regional basis. The ARC is an economic development partnership entity of the federal government with thirteen (13) state governments focusing on four hundred and twenty-three (423) counties across the Appalachian Region. Its mission is to innovate, partner, and invest to build community capacity and strengthen economic growth in Appalachia. The thirteen states are Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia.

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, healthcare, water and sewer systems, housing, highway construction, and other essentials of comprehensive economic development. ARC's staff is responsible for program development; policy analysis and review; grant development; technical assistance to states; and management and oversight. 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.

The Grantee – B-K Health Center

B-K Health Center is doing business as NEPA Community Health Care. The Center's mission is to provide exceptional care to all those who seek it and strive to break down barriers so that its clients receive the care they need when they need it. It is their core belief that primary care is the foundation of whole-person health and, as such, the gateway to all medical subspecialties.

ARC awarded BKHC grant number IS-21818-1 in the amount of \$50,000 for the period of September 1, 2024 to August 31, 2025 which required an additional \$50,000 in matching funding. The grant funds were to be used to build a taskforce of community stakeholders to prepare a strategic plan for Susquehanna County. In addition to the task force, contractors will be hired to perform a Community Needs Assessment. They will also assist the task force in providing an Atlas of Funding Resources to complete the strategic plan. The Community Needs assessments will pinpoint gaps in the current recovery ecosystem and the Funding Atlas will serve as a guide outlining availability, requirements, deadlines, and application processes for funding opportunities across local, state, and federal resources. The Strategic Plan will be comprised of qualitative feedback and assessment from the task force, quantitative and qualitative data compiled for the Community Needs Assessment, and a clear quantitative map to navigate available funding for the service area in the Funding Atlas. ARC funds will support the contractors and supplies.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the grant performance audit were to determine if BKHC:

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.
6. The reported performance measures were fair and reasonable.
7. The single audit contained any findings or recommendations related to the management of federal assistant awards

The scope of our audit is ARC Grant No. IS-21818-1 funds used during the period of September 1, 2024 through August 31, 2025. BKHC expended the following grant funds during the scope of our audit:

Description	Amount
Federal Grant Amount	\$50,000.00
Required Matching Funds	\$50,000.00
Total	\$100,000.00

The following chart summarizes BKHC’s approved budgeted amounts by budget category:

Budget Category	ARC Expenditures	Matching Expenditures	Total Expenditures
Personnel	--	\$47,100.00	\$47,100.00
Supplies	\$5,500.00	--	\$5,500.00
Contractual	\$44,500.00	--	\$44,500.00
Other	--	\$2,900.00	\$2,900.00
Total	\$50,000.00	\$50,000.00	\$100,000.00

We conducted our audit in accordance with GAGAS applicable to performance audits. Those standards required that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions in accordance with our audit objectives. To accomplish our objectives, we:

- Obtained an understanding of any regulatory criteria related to the BKHC’s responsibilities to administer grant funding awarded under ARC.
- Identified internal controls significant to our audit objectives for sample testing. Specifically, test internal controls in place in the areas of financial management, procurement, property, time and attendance, expense approval, and grant execution and reporting.

- Selected a representative sample of grant expenditures. These grant expenditures were tested for accuracy and program compliance by reviewing grant file documents, grant agreements, timesheets, financial management system documentation, invoices, financial status reports, and request for advance/reimbursement for grant payment forms.
- Reconciled and reviewed the financial reports for the ARC grants to BKHC's accounting records as of September 30, 2025.
- Verified that BKHC's matching expenses for the grant complied with the award requirements.
- Reviewed support for direct costs, including expenditures such as equipment, travel, and supplies, to determine whether the goods or services were allowable.
- Assessing whether BKHC reported performance measures were fair and reasonable.
- Reviewed BKHC Grant Agreements, Request for Advance or Reimbursement Forms (SF-270), financial records, policies on cost allocation and allowability, budgets, financial statements and Single Audit reports, performance reports, and grant and program applications to determine if BKHC is administering their grants in accordance with ARC and OMB requirements.

GRANTEE'S RESPONSE TO AUDIT RESULTS

We conducted an exit conference on April 28, 2026 with representatives of BKHC, ARC OIG, and ARC representatives where we discussed the results of our audit. BKHC concurred with our results. We have included in this report BKHC's response to the findings identified in Appendix I – Response of B-K Health Center to the Findings. Such response has not been subjected to audit procedures and, accordingly, we do not provide any form of assurance on the appropriateness of the response or the effectiveness of the corrective actions described therein.

AUDIT RESULTS

Based on the procedures performed, except for the exceptions identified below, we found that BKHC generally managed and expended grant funds in accordance with ARC and federal requirements, properly accounted for and controlled property, reported performance measures fairly and accurately during the audit period, and single audit did not contain any findings or recommendation.

However, BKHC did not maintain adequate internal controls over grant financial management and we were unable to determine if BKHC met matching requirements. We identified deficiencies in internal control that require improvements. These exceptions represent discrepancies which can adversely affect BKHC ability to meet objectives described above if not corrected. Specifically, BKHC needs improvements over 1) grant financial management; and 2) compliance with ARC grant matching requirements. Our findings and recommendations are discussed in detail below.

