
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**Edward Via College of Osteopathic Medicine
Spartanburg, South Carolina**

**Final Report Number: 18-29
Grant Number: SC-18106
August 2018**

Prepared by:

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August 14, 2018

Appalachian Regional Commission
Office of the Inspector General
1666 Connecticut Avenue, N.W.
Washington, DC 20009

Leon Snead & Company, P.C. completed an audit of grant number SC-18106 awarded by the Appalachian Regional Commission (ARC) to the Edward Via College of Osteopathic Medicine (VCOM). The audit was conducted at the request of the ARC, Office of Inspector General, to assist the office in its oversight of ARC grant funds.

The audit objectives were to determine whether: (1) program 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 grant guidelines, including program (internal) controls, were adequate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); and (5) the matching requirements and the goals and objectives of the grant were met.

Overall, VCOM's financial management and administrative procedures and internal controls were adequate to effectively manage and account for the funds provided under the ARC grant. We determined that the VCOM had established adequate processes and procedures for accounting for ARC funds and recording data related to the overall goals of the grant. Performance measures to date were either met or on track. However, we identified one area that requires management attention. VCOM did not have a single, specific written policy and procedure governing financial management. This matter and the corresponding recommended corrective actions are discussed in the Findings and Recommendations section of this report.

A draft report was provided to VCOM on July 23, 2018, for comments. VCOM provided a response to the report on August 10, 2018. The comments are included in their entirety in Appendix I.

Leon Snead & Company appreciates the cooperation and assistance received from VCOM officials during the audit.

Sincerely,

Leon Snead & Company, P.C.
Leon Snead & Company, P.C.

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Background

Leon Snead & Company, P.C. completed an audit of grant number SC-18106 awarded by the Appalachian Regional Commission (ARC) to the Edward Via College of Osteopathic Medicine (VCOM). The audit was conducted at the request of the ARC Office of Inspector General to assist the office in its oversight of ARC grant funds.

ARC awarded the grant funds to support the expansion of health care services for underserved populations in Cherokee County and surrounding areas by establishing free clinics and mobile medical services. The project was expected to provide medical services to 610 patients within the project year and provide clinical training opportunities for 144 VCOM students.

Objectives, Scope, and Methodology

The audit objectives were to determine whether: (1) program 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 grant guidelines, including program (internal) controls, were adequate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); and (5) the matching requirements and the goals and objectives of the grant were met.

The period of performance for grant SC-18106 was October 1, 2015 through October 31, 2017. ARC provided \$247,940 for the project and required \$100,512 in non-ARC recipient matching funds. Total estimated project costs were \$348,542. The percentage break-out of funding for the overall project was 71% ARC and 29% matching.

ARC grant funds of \$233,142 were expended during the project. Final total non-ARC recipient matching funds for the grant were \$124,742, resulting in a total project cost of \$357,884. We reviewed all of the \$243,142 of ARC grant funds that were expended and reimbursed and \$44,105 of the matching funds provided by VCOM.

We reviewed documentation VCOM provided and interviewed personnel to obtain an overall understanding of the grant activities, the accounting system, and general operating procedures and controls. We reviewed written policies and administrative procedures to determine if they complied with federal requirements and were adequate to administer the grant. We reviewed financial and project performance reports to determine if they were submitted in accordance with requirements. We reviewed the most recent financial statement audit to identify any issues that significantly impacted the ARC grant and the grant audit. We reviewed matching funds documentation to determine if requirements were met. We evaluated grant results discussed in the final project performance report to determine if the planned performance goals and objectives were met.

The on-site fieldwork was performed at VCOM's Blacksburg, Virginia office during the period of June 11 through June 15, 2018. The preliminary audit results were discussed with VCOM

officials at the conclusion of the on-site visit. The VCOM officials indicated general agreement with the preliminary audit results.

The primary criteria used in performing the audit were 2 CFR 200, the ARC Code, and the grant agreements. The audit was performed in accordance with the Government Auditing Standards.

