
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**Morehead State University
Morehead, KY**

**Final Report Number: 16-19
Project Numbers: KY-17568 and 17568-C1
June 2016**

Prepared by:

Leon Snead & Company, P.C.



**LEON SNEAD
& COMPANY, P.C.**

*Certified Public Accountants
& Management Consultants*

416 Hungerford Drive, Suite 400
Rockville, Maryland 20850
301-738-8190
fax: 301-738-8210
leonsnead.companypc@erols.com

June 10, 2016

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 numbers KY-17568 & KY-17568-C1 awarded by the Appalachian Regional Commission (ARC) to Morehead State University (MSU). 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 performance goals and objectives of the grant were met.

The costs tested were supported and considered reasonable. There were no questioned costs. However, we identified a couple of areas that require management attention. MSU needs to improve its controls over equipment purchased with grant funds and reporting of its performance measures.

A draft report was provided to MSU on April 21, 2016, for comments. MSU provided a response to the report on June 10, 2016. These comments are included in their entirety in Appendix I.

Leon Snead & Company appreciates the cooperation and assistance received from the MSU and ARC staffs during the audit.

Sincerely,

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

TABLE OF CONTENTS

	<i><u>Page</u></i>
Background.....	1
Objectives, Scope, and Methodology	2
Summary of Audit Results.....	2
Findings and Recommendations	3
A. Equipment Management	3
B. Performance Measures	5
Appendix I - Grantee Response	7

Background

Leon Snead & Company, P.C. completed an audit of grant numbers KY-17568 and KY-17568-C1 awarded by the Appalachian Regional Commission (ARC) to Morehead State University (MSU). The audit was conducted at the request of the ARC Office of the Inspector General to assist the office in its oversight of ARC grant funds.

These were two of a multi-year series of ARC grants beginning in 2011 to support MSU in deploying the Appalachian Rural Dental Educational Partnership (ARDEP). ARDEP is a collaborative effort between MSU and the University of Kentucky, College of Dentistry, (UK) to address the oral health needs of the Appalachian region of Kentucky. MSU was the primary grantee, with a Principal Investigator (PI) and support staff who were responsible for the overall program, financial, and administrative aspects of the grant. UK was a subcontractor and major collaborator in performing grant tasks and providing MSU information to meet ARC reporting and other requirements.

The grant had three major objectives: (1) create and maintain an early dental pipeline including getting K-12 students interested in dental careers; (2) create and maintain a MSU on-campus dental pipeline including developing courses for students to pursue a dental education and eventually practice in Appalachian areas; and (3) provide campus and regional education and outreach, including screenings, to improve oral health literacy. In addition, the grant provided funding for the establishment and operation of a new on-campus dental clinic and dental staff to provide services at the clinic.

Grant 17568 covered the period July 1, 2013 to June 30, 2014 and provided \$400,000 in ARC funds and required \$114,437 in non-ARC recipient match funding. Most (\$315,000) of the ARC funds were budgeted for UK costs and the remainder was budgeted for MSU costs. The largest cost category was comprised of salaries and benefits. The grant had been completed and was administratively closed by ARC with a total of \$394,651 in ARC funds reported as expended and reimbursed.

Grant 17568-C1 covered the period July 1, 2014 to June 30, 2015 and provided \$500,000 in ARC funds and required \$155,844 in non-ARC recipient match funding. As with the prior grant, most (\$340,000) of the ARC funds were budgeted for UK costs. Salaries and benefits continued to be the largest category. The funding allocated for MSU costs included \$72,761 for purchasing equipment for the new dental clinic, and \$34,369 for contracted dental staff to provide services at the clinic. The grant had been completed and was administratively closed by ARC with a total of \$498,963 in ARC funds being expended and reimbursed.

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.