Below, we have presented a Schedule of Claimed and Audit Recommended Cost as of August 31, 2025, which reflects the results of our audit.

Schedule of Claimed and Audit Recommended Costs							
Budget Category	Claimed Cost		Questioned Cost		Audit Recommended Costs		
	ARC	Matching	ARC	Matching	ARC	Matching	Total Expenditures
Personnel	--	\$47,100.00	--	\$47,100.00	--	--	--
Supplies	\$500.00	--	--	--	\$500.00	--	\$500.00
Contractual	\$44,500.00	--	--	--	\$44,500.00	--	\$44,500.00
Other	--	\$2,900.00	--	\$2,900.00	--	--	--
Total	\$45,000.00	\$50,000.00	--	--	\$45,000.00	--	\$45,000.00

NOTICE OF FINDINGS AND RECOMMENDATIONS**Improvements Needed over BKHC's Internal Controls related to Grant Financial Management (BKHC 2026-01)****CONDITION:**

During our testing of the agency's ARC grant and matching expenditures, we noted that B-K Health Center did not completely and accurately record all of its grant-related expenditures and receipts in its general ledger. Specifically,

- B-K Health Center did not record an expense of \$499.96 for supplies.
- B-K Health Center did not record any accounting transactions to document the receipt and expense of in-kind donations.

CRITERIA:

OMB's Uniform Guidance §200.302, Financial Management, states in part, "All recipient and subrecipient financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by the terms and conditions; and tracking expenditures to establish that funds have been used in accordance with Federal statutes, regulations, and the terms and conditions of the Federal award."

OMB's Uniform Guidance §200.306, Cost Sharing, states in part, "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 in the recipient's or subrecipient's records . . ."

OMB's Uniform Guidance §200.303, Internal Controls, states in part, "The recipient and subrecipient must:

(a) Establish, document and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

(b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal award . . ."

GAO Standards for Internal Controls in the Federal Government, (issued September 2014), Principle 10 – Design of Appropriate Types of Control Activities, 10.03, Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system. . .

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.”

CAUSE:

B-K Health Center does not have policies and procedures in place to account for its in-kind donation or to ensure all grant related transactions are included in their general ledger.

EFFECT:

The Federal and Matching grant expenses reported in B-K Health Center’s financial report may be incorrect. Also, B-K Health Center could be non-compliant with applicable laws, regulations, and the grant terms.

RECOMMENDATIONS:

We recommend that B-K Health Center’s management:

1. Develop and implement policies and procedures to ensure all federal grant and matching receipts and expenses are properly recorded in its general ledger.

GRANTEE’S RESPONSE:

B-K Health Center concurred with the audit results. See BKHC’s full response in Appendix I.

AUDITOR’S RESPONSE:

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

Improvements Needed over BKHC’s Internal Controls related to ARC Matching Grant Compliance (BKHC 2026-02)**CONDITION:**

During our test work over the agency’s required matching expenses, we determined that B-K Health Center did not establish and maintain fiscal records to properly account for cost matching, resulting in questioned costs \$50,000. B-K Health Center management provided three Letters of Commitment dated prior to the start of the project. However, management did not have appropriate documentation to substantiate that the donations actually occurred.

CRITERIA:

OMB’s Uniform Guidance §200.303, Internal Controls, states in part, “The recipient and subrecipient must:

(a) Establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

(b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal award . . .”

GAO Standards for Internal Controls in the Federal Government, (issued September 2014), Principle 10 – Design of Appropriate Types of Control Activities, 10.03, Management designs appropriate types of control activities for the entity’s internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system. . .

Appropriate documentation of transactions and internal control

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. . .”

OMB’s Uniform Guidance §200.306, Cost Sharing, states in part, “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 in the recipient's or subrecipient's records . . .”

QUESTIONED COST:

We questioned \$50,000 of in-kind matching receipts and expenditures.

CAUSE:

BKHC management does not have policies and procedures in place to document in-kind donations received.

EFFECT:

BKHC's matching grant expenses reported in its financial report may be inaccurate and may not comply with grant matching requirements.

RECOMMENDATIONS:

We recommend that B-K Health Center's management:

2. Develop and implement policies and procedures to ensure in-kind donations are properly documented and recorded in its general ledger.
3. Work with ARC staff to correct and resolve the 2025 ARC grant match deficiency.

GRANTEE'S RESPONSE:

B-K Health Center concurred with the audit results. See BKHC's full response in Appendix I.

AUDITOR'S RESPONSE:

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



NEPA *Community*

— HEALTH CARE —

April 29, 2026

Dear Allmond and Company, LLC,

NEPA Community Health Care acknowledges and accepts the results of this audit. We will complete internal policy and procedure revisions to ensure in-kind donations are properly documented and continue to work with the ARC team accordingly.

Many thanks to Blair Clarke and his team for their professional support and feedback.

Sincerely,

Kristen N Follert

CEO

NEPA Community Health Care

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