

APPALACHIAN
REGIONAL
COMMISSION

*A Proud Past,
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Office of the Inspector General

April 10, 2000

MEMORANDUM FOR The Federal Co-Chairman
 ARC Executive Director

SUBJECT: OIG Reports

Enclosed are copies of the following reports for which our records do not indicate transmittal to your office. The reports were previously distributed to the grantees. In most instances, the reports were closed on issuance based on the absence of material findings.


- 00-13(H) Benton County, Mississippi, Head Start Facility
- 00-14(H) Team Pennsylvania Entrepreneurial Education Program
- 00-15(H) Team Pennsylvania Entrepreneurial Network Initiative
- 00-16(H) Northern Tier Pennsylvania RPDC Administrative Grant
- 00-17(H) New York State Technical Assistance
- 00-20(H) Kentucky Regional Diabetes Healthcare Delivery in Appalachia
- 00-21(H) Tennessee Technical Assistance
- 00-22(H) Clay County, Tennessee, Industrial Project
- 00-23(H) Southwest Virginia Higher Education Center
- 00-24(H) Appalachian Rural Systemic Initiative, Kentucky
- 00-25(H) Dental Care, Cumberland Plateau Health District, Virginia
- 00-29(H) Carraway Life Saver Program, Alabama
- 00-31(H) Alabama J-1 Followup Visits

These reviews generally disclosed that grant funds were accounted for, controls were in place, and project tasks were completed.

Report 00-15(H), Team Pennsylvania Entrepreneurial Network Initiative, contains several open issues with respect to a small claim for costs incurred prior to grant start; \$3,185 in unsupported matching costs; and subrecipient monitoring.

Report 00-20(H), Regional Diabetes Healthcare Delivery in Appalachia, questions \$12,247 in personnel costs incurred outside the grant period. Report 00-21(H), Tennessee Technical Assistance recommends improved identification of performance measures and results.

Several reports are awaiting auditee comments with a primary issue noted in these reports being limited grantee oversight or monitoring of subrecipients or subcontractors with the result being difficulty to assess whether the activities performed were commensurate with the costs incurred.


Hubert N. Sparks
Inspector General

Enclosures

cc: Ms. Judy Rae

1666 CONNECTICUT AVENUE, NW WASHINGTON, DC 20235 (202) 884-7675 FAX (202) 884-7691

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MEMORANDUM REPORT ON REVIEW OF THE
UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION
LEXINGTON, KENTUCKY

Regional Diabetes Healthcare Delivery in Appalachia

ARC Grant No: KY-12732-I-302

October 1, 1997 through September 30, 1998

CAUTION: *Certain information contained herein is subject to disclosure restrictions under the Freedom on Information Act, 5 U.S.C. 522 (b)(4). Distribution of this report should be limited to Appalachian Regional Commission and other pertinent parties.*

Report Number: 00-20 (H)

Date: March 21, 2000

**MEMORANDUM REPORT ON REVIEW OF THE
UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION
LEXINGTON, KENTUCKY**

Regional Diabetes Healthcare Delivery in Appalachia

ARC Grant No: KY-12732-I-302

October 1, 1997 through September 30, 1998

Prepared By:

**Tichenor & Associates, LLP
Certified Public Accountants
304 Middletown Park Place, Suite C
Louisville, Kentucky 40243**

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C
LOUISVILLE, KENTUCKY 40243

PARTNERS

WILLIAM R. TICHENOR
JAMES M. ANDERSON
DEIRDRE M. REED

BUSINESS: (502) 245-0775
FAX: (502) 245-0725
E-MAIL: TICHENORKY@AOL.COM

TO: Appalachian Regional Commission (ARC)
Office of Inspector General (OIG)

FROM: Tichenor & Associates
Louisville, Kentucky

REPORT FOR: The Federal Co-Chairman
ARC Executive Director
OIG Report No. 00-20 (H)

SUBJECT TO: Memorandum Review Report on the University of Kentucky Research
Foundation, Regional Diabetes Health Care Delivery in Appalachia,
Lexington, Kentucky. ARC Grant No: KY-12732-I-302.