Of the \$400,000 in expenditures charged to grant 17568 and claimed for reimbursement, we selected \$225,404 for testing to determine whether the charges were properly supported and allowable. Of the \$500,000 in expenditures charged to grant 17568-C1 and claimed for reimbursement, we selected \$245,673 for testing to determine whether the charges were properly supported and allowable. We also evaluated compliance with matching requirements. The audit fieldwork was performed March 14-24, 2016, including on-site work at MSU offices in Morehead, Kentucky. The preliminary results were discussed with MSU staff at the conclusion of the on-site visit. The comments were generally favorable with respect to Finding A. Complete feedback on Finding B could not be obtained because UK was not present at the exit conference.

We reviewed documentation provided by MSU and interviewed personnel to obtain an overall understanding of the grant activities, the accounting system, and general operating procedures and controls. We reviewed financial and project progress reports to determine if they were submitted in accordance with requirements and to determine the final reported results on grant goals and objectives. We also reviewed the most recent financial statement and A-133 audit reports to identify any issues that significantly impacted the ARC grant and grant audit.

The primary criteria used in performing the audit were the grant agreements, applicable Office of Management and Budget Circulars, 2 CFR 200 and the ARC Code. The audit was performed in accordance with the *Government Auditing Standards*.

Summary of Audit Results

We sampled and verified expenditures charged to the grant and concluded that they were reasonably documented and allowable. No material amounts were questioned or determined unallowable.

However, we identified a couple areas that require management attention. Some issues related to managing equipment purchased under the grant need to be addressed and corrected. In addition, some performance measures did not allow for a meaningful analysis of, and conclusion on, the grant's benefits or success.

The identified issues and the recommended corrective actions are discussed in the Findings and Recommendations section of this report.

Findings and Recommendations

A. Equipment Management

MSU did not have a consolidated written manual for property and equipment management. There was no single document that clearly discussed the overall process. Rather, the information and procedures related to property and equipment were contained in a number of separate documents including several sections of the procurement manual, several accounting control statements, and the instructions for entering information into MSU's automated inventory system. It would be beneficial if MSU consolidated the various procedures and instructions, and created a document that explains the overall management process for property and equipment.

In addition, the MSU equipment property records, maintained in its Enterprise Resource Planning (ERP) system, contained many of the required fields, but did not include the following required items:

- source of the equipment that included the award number
- whether title vests in the recipient or Federal Government
- condition of the item and date it was reported
- current market value or method to determine current market value for reimbursing the federal agency its share

The applicable federal equipment management requirements in 2 CFR 200.313 (formerly 2 CFR 215.34(f)) require that the recipient's equipment records contain a number of different pieces of information on each item including a description of the equipment; manufacturer's serial number, model number, or other identification number; (funding) source of the equipment, including the award number; whether title vests in the recipient or the Federal Government; location and condition of the equipment and the date the information was reported; and final disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the federal awarding agency for its share. To be fully compliant with the federal requirements for equipment in 2 CFR 200.313, MSU needs to take steps to include all the required item information in its equipment records to be entered and maintained in its ERP system.

Finally, MSU had not tagged for inventory purposes all the equipment purchased for its on-campus dental clinic. The clinic had purchased 13 equipment items under the grant. Although they were all on hand and operated properly, three of the items were not properly tagged. These items were a compressor, evacuation pump, and unit composite assistant instruments assembly.

Recommendations

MSU should take action to:

1. Consolidate the management procedures for property and equipment into a single document.
2. Ensure that equipment records include all the information required in 2 CFR 200.313.
3. Tag the remaining equipment items that were purchased under the grant.

Grantee's Response

- Accounting and Financial Services in conjunction with the Procurement Office will consolidate the management procedures for property and equipment into a single document.
- Morehead State University will ensure the applicable federal equipment management requirements in 2 CFR 200.313 (formerly CFR 215.34(f)) are included going forward.
- The compressor, evacuation pump and unit composite assistant instrument assembly were assigned Fixed Asset IDs referred to as "tags". The physical tags that reference the Fixed Asset ID is no longer present on the items but the Fixed Asset IDs are still referenced in the property records. As a control measure, the company that prints the physical tags that reference the Fixed Asset ID for Morehead State University will not duplicate the Fixed Asset ID numbers on a physical tag. The Procurement Office has printed a label with the Fixed Asset ID and placed it on the items.

