



## Office of Inspector General

Appalachian Regional Commission

### **Audit of Grant Award to Town of Blacksburg Grant Number SC-19222**

---

Report Prepared by Castro & Co, LLC

Report Number 24-11

January 16, 2024

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



# Office of Inspector General

Appalachian Regional Commission

January 16, 2024

TO: Brandon McBride, Executive Director

FROM: Rhonda L. Turnbow, Deputy Inspector General *Rhonda Turnbow*

SUBJECT: Audit Report 24-11 – Town of Blacksburg

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number SC-19222 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. The auditors issued two 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.

The auditors made two 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 recommendation.

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. SC-19222**

**For the period from September 15, 2018 to April 30, 2023  
Awarded to the Town of Blacksburg**

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

**January 11, 2024**

**Final Report**

## Table of Contents

|   |   |
|---|---|
| Executive Summary .....                           | 1 |
| Background.....                                   | 2 |
| Objectives, Scope, and Methodology .....          | 2 |
| Summary of Results.....                           | 4 |
| Appendix A – Findings and Recommendations .....   | 6 |
| Attachment 1 – Town of Blacksburg’s Response..... | 8 |

## 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 SC-19222 awarded by the Appalachian Regional Commission (ARC) to the Town of Blacksburg (the Grantee) for the period of September 15, 2018 to April 30, 2023. The audit was conducted at the request of the ARC Office of Inspector General (OIG) 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 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 the Town of Blacksburg’s management at the conclusion of our fieldwork. The Grantee’s response has been included as **Attachment 1 – Town of Blacksburg’s Response** to this report.

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



Alexandria, VA  
January 11, 2024

## 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 No. SC-19222 awarded to the Town of Blacksburg (the Grantee) for the period of September 15, 2018 to April 30, 2023.

ARC awarded Grant No. SC-19222 to the Town of Blacksburg to provide funding for the development of the Lime Street Trail Head and Park connecting the community to the Kings Mountain National Park. The trailhead consisted of a “figure 8” half mile walking trail and a one-mile natural walking trail, with a rest zone and refreshment area. The park includes amenities such as parking for trail visitors to provide economic growth on 25 acres of natural land by way of trails and park.

The original period of performance for Grant No. SC-19222 covered the period from September 15, 2018 to September 14, 2021 but was subsequently extended to April 30, 2023. On June 30, 2021, ARC approved a budget revision adding additional local match funds to the project budget which provided a revised budget of \$500,000 in ARC funds and required non-ARC matching funds of \$305,793 for total project costs of \$805,793. The allowable percentage breakout of ARC to non-ARC funding for the project was 62% ARC funds to 38% matching funds.

We obtained the basic agency monitoring report (BAMR) dated May 16, 2023 that identified total cumulative ARC costs of \$500,000 (62%) and non-ARC matching costs of \$305,793 (38%) for a total project cost of \$805,793.

## Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC Office of Inspector General to conduct a performance audit of the Town of Blacksburg to determine compliance with the requirements of the ARC Grant No. SC-19222 for the period of September 15, 2018 to April 30, 2023.

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

| <b>Exhibit A: Schedule of Grant Budget</b> |                       |                           |                    |
|--|-----------------------|---------------------------|--------------------|
| <b>Category</b>                            | <b>Federal Amount</b> | <b>Non-Federal Amount</b> | <b>Total Costs</b> |
| Other Public Facilities Improvements       | \$ 500,000            | \$ 241,475                | \$ 741,475         |
| Engineer/Architect                         | \$ -                  | \$ 34,318                 | \$ 34,318          |
| Administration                             | \$ -                  | \$ 30,000                 | \$ 30,000          |
| <b>Total Costs</b>                         | <b>\$ 500,000</b>     | <b>\$ 305,793</b>         | <b>\$ 805,793</b>  |

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 Town of Blacksburg's system that specifically apply to ARC such as costs for administrative and legal expenses, architectural and engineering fees, project inspection fees, and construction. We conducted this performance audit from February 2023 to January 2024 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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, and procurement 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 (GAO)/Council of the Inspectors General on 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. Shane Childers, Town Administrator for the Town of Blacksburg during the exit conference on December 14, 2023. The Town of Blacksburg concurred with our results. The Town of Blacksburg's response has been incorporated into the report and a copy of the response, in its entirety, can be found in **Attachment 1 – Town of Blacksburg's Response**.

## Summary of Results

Castro & Co's procedures determined that except for Finding 01 related to financial management as described in **Appendix A**, the Town of Blacksburg 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 Town of Blacksburg's financial management, administrative procedures, and internal controls were adequate to account for the funds provided under the ARC grant. The Grantee's internal guidelines, including program (internal) controls, were adequate and operating effectively. We noted the Grantee did not have written policies and procedures for applicable grant activities, procedures to address the review of grant costs for reasonableness, allocability, and allowability in accordance with 2 CFR Part 200.302, Financial Management; however, the Town of Blacksburg signed a basic agency agreement with the South Carolina Department of Commerce (SCDOC) that requires the Grantee to follow the aforementioned criteria and provides for verification of grant activities following the ARC and Federal grant requirements. 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), including ARC requirements except for the matter described in Finding 01. We questioned \$4,500 of non-ARC matching funds as a result of unallowable cost claimed by the Grantee.

