



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to Mid Valley School District Grant Number PA-21691

Report Prepared by Castro & Co, LLC

Report Number 26-29

May 8, 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 8, 2026

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 26-29 – Mid Valley School District

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number PA-21691 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. 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.



**Appalachian Regional Commission
Performance Audit Report
of Grant No. PA-21691**

**For the period from June 1, 2024 to May 31, 2025
Awarded to the Mid Valley School District**

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

May 7, 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 PA-21691 awarded by the Appalachian Regional Commission (ARC) to the Mid Valley School District (MVSD or the Grantee) for the period of June 1, 2024, to May 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 that except for Finding 01 related to financial management and Finding 02 related to administrative procedures 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 MVSD's management, at the conclusion of our fieldwork. The Grantee's response has been included as **Attachment 1 – Mid Valley School District'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
May 7, 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.) PA-21691 awarded to the Mid Valley School District (MVSD or the Grantee) for the period of June 1, 2024, to May 31, 2025.

ARC awarded Grant No. PA-21691 to MVSD to establish a biomedical science learning pathway in the Project Lead the Way (PLTW) program and funded the purchase and installation of laboratory supplies and equipment in the new STEAM Learning Center on campus.

The period of performance for Grant No. PA-21691 covered the period from June 1, 2024 to May 31, 2025. The grant agreement provided a budget of \$250,000 in ARC funds and required non-ARC matching funds of \$280,000 for total project costs of \$530,000. The allowable percentage breakout of ARC to non-ARC funding for the project was 47% ARC funds to 53% matching funds.

We obtained the Standard Form (SF-270), *Request for Advance or Reimbursement*, for the period covering January 29, 2025 to May 31, 2025 that identified total cumulative ARC costs of \$250,000 (47%) and non-ARC matching costs of \$280,000 (53%) for a total project cost of \$530,000.

Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC's Office of Inspector General to conduct a performance audit of MVSD to determine compliance with the requirements of the ARC Grant No. PA-21691 for the period of June 1, 2024, to May 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	\$ -	\$ 180,495	\$ 180,495
Fringe Benefits	\$ -	\$ 99,505	\$ 99,505
Equipment	\$ 92,240	\$ -	\$ 92,240
Supplies	\$ 157,760	\$ -	\$ 157,760
Total	\$ 250,000	\$ 280,000	\$ 530,000

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 MVSD’s system that specifically apply to ARC such as personnel, fringe benefits, equipment, and supplies costs. We conducted this performance audit from April 2025 to March 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, 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;

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

- 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. Rick Walsh, Business Manager, and Mr. Patrick Sheehan, Superintendent, for MVSD during the exit conference on April 21, 2026. MVSD did not concur with our results. MVSD’s response has been incorporated into the report and a copy of the response, in its entirety, can be found in **Attachment 1 – Mid Valley School District’s Response**.

Summary of Results

Castro & Co’s procedures determined that except for Finding 01 related to financial management and Finding 02 related to administrative procedures as described in **Appendix A**; MVSD 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, except for the matters described in Finding 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 questioned \$19,040 in ARC funded costs as a result of unallowable warranty cost claimed.

The Grantee reported a total of \$250,000 in ARC costs and \$280,000 in non-ARC matching costs; therefore, we determined the Grantee met the match requirements as of May 31, 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 MVSD and noted the Grantee had a Single Audit performed for the fiscal year(s) ended June 30, 2022, June 30, 2023, and June 30, 2024. The Single Audit reports 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 Mid Valley School District 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	\$ -	\$ 180,495	\$ -	\$ -	\$ -	\$ 180,495	\$ 180,495
Fringe Benefits	\$ -	\$ 99,505	\$ -	\$ -	\$ -	\$ 99,505	\$ 99,505
Equipment	\$ 92,240	\$ -	\$ (19,040)	\$ -	\$ 73,200	\$ -	\$ 73,200
Supplies	\$ 157,760	\$ -	\$ -	\$ -	\$ 157,760	\$ -	\$ 157,760
Total	\$ 250,000	\$ 280,000	\$ (19,040)	\$ -	\$ 230,960	\$ 280,000	\$ 510,960

Appendix A – Findings and Recommendations

Finding 01 - Unallowable ARC Funded Cost

Condition:

As part of our audit procedures, Castro & Company, LLC (Castro & Co) inspected supporting documentation for a sample of ARC funded and non-ARC match cost share transactions incurred by Mid Valley School District (MVSD or the Grantee) during the period of June 1, 2024 to May 31, 2025. Of the total ARC funded equipment costs of \$92,240, we noted the Grantee claimed \$19,040 for an extended warranty that is unallowable in accordance with the requirements of Title 2 U.S Code of Federal Regulations Subtitle A Chapter II Part 200 (2 CFR 200 or the Uniform Guidance).