Auditor's Comments

ARC will determine whether the information provided in the recipient's response is adequate to resolve the finding and close the recommendations.

B. Performance Measures

Performance outputs and outcomes included grant activities in three major components of the ARDEP program: early dental pipeline, campus dental pipeline and campus/regional oral health literacy efforts. Significant progress was made in these areas as evidenced by the activities accomplished. The overall goal of the grant is to improve oral care in the community. This is a relevant measure, but the standard measure of students served (and improved) and patients served (and improved) does not capture the true outputs and outcomes of the program.

For example, for students served, there was no metric established or reported that showed how many of those served made some change in their dental habits or dental visits that would show their oral health was improved or changed in some way. Since the overall goal of the grant is to improve oral care in the community, and not only among students, a better output measure may be participants served, which would include the total population contacted or educated by the grantee. To further enhance the usefulness of this metric in evaluating the success of the grant, a related outcome, such as participants improved, could be used to reflect those who made some changes to improve their oral health as a result of the contact and education received, such as brushing more often or getting checkups. These combined metrics would provide an accurate and useful measure of the grant's impact.

Although MSU did not collect or report any results as an output of students served or outcome of students improved, ARC summarized the data contained in the report in that manner on its management system. As shown in the tables below, with data taken from ARC's management system, the outcome of students improved was shown as the number of students contacted.

Table 1 Grant 17568 (2013-14)

Performance Metric	Planned	Actual at Closeout
Students Served (Output)	850	343
Students Improved (Outcome)	850	343
Patients Served (Output)	1,000	358
Patients Improved (Outcome)	1,000	358

Table 2 Grant 17568-C1 (2014-15)

Performance Metric	Planned	Actual at Closeout
Students Served (Output)	0	741
Students Improved (Outcome)	0	741

This is an inaccurate representation of the outcome, since MSU had not collected and reported data that would accurately show whether any students had actually improved their oral health in some way. It merely reports the number of students served as the number who also improved. Defining metrics with a clear distinction between those served and those improved would more accurately describe the actual grant impact.

Although additional data may have to be collected and effort made to summarize it, some data has already been collected that could provide the desired result. For example, the final report for 17568-C1 discussed survey data about measures such as brushing and flossing habits, which could be instructive in measuring an outcome such as those suggested here.

Recommendation

The MSU grant PI should discuss with the ARC project coordinator measures that can reasonably be developed and reported on to more accurately define students and patients improved and any of the other activities carried out in the grant.

Grantee's Response

We fully agree with the auditor that it is very important to track and measure changes in oral health behaviors and oral health metrics. In fact, the MSU and UK ARDEP teams planned for that early in the ARDEP implementation design. MSU and UK have two ongoing IRB's that address the oral health measurement questions raised by the auditors. Using stratified random sampling, we have collected longitudinal survey data from MSU students for each of the three implementation years. This information will track changes in student's knowledge of oral health, attitudes and beliefs regarding oral health and oral health behaviors (ie. brushing, flossing and visiting a dentist). Implementation years 2015-2016 and 2016-2017 will provide two years of data to assess these changes. In addition to survey outcomes, dental services information and oral health changes are also being monitored via electronic health records for the MSU Student Health and Counseling Service. As part of the ARDEP design, the quantitative data will also be supplemented and enriched with qualitative findings from student and dental provider focus groups that will be conducted in 2016-2017. Baseline student focus group information was collected and reported in the year one of implementation (2013-2014).

The preliminary ARDEP oral health outcomes will be reported in the final report for 2015-2016. Similar oral health outcomes will be reported in the quarterly reports and final ARDEP report for 2016-2017, enabling changes to be tracked over a two year period after the incorporation of dental services into the MSU Student Counseling and Student Health Service.