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by the University of Kentucky Research Foundation for its Regional Diabetes Health Care Delivery program were expended in accordance with the ARC approved grant budget and did not violate any restrictions imposed by the terms and conditions of the grant; (b) the accounting, reporting and internal control systems provided for disclosure of pertinent financial and operating information; and (c) the objectives of the grant had been met.

BACKGROUND: ARC awarded the University of Kentucky Research Foundation Grant Number KY-12732-I-302 for the period October 1, 1997 through September 30, 1998 to provide specialized pediatric care to 370 children living in Appalachia Kentucky. Total grant funding was for an amount not to exceed \$178,503, or approximately 80% of actual, reasonable and eligible project cost, whichever was less. ARC required that the grant be matched with \$45,574 or 20% in cash, contributed services, and in-kind contributions as approved by ARC. Grant funds were to be used to demonstrate that a treatment strategy for Insulin Dependent Diabetes Mellitus (IDDM) (Intensive Diabetes Management) will optimize blood glucose control for individual patients.

The specific tasks were to:

- Establish a team of endocrinologists, diabetes nurse educators, dietitians, and social workers using a specialized "traveling" pediatric diabetes clinic.
- Travel quarterly to each of three regional Kentucky Appalachian sites.
- Develop and conduct continuing medical education courses throughout Appalachian Kentucky.
- Provide specialized pediatric diabetes care to 370 children living in Appalachian Kentucky.
- Demonstrate that a treatment for Insulin Dependent Diabetes Mellitus (IDDM) will optimize blood glucose control for individual patients.

SCOPE: We performed a program review of the grant as described in the Purpose, above. Our review was based on the terms of the grant agreement and on the application of certain procedures in accordance with the ARC, OIG Review Program. Specifically, we determined if the tasks listed above had been performed, if the accountability over ARC funds was sufficient as required by the applicable Office of Management and Budget (OMB) Circulars, and if the University of Kentucky Research Foundation had complied with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with the University of Kentucky Research Foundation's personnel. Our results and recommendations are based on those procedures and were conducted in accordance with applicable Government Auditing Standards.

RESULTS: The following results were based on our review performed at University of Kentucky offices in Lexington, Kentucky on February 9 through 11, 2000.

A. Incurred Costs

The University of Kentucky Research Foundation incurred total program costs of \$194,216, of which they claimed direct reimbursable costs from October 1, 1997 through September 30, 1998 of \$144,659 and in-kind costs of \$49,557. We reviewed the direct and in-kind costs incurred and determined that the Grantee had claimed costs that were incurred outside the grant period. This issue is discussed below.

Costs Claimed Outside the Grant Period

The University of Kentucky Research Foundation received a grant amendment that changed the grant period from July 1, 1997 through June 30, 1998 to October 1, 1997 through September 30, 1998. Although the grant period remained twelve months, the University of Kentucky Research Foundation improperly allocated \$12,247 in personnel and indirect costs for the 3 month period,

from July 1, 1997 through September 30, 1997. Total costs of \$12,247 were claimed before the beginning of the grant start date of October 1, 1997.

ARC General Contract and Administrative Provision, Article 14 Records Requirements, Audit, Adjustment, and Refunds states:

“(2) All disbursements shall be for obligations incurred after the effective date.”

RECOMMENDATION:

We recommend that the \$12,247 of personnel costs and indirect costs that was claimed for services outside the grant period be returned to ARC.

B. Internal Controls

We determined that the Grantee had the following internal control weakness that affected the accountability of costs or compliance with the terms of the grant agreement:

Quarterly Progress Reports Were Not Submitted to the ARC

During the period of the grant, quarterly progress reports were not prepared for every quarter and submitted to the ARC as required by the terms and conditions of the grant agreement. During the grant period, the grantee submitted only one quarterly progress report and a final report. ✓

ARC Grant Agreement Number KY-12732-I-302 dated October 1, 1997 between ARC and University of Kentucky Research Foundation Section 2-8.1 Progress Reports. states:

“Grantee shall prepare and submit to the ARC Project Coordinator, in three copies, quarterly progress reports indicating the work accomplished under the agreement to date, any problems encountered and ameliorative actions taken, and a forecast of work for the next report period.”