Criteria:

2 CFR 200.447, Insurance and indemnification, states:

(b) Costs of other insurance in connection with the general conduct of activities are allowable subject to the following limitations:

(2) Costs of insurance or of contributions to any reserve covering the risk of loss of, or damage to, Federal Government property are unallowable except to the extent that the Federal awarding agency has specifically required or approved such costs.

Cause:

The Grantee's policy for allowability of cost delegates responsibility to the Federal Programs Coordinator for determining whether cost is allowable in accordance with the Uniform Guidance; however, the policy in place did not provide for adequate internal controls to ensure unallowable costs were excluded from the amounts reported to ARC.

Effect:

The absence of adequate internal controls prevented MVSD from identifying and removing unallowable costs prior to reporting ARC and non-ARC Matching cost share amounts to ARC. Therefore, ARC could require the Grantee to reimburse the questioned cost totaling \$19,040 of ARC funded equipment cost.

Recommendations:

We recommend that the Grantee:

1. Revise policies and procedures to strengthen internal controls over the review of expenditures charged to ARC and reported as non-ARC matching cost share. The revised policy should require a documented review of expenditures for allowability in accordance with the Uniform Guidance prior to reporting, including procedures to ensure unallowable costs are identified, excluded, and not claimed for reimbursement or cost share. Additionally, the policy should clearly define roles and oversight responsibilities to ensure consistent compliance with federal cost principles.
2. Work with ARC to resolve the questioned cost totaling \$19,040 of ARC funded equipment cost.

Grantee's Response:

MVSD respectfully disagrees with the findings identified in the audit report. Based on our review of the supporting documentation and grant records during the grant performance period, we believe the cited issues do not fully reflect the district's compliance efforts or the context surrounding the transactions reviewed.

Unallowable ARC Funded Cost

- On April 12, 2024, Arc's first project coordinator notified school district personnel that the budget was approved and it included the Anatomage Table, along with software upgrades and technology support for four years.
- Once approved by ARC, the district proceeded with purchasing the items from the approved budget within the application.
- See page 31 of the approved budget

Auditor's Response:

Castro & Co reviewed the MVSD's response related to the warranty costs. We noted the cost of the Anatomage table was included in the budget; however, ARC did not specifically address the warranty costs. In addition, the line item description on invoice shows it is a 4-year extended warranty for software upgrades and technology support which covers the period from April 27, 2025 to April 26, 2029, and would fall outside the grant period of performance and the budget period. With the period of performance and budget period ending May 31, 2025, only a portion of the extended warranty may be allocable to the grant with ARC's approval. As a result, Castro & Co determined MVSD's response did not alter our results.

Finding 02 - Untimely Quarterly Progress Reporting

Condition:

As part of our procedures, Castro & Co reviewed interim and final Performance Progress Reports (PPR) submitted by MVSD during the grant period of June 1, 2024, to May 31, 2025. Based on our review, we noted the following two PPRs were submitted more than 30 days after the close of the reporting period, as required in the grant agreement. Specifically:

- The PPR dated for the period ended January 28, 2025 was submitted 39 days late.
- The PPR dated for the period ended May 31, 2025 was submitted 44 days late.

Criteria:

The ARC *Grant Administration Manual for ARC Non-Construction Grants*, dated February 2020, states,

Reports

Reporting Intervals

The reporting period begins with the start date of the grant agreement. ARC requires interim progress reports every 120 days or every four months and a final report at the end of your project's period of performance. Reports are due no later than 30 days after the close of a reporting period.