Auditor's Comments

ARC will determine whether the information provided in the recipient's response is adequate to resolve the finding and close the recommendation.

Leon Snead & Company, P.C.

**Response to Draft Audit Report
ARC Project Numbers: KY-17568-I and 17568-C1
Morehead State University
June 2016**

Equipment Management Recommendations

Recommendations:

MSU should take action to:

- 1. Consolidate the management procedures for property and equipment into a single document.**
- 2. Ensure that equipment records include all the information required in 2 CFR 200.313.**
- 3. Tag the remaining equipment items that were purchased under the grant.**

Response:

1. Accounting and Financial Services in conjunction with the Procurement Office will consolidate the management procedures for property and equipment into a single document.
2. Morehead State University will ensure the applicable federal equipment management requirements in 2 CFR 200.313 (formerly CFR 215.34(f)) are included going forward.
3. The compressor, evacuation pump and unit composite assistant instrument assembly were assigned Fixed Asset IDs referred to as “tags”. The physical tags that reference the Fixed Asset ID is no longer present on the items but the Fixed Asset IDs are still referenced in the property records. As a control measure, the company that prints the physical tags that reference the Fixed Asset ID for Morehead State University will not

duplicate the Fixed Asset ID numbers on a physical tag. The Procurement Office has printed a label with the Fixed Asset ID and placed it on the items.

Performance Measures Recommendation

Recommendation:

The MSU grant PI should discuss with the ARC project coordinator measures that can reasonably be developed and reported on to more accurately define students and patients improved and any of the other activities carried out in the grant.

Response:

As part of implementation design, MSU and the UK and Saint Claire ARDEP project teams defined and have been tracking and reporting a standard set of quantitative performance metrics for each implementation year. These metrics involve:

- (1) Early Dental Pipeline contacts with K-12 students and school counselors.
- (2) MSU course development, university approval and course delivery, including MSU course enrollment targets.
- (3) Dental clinical encounters including dental screenings, dental hygiene and dental visits.
- (4) Oral health promotion with MSU students.

Both targets and metrics have been routinely reported in quarterly progress reports and the final reports for each implementation year. ARDEP performance targets have been met or exceeded in each implementation year. It should be noted that 2015-2016 is the first full year of dental service integration within the MSU Student Health and Counseling Service. This year three implementation, still in progress, was not included in this audit.

Much of the campus dental activity is coordinated with the UK ARDEP and Saint Claire dental teams. The UK team did not have any in-depth

discussion with the auditor about his questions about measures to improve oral health or participate in the exit interview. The auditor did contact Dr. Mullins, UK ARDEP Project Leader by phone afterwards to discuss some of the questions raised. But that discussion focused mainly on pipeline and student metrics. This was unfortunate.

We fully agree with the auditor that it is very important to track and measure changes in oral health behaviors and oral health metrics. In fact, the MSU and UK ARDEP teams planned for that early in the ARDEP implementation design. MSU and UK have two ongoing IRB's that address the oral health measurement questions raised by the auditors. Using stratified random sampling, we have collected longitudinal survey data from MSU students for each of the three implementation years. This information will track changes in student's knowledge of oral health, attitudes and beliefs regarding oral health and oral health behaviors (ie. brushing, flossing and visiting a dentist). Implementation years 2015-2016 and 2016-2017 will provide two years of data to assess these changes. In addition to survey outcomes, dental services information and oral health changes are also being monitored via electronic health records for the MSU Student Health and Counseling Service. As part of the ARDEP design, the quantitative data will also be supplemented and enriched with qualitative findings from student and dental provider focus groups that will be conducted in 2016-2017. Baseline student focus group information was collected and reported in the year one of implementation (2013-2014).

The preliminary ARDEP oral health outcomes will be reported in the final report for 2015-2016. Similar oral health outcomes will be reported in the quarterly reports and final ARDEP report for 2016-2017, enabling changes to be tracked over a two year period after the incorporation of dental services into the MSU Student Counseling and Student Health Service.