RECOMMENDATION:

We recommend that for all future grants, the University of Kentucky Research Foundation submit quarterly progress reports in accordance with grant agreement provisions. //

C. Program Results

Our review of the University of Kentucky Research Foundation, Regional Diabetes Health Care Delivery in Appalachia, indicated that one specific task identified in the grant award notification, and summarized above, had not been achieved. The specific task not achieved is discussed below.

Provide specialized pediatric diabetes care to 370 children living in Appalachian Kentucky.

By the end of the grant period, the grantee was providing pediatric diabetes care to only 80 patients. Management stated that they had hoped to reach the level of care goals by the end of the grant period, but was unable to establish clinics in all the state locations that were planned.

RECOMMENDATION:

We recommend that the University of Kentucky Research Foundation be required to report to ARC on the specific efforts being made to complete the one objective not completed at the end of the grant agreement. In addition, we recommend that the University of Kentucky Research Foundation notify ARC when this objective is accomplished.

follow-up

DISCUSSION:

We discussed these issues with the University of Kentucky Research Foundation's management during the exit conference held on February 11, 2000. Management responded by acknowledging that an input error had caused an over allocation of costs to the project. Also, the grantee's late start on the project resulted in only one progress report and a final report being prepared.

OTHER:

We provided a copy of our draft report to University of Kentucky Research Foundation's management on March 8, 2000. Management responded to our findings and recommendations on March 13, 2000 as follows:

"In response to Item A, we have requested retroactive approval of pre-award costs incurred from July – September 1997. The expenditures were an allowable cost in accordance with the approved budget and represent actual effort performed by the program director, Dr. Kathryn Thrailkill."

"In the future, the University of Kentucky Research Foundation will strive to submit progress reports in accordance with grant agreement provisions. This oversight occurred in part because of a change in the grant start date, and in part because of investigator familiarity with NIH grant progress reporting system, which requires only annual reporting."

In addition, Dr. Kathryn M. Thrailkill, Project Coordinator of the Regional Diabetes Healthcare Delivery in Appalachia Project provided an additional response to the program result issue of providing care to only 80 patients out of the 370 planned in the application for federal funding. We have attached the response to our draft report provided by Dr. Thrailkill to this final report.

ADDITIONAL COMMENTS AND RECOMMENDATIONS:

We recommend that ARC make a final determination on the allowability of the \$12,247 of personnel costs and indirect costs that were claimed outside the grant period.

Also, we recognize that the Regional Diabetes Health Care Delivery in Appalachia project is ongoing and according to the statistics provided by Dr. Thrailkill, 123 patients are being seen at three clinics throughout Appalachian Kentucky. The final progress report submitted to the ARC by University of Kentucky Research Foundation indicated 80 patients had been seen during the grant period not the anticipated 370. We make no further recommendations at this time.

Tichenor & Associates

TICHENOR & ASSOCIATES, LLP
Louisville, Kentucky

February 11, 2000

Office of Sponsored Projects Administration
201 Kinlead Hall
Lexington, Kentucky 40506-0057
Telephone: 606-257-9420
FAX: 606-323-1060

March 13, 2000

Roger A. LeMaster
Tichenor & Associates
303 Middletown Park Place, Suite E
Louisville, KY 40243

Re: Draft Report on Grant KY-12732-I-302

Dear Mr. LeMaster:

We have received the draft report of your review of the referenced grant to the University of Kentucky Research Foundation.

In response to Item A. Incurred Costs, we have requested retroactive approval of pre-award costs incurred from July – September 1997. See the enclosed letter to Dr. Henry King. The expenditures were an allowable cost in accordance with the approved budget and represent actual effort performed by the program director, Dr. Kathryn Thrailkill. We hope to have approval from Dr. King in the near future.

Dr. Thrailkill has responded to the remainder of the draft report. Her comments are attached.

If you need further information, please contact me at 606-257-8311.

Sincerely,



Deborah K. Davis
Assistant Director
University of Kentucky Research Foundation

Cc: Robert Marshall
Kathryn Thrailkill, M.D.

