



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to Frostburg State University Grant Number MD-21708

Report Prepared by Castro & Co, LLC

Report Number 26-28

May 6, 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 6, 2026

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 26-28 – Frostburg State University

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number MD-21708 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. MD-21708**

**For the period from April 1, 2024 to July 31, 2025
Awarded to Frostburg State University**

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

April 30, 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 (No.) MD-21708 awarded by the Appalachian Regional Commission (ARC) to Frostburg State University (FSU or the Grantee) for the period of April 1, 2024 to July 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 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 FSU'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 30, 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.) MD-21708 awarded to Frostburg State University (FSU or the Grantee) for the period of April 1, 2024 to July 31, 2025.

ARC awarded Grant No. MD-21708 to FSU to purchase remote sensing geographic information system (GIS) equipment to provide enhanced GIS services to local businesses and organizations, support educational awareness through data collection and presentation, and equip staff and students with advanced GIS knowledge and skills to further support the Appalachian workforce.

The period of performance for Grant No. MD-21708 covered the period from April 1, 2024 to June 30, 2026. The grant agreement provided a budget of \$250,000 in ARC funds and required non-ARC matching funds of \$250,000 for total project costs of \$500,000. The allowable percentage breakout of ARC to non-ARC funding for the project was 50% ARC funds to 50% matching funds.

We obtained the Standard Form (SF-270), *Request for Advance or Reimbursement*, for the period covering April 1, 2025 to July 31, 2025 that identified total cumulative ARC costs of \$208,140 (56%) and non-ARC matching costs of \$165,081 (44%) for a total project cost of \$373,221.

Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC's Office of Inspector General to conduct a performance audit of FSU to determine compliance with the requirements of the ARC Grant No. MD-21708 for the period of April 1, 2024 to July 31, 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	\$ -	\$ 60,208	\$ 60,208
Fringe Benefits	\$ -	\$ 19,038	\$ 19,038
Travel	\$ 4,327	\$ 1,973	\$ 6,300
Equipment	\$ 209,355	\$ 95,467	\$ 304,822
Supplies	\$ 36,318	\$ 16,560	\$ 52,878
Indirect Cost	\$ -	\$ 56,754	\$ 56,754
Total	\$ 250,000	\$ 250,000	\$ 500,00

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 FSU's system that specifically apply to ARC such as personnel, fringe benefits, equipment, supplies, indirect, and match costs. We conducted this performance audit from August 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)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, indirect, 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

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

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. Sara Wilhelm, Director of Procurement, Ms. Tamara Lowry, Director of Office of Sponsored Programs, Mr. Jason Litten, Co-Director of GIS Center, and Ms. Jessica Taylor, Restricted Funds Accountant, for FSU during the exit conference on April 28, 2026. FSU concurred with our results.

Summary of Results

Castro & Co's procedures determined FSU 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 \$208,140 in ARC costs and \$165,081 in non-ARC matching costs; therefore, we determined the Grantee did not meet the match requirements as of July 31, 2025. However, we noted that as of July 31, 2025, the grant had not 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 the Grantee was not subject to the Single Audit requirements under the Uniform Guidance, except for Fiscal Year 2025. However, we noted that as of July 31, 2025, the grant had not yet completed the Single Audit for Fiscal Year 2025.

The Exhibit B below presents costs claimed by FSU 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	\$ -	\$ 32,205	\$ -	\$ -	\$ -	\$ 32,205	\$ 32,205
Fringe Benefits	\$ -	\$ 9,921	\$ -	\$ -	\$ -	\$ 9,921	\$ 9,921
Equipment	\$ 187,717	\$ 84,337	\$ -	\$ -	\$ 187,717	\$ 84,337	\$ 272,054
Supplies	\$ 20,423	\$ 9,201	\$ -	\$ -	\$ 20,423	\$ 9,201	\$ 29,624
Indirect	\$ -	\$ 29,417	\$ -	\$ -	\$ -	\$ 29,417	\$ 29,417
Total	\$ 208,140	\$ 165,081	\$ -	\$ -	\$ 208,140	\$ 165,081	\$ 373,221