



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to Tippah County Board of Supervisors Grant Number MS-19534

Report Prepared by Castro & Co, LLC

Report Number 25-41

September 16, 2025

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



Office of Inspector General

Appalachian Regional Commission

September 16, 2025

TO: Brandon McBride, Executive Director

FROM: Clayton Fox, Inspector General

SUBJECT: Audit Report 25-41 – Tippah County Board of Supervisors

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number MS-19534 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 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. MS-19534**

**For the period from June 1, 2019 to March 30, 2024
Awarded to the Tippah County Board of Supervisors
Prepared for the Appalachian Regional Commission
Office of Inspector General**

September 15, 2025

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 MS-19534 awarded by the Appalachian Regional Commission (ARC) to the Tippah County Board of Supervisors (the Grantee) for the period of June 1, 2019 to March 30, 2024. 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 Tippah County Board of Supervisors' 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.



Alexandria, VA
September 15, 2025

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. MS-19534 awarded to the Tippah County Board of Supervisors (the Grantee) for the period of June 1, 2019 to March 30, 2024.

ARC awarded Grant No. MS-19534 to Tippah County Board of Supervisors to provide funding for site improvements on a 9.5-acre site that included site clearing and grubbing of the site; removal of 68,800 cubic yards of unusable excavated material; infill of 32,600 cubic yards of material in preparation for a roadbed, parking, and commercial pad site; installation of 250 linear feet (L.F.) of 24-inch culvert, 1,800 L.F. of 4-inch drainage pipe, and the construction of 700 L.F. of access road.

The original period of performance for Grant No. MS-19534 covered the period from June 1, 2019 to June 1, 2022 but was subsequently extended to August 29, 2025. The grant agreement provided a budget of \$1,250,000 in ARC funds and required non-ARC matching funds of \$620,518 for total project costs of \$1,870,518. The allowable percentage breakout of ARC to non-ARC funding for the project was 67% ARC funds to 33% matching funds.

We obtained the Automated Standard Application for Payments (ASAP) Drawdown Request for the period of request end date of March 30, 2024 that identified total cumulative ARC costs of \$916,132 (66%) and non-ARC matching costs of \$476,298 (34%) for a total project cost of \$1,392,430.

Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC's Office of Inspector General to conduct a performance audit of the Tippah County Board of Supervisors to determine compliance with the requirements of the ARC Grant No. MS-19534 for the period of June 1, 2019 to March 30, 2024.

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

Exhibit A: Schedule of Grant Budget			
Category	Federal	Non-Federal	Total
Administrative and Legal, Architectural and Engineering Fees, Other Professional Fees, Construction, and Contingency	\$1,250,000	\$ 620,518	\$1,870,518
Total	\$1,250,000	\$ 620,518	\$1,870,518

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 Tippah County Board of Supervisors' system that specifically apply to ARC such as contractual, match, and other costs. We conducted this performance audit from November 2024 to September 2025 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

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

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. Melinda Crum, Tippah County Administrator, for the Tippah County Board of Supervisors during the exit conference on September 11, 2025. The Tippah County Board of Supervisors concurred with our results.

Summary of Results

Castro & Co's procedures determined that Tippah County Board of Supervisors 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), including ARC requirements.

The Grantee reported a total of \$916,132 in ARC costs and \$476,298 in non-ARC matching costs; therefore, we determined the Grantee met the match requirements as of March 30, 2024. 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 subject to the Single Audit requirements under the Uniform Guidance for all years except for the year ended September 30, 2021. Additionally, we noted the grantee has not provided the reports for the fiscal year ended September 30, 2023, and 2024. Per discussion with the grantee, audits for those years are currently being performed.

We reviewed the Single Audit reports available on the Federal Audit Clearinghouse for Tippah County Board of Supervisors and noted the Grantee had a Single Audits performed for the years ended September 30, 2020 and September 30, 2022. The Single Audit report for the year ended September 30, 2022 did not identify deficiencies in internal control over compliance requirements as outlined in the OMB Compliance Supplement. However, the Independent Auditor's Report identified material weaknesses in internal control related to reporting financial data from their legally separate component unit, internal control structure and segregation of duties over the payroll function, and internal control over the inventory. The report also included a significant weakness related to records for employee leave. Since the grant budget did not include payroll and

equipment costs, we determined that those findings identified for fiscal year 2022 do not impact the Grantee's financial reporting of expended grant funds to ARC.

The Exhibit B below presents costs claimed by the Tippah County Board of Supervisors 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
Construction	\$ 601,533	\$ 162,112	\$ -	\$ -	\$ 601,533	\$ 162,112	\$ 763,645
Engineering Fees	\$ 314,599	\$ 294,186	\$ -	\$ -	\$ 314,599	\$ 294,186	\$ 608,785
Other Professional Fees	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000	\$ 20,000
Total	\$ 916,132	\$ 476,298	\$ -	\$ -	\$ 916,132	\$ 476,298	\$ 1,392,430