2 CFR 200.329, *Monitoring and reporting program performance*, states,

(b) *Reporting program performance*. The Federal agency must use OMB-approved common information collections (for example, Research Performance Progress Reports) when requesting performance reporting information.

(c) (1) The recipient or subrecipient must submit performance reports as required by the Federal award. Intervals must be no less frequent than annually nor more frequent than quarterly except if specific conditions are applied...

Cause:

The Grantee did not have adequate policies and procedures in place to ensure quarterly PPRs were prepared and submitted to ARC for all reporting periods within 30 days from the close of the reporting period. The Grantee stated the delays were due to staffing transitions at both the district and ARC, which resulted in outdated contact information and missed report notifications. While the reports were submitted promptly once the issues were identified, no prior approval for the late submissions was documented.

Effect:

Without adequate policies and procedures to ensure timely quarterly reporting, inaccurate financial and performance information may be reported to ARC. As a result of the audit, the Grantee has implemented the use of a spreadsheet to track reporting requirements and due dates for active grant programs to prevent late submissions of reports in the future.

Recommendation:

We recommend that the Grantee:

3. Revise policies and procedures to reflect the updated process for progress report tracking to ensure the timely submission of progress reports.

Grantee's Response:

MVSD respectfully disagrees with the findings identified in the audit report. Based on our review of the supporting documentation and grant records during the grant performance period, we believe the cited issues do not fully reflect the district's compliance efforts or the context surrounding the transactions reviewed.

Untimely Quarterly Progress Reporting

ARC and Mid Valley experienced personnel changes during the grant performance period.

- At the start of the grant period, our first project coordinator provided regular correspondence with Mid Valley personnel including resources and reminders on performance reports.
- This coordinator resigned or was reassigned and the Mid Valley School District was not notified.
- On April 4, 2026, once the Mid Valley District found out the name of our second project coordinator, they provided examples of prior communication from the first project coordinator. The newly assigned coordinator informed the district that the first project coordinator was reassigned in February of 2025. Prior to April 4, 2025, the Mid Valley District was unaware of this personnel change and emailed the first project coordinator without receiving a response.

Auditor's Response:

Castro & Co reviewed the MVSD's response related to reporting requirements. Notification or reminders from the ARC project coordinator are a courtesy to grantees. It is ultimately the Grantee's responsibility to ensure PPRs are prepared and submitted in a timely manner. Castro & Co determined MVSD's response did not alter our results.

Attachment 1 – Mid Valley School District’s Response



MID VALLEY
SCHOOL DISTRICT
52 Underwood Road
Throop, Pa 18512
p 570-307-1150

Mr. Patrick Sheehan | Superintendent
Mr. Richard Walsh | Business Manager

April 30, 2026

The Mid Valley School District takes exception to and disagrees with Castro & Company, LLC’s findings presented in the audit report of Grant Number PA-21691 with a grant performance period of June 1, 2024 to May 31, 2025.

Reason for Disagreement

MVSD respectfully disagrees with the findings identified in the audit report. Based on our review of the supporting documentation and grant records during the grant performance period, we believe the cited issues do not fully reflect the district’s compliance efforts or the context surrounding the transactions reviewed.

Detailed Explanation of Each Finding

- Unallowable ARC Funded Cost
 - On April 12, 2024, Arc’s first project coordinator notified school district personnel that the budget was approved and it included the Anatomage Table, along with software upgrades and technology support for four years.
 - Once approved by ARC, the district proceeded with purchasing the items from the approved budget within the application.
 - See page 31 of the approved budget
- Untimely Quarterly Progress Reporting
 - ARC and Mid Valley experienced personnel changes during the grant performance period.
 - At the start of the grant period, our first project coordinator provided regular correspondence with Mid Valley personnel including resources and reminders on performance reports.
 - This coordinator resigned or was reassigned and the Mid Valley School District was not notified.
 - On April 4, 2026, once the Mid Valley District found out the name of our second project coordinator, they provided examples of prior communication from the first project coordinator. The newly assigned coordinator informed the district that the first project coordinator was reassigned in February of 2025. Prior to April 4, 2025, the Mid Valley District was unaware of this personnel change and emailed the first project coordinator without receiving a response.

Thank you,

Patrick Sheehan, Superintendent