Summary of Audit Result

Overall, VCOM's administrative procedures and related internal controls were adequate to effectively manage and account for the funds provided under the ARC grant. We determined that VCOM effectively managed, administrated and accounted for ARC funds. The costs tested were properly supported and allowable. Grant matching fund requirements were fully met. Financial and project performance reports were submitted to ARC timely and accurately.

VCOM had an adequate process in place for obtaining and recording data related to the overall goals of the grant. Performance measures were met or on track during the project. The final number of unique patients served and improved at the clinics was about 460 out of a projected 610. In total, there were over 1,000 patient visits to the clinics. About 200 VCOM students volunteered and participated at the clinics. The projected amount of these workers/trainees served was 144. In addition, mobile community outreach events resulted in the screening of over 2,000 patients.

However, we identified one area that requires management attention. We determined that VCOM's financial management policies and procedures and procedure did not fully comply with 2 CFR 200. This matter and the corresponding recommended corrective actions are discussed in the Finding and Recommendation section of this report.

Finding and Recommendation

A. Financial Management Policies and Procedures

VCOM's written policies and procedures did not fully comply with the federal standards and requirements. 2 CFR 200, Uniform Administrative Procedures, Cost Principles, and Audit Requirements for Federal Awards, requires grantees to comply with all applicable federal regulations, including financial management. Specifically, 2 CFR 200.302, Financial Management, requires grantees to have written procedures:

- (1) to implement 2 CFR 200.305 requirements for payments; and
- (2) for determining the allowability of costs in accordance with 2 CFR 200, Subpart E, Cost Principles for Federal Awards.

We requested VCOM to provide us its financial management policies and procedures for review to ensure they complied with 2 CFR 200 requirements. VCOM officials responded that they while they have various financial management policies and procedures, these policies and procedures were not consolidated into one central document. Our testing found that their financial management policies and procedures were included in various policies and procedures, such as those for: (1) use of credit cards; (2) information technology; (3) tuition fees; (4) acceptance of gifts; (5) investment policy; (6) retirement; and (7) financial fraud. None of the written policies and procedures reviewed addressed procedures for payments and the determination of the allowability of costs.

Recommendation

VCOM should update its written financial management policies to include procedures for payments and determining the allowability of costs in accordance with 2 CFR 200.302 requirements.

Grantee's Response

VCOM believes the procedures in place are adequate for determining compliance with federal regulations for payments and appropriate costs. The Office of Research Administration will work with the Finance department to update our policies to include wording that better reflects this.

Auditor's Comments

ARC will determine whether the actions identified in the grantee's response are adequate to resolve the finding and close the recommendation.

Leon Snead Company

From: Reaves, Gregory [greaves@vt.vcom.edu]
Sent: Friday, August 10, 2018 11:11 AM
To: Leon Snead & Company
Cc: Perry, Eryn; Swaha, Charles
Subject: RE: Audit of ARC Grant No. SC-18106

Hi Mr. Snead,

Thank you for sending the draft proposal and allowing us to comment before it is finalized.

VCOM believes the procedures in place are adequate for determining compliance with federal regulations for payments and appropriate costs. The Office of Research Administration will work with the Finance department to update our policies to include wording that better reflects this.

Again, please thank Ned for his work in preparing the report. I really appreciated his ability to explain various issues and his patience when dealing with my questions.

Please let me know if you need anything else.

Thanks
Greg

Greg Reaves
Director of Research Administration
2265 Kraft Drive
Blacksburg, VA 24060
540 231-8239

From: Leon Snead & Company <leonsnead.companypc@erols.com>
Sent: Monday, July 23, 2018 11:01 AM
To: Reaves, Gregory <greaves@vcom.vt.edu>
Subject: Audit of ARC Grant No. SC-18106

Good Morning Mr. Reaves,

Attached is a copy of the draft report on the above referenced audit for your review and comments. Please provide your comments by August 10, 2018. Please indicate whether you concur or nonconcur with the recommendation in the report and state what actions have been taken or are contemplated to implement the recommendation. If you have any questions, please call or e-mail me.

Please confirm your receipt of the attached report. Thanks very much for your assistance.