The Grantee reported a total of \$500,000 in ARC costs and \$305,793 in non-ARC matching costs; therefore, we determined the Grantee met the match requirements as of April 30, 2023. These matching funds were properly supported and allowable under both Federal and ARC requirements except for questioned costs totaling \$4,500 described in Finding 01. 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 Single Audit requirements under the Uniform Guidance.

Exhibit B below presents costs claimed by the Town of Blacksburg and costs recommended as a result of the grant audit.

**Exhibit B: Schedule of Claimed and Audit Recommended Costs**

| Category                             | Claimed           |                   | Questioned Cost |                   | Audit Recommended |                   |                   |
|--------------------------------------|-------------------|-------------------|-----------------|-------------------|-------------------|-------------------|-------------------|
|                                      | Federal           | Non-Federal       | Federal         | Non-Federal       | Federal           | Non-Federal       | Total             |
| Other Public Facilities Improvements | \$ 500,000        | \$ 241,475        | \$ -            | \$ -              | \$ 500,000        | \$ 241,475        | \$ 741,475        |
| Engineer/Architect                   | \$ -              | \$ 34,318         | \$ -            | \$ (4,500)        | \$ -              | \$ 29,818         | \$ 29,818         |
| Administration                       | \$ -              | \$ 30,000         | \$ -            | \$ -              | \$ -              | \$ 30,000         | \$ 30,000         |
| <b>Total</b>                         | <b>\$ 500,000</b> | <b>\$ 305,793</b> | <b>\$ -</b>     | <b>\$ (4,500)</b> | <b>\$ 500,000</b> | <b>\$ 301,293</b> | <b>\$ 801,293</b> |

## Appendix A – Findings and Recommendations

### Finding 01: Unallowable Non-ARC Matching Funds Questioned Costs

#### Condition:

As part of our procedures, we reviewed supporting documentation for non-ARC match costs incurred during the grant period. The Town of Blacksburg (the Grantee) claimed the following costs; however, under 2 CFR Title 2 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) and the ARC Grant Agreement, these costs incurred were deemed unallowable non-Federal match costs. We noted the Grantee incurred architectural and engineering costs for the I-85 Sewer Upgrade Project that were not part of the approved ARC Grant No. SC-19222 scope which resulted in questioned costs of \$4,500.

#### Criteria:

2 CFR Part 200.306, *Cost sharing or matching*, states:

- (b) For all Federal awards, any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing, or matching when such contributions meet all of the following criteria:
  - (3) Are necessary and reasonable for accomplishment of project or program objectives

The ARC Grant Agreement, states:

This agreement implements a grant made under the authorities of Section 302 of the Appalachian Regional Development Act of 1965 (ARDA), as amended, (40 USC 14321) to provide funding for the development of the Lime Street Trail Head and Park connecting the community to Kings Mountain National Park.

#### Cause:

The Grantee used the same vendor for architectural and engineering services on the ARC Grant Number SC-19222 Lime Street Trailhead Project and the ARC I-85 Sewer Upgrade Project. The Town of Blacksburg did not have adequate controls in place for verifying the reported architectural and engineering costs were related to the correct ARC grant project.

#### Effect:

The absence of adequate controls prevented the Town of Blacksburg from identifying and removing unallowable costs and ensuring compliance with the match requirements prior to reporting match cost share amounts to ARC. Therefore, ARC could require the Grantee to exclude total questioned costs in the amount of \$4,500 from the total non-Federal match funds.

#### Recommendations:

We recommend:

1. The Grantee work with ARC management to resolve the questioned costs of \$4,500 in non-ARC match funds.
2. The Grantee develop policies and procedures to ensure that costs claimed and reported to ARC are allowable under Federal regulations and the ARC Grant Agreement.

**Grantee's Response:**

The Town of Blacksburg takes no exception to and agrees with Castro & Company, LLC findings.

**Auditor's Response:**

The Town of Blacksburg concurred with the finding; therefore, no further comment necessary.

## Attachment 1 – Town of Blacksburg’s Response

**MAYOR**  
Mike Patterson

**MAYOR PRO TEM**  
Darren Janesky

**TOWN ADMINISTRATOR**  
Shane Childers, MBA



**TOWN COUNCIL**  
Scott Byars  
S.L Ford  
Brian White

**TOWN CLERK**  
Debby Mullinax

December 18, 2023

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

Subject: Town of Blacksburg’s Response to Castro & Company, LLC’s Performance Audit of Grant Number SC-19222.

The Town of Blacksburg takes no exception to and agrees with Castro & Company, LLC’s findings presented in the audit report of Grant Number SC-19222 with a grant performance period of September 15, 2023, to April 30, 2023.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Shane Childers'.

T. Shane Childers, MBA  
Town Administrator

---

*PO Box 487, 105 S. Shelby St. Blacksburg, South Carolina. 29702. (864) 839-2332*