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March 9, 2000

Dr. Henry King
Appalachian Regional Commission
1666 Connecticut Avenue, NW
Washington, D.C. 20235

Re: University of Kentucky Regional Diabetes Health Care Delivery in Appalachia
KY-12732-I-302

Dear Dr. King:

This letter is to request retroactive approval of pre-award costs on the referenced grant to the University of Kentucky. The original effective dates of this award were 7/1/97 through 6/30/98. At the time of the award the university had just adopted new grant administration policies to comply with Federal regulations. Due to these new policies, there was a delay in obtaining an account for Dr. Thrailkill to begin making expenditures to the grant. Knowing she would need more time to complete the project, Dr. Thrailkill requested a change in the effective dates to 10/1/97 through 9/30/98.

Dr. Thrailkill had, however, begun work on the project at the initial start date of 7/97. Allowable costs for her time were expended starting in July. We are, therefore, requesting approval of pre-award costs back to the original start date of 7/1/97.

If you have questions or require further information, please contact me. Thank you for your consideration of this request.

Sincerely,



Deborah K. Davis
Director



Kathryn M. Thrailkill, M.D.

Cc: Robert Marshall
Peggy Satterly

<u>PROJECT TITLE:</u>	A Prospective Study of the Feasibility and Efficacy of Regional Diabetes Health Care Delivery in Appalachia
<u>GRANT REVIEW/RESPONSE:</u>	March 9, 2000
<u>PRINCIPAL INVESTIGATOR:</u>	Kathryn Thrailkill, MD
<u>ARC CONTRACT NUMBER:</u>	KY-12732-I-302
<u>STATE APPLICATION IDENTIFIER:</u>	KY970421-0327

In response to the review of Roger A. LeMaster, Tichenor & Associates, dated March 8, 2000, I would like to include the following comments and clarifications.

Item A: Incurred Costs: (See UK Research Foundation response)

Item B: Internal Controls

As noted by the reviewer, only 2 of 4 progress reports were submitted to the ARC. In the future, the University of Kentucky Research Foundation will strive to submit progress reports in accordance with grant agreement provisions. This oversight occurred in part because of a change in the grant start date, and in part because of investigator familiarity with the NIH grant progress reporting system, which requires only annual reporting.

Item C: Program Results

Included among the objectives of this grant was the intent to expand and improve upon existing traveling clinic services. The following paragraph was included in our original grant application.

Our objectives over the next three years are to increase clinic enrollment at each existing site by 20-25% per year. In addition, during the 1997-1998 fiscal year we plan to open an additional clinic site to provide for patients in Health District # 14 [Adair, Casey, Clinton, Cumberland, Green, McCreary, Pulaski, Russell and Wayne counties, (Table II, yellow highlights)]. Through these strategically placed clinics, we will be able to provide (i.e. offer) diabetes care to over 370 Appalachian children with IDDM, or ~80% of the estimated incidence of pediatric diabetes in Appalachian Kentucky.

I believe that Mr. LeMaster has misinterpreted the essence of this paragraph by tying our objective to an arbitrary patient census (i.e. 370 patients). This number was intended to demonstrate the extent of need for subspecialty pediatric diabetes care in Eastern Kentucky. In contrast, the objective of the grant was to promote a steady and continued increase in regional availability of subspecialty diabetes services to the

children of Appalachian Kentucky over a several year period (not the one-year grant funding period of 10/1/97-9/30/98). During the granting period, we worked to increased clinic enrollment through the following mechanisms identified in the grant application:

- It was our intent to increase regional awareness of type 1 DM among general medical practitioners in Appalachian Kentucky, as well as providing local practitioners with a greater awareness of the availability of traveling clinic services. This objective was accomplished through a highly successful and well-attended program of Continuing Medical Education seminars. Documentation of the success of this program was provided to Mr. Tichener at the time of his review in a bound notebook of supplemental materials, as well as in our Final Progress Report to the ARC.
- It was our intent to open a new traveling clinic site in Health District # 14. As noted in our final progress report, we were initially unable to open an additional clinic, as we were unable to receive cooperation from local health departments in Health District #14 counties. *However*, we have subsequently secured available clinic space through the Wayne County Hospital, and consistent with grant objectives, we *were* able to open a third traveling clinic site in October of 1999. Patient statistics for the Wayne County clinic site are shown below and demonstrate a steady increase in clinic enrollment over the first 6 months of operation. It is anticipated that over time we will continue to increase patient enrollment at this site, with an enrollment of up to 40 patients at this site anticipated over the next 2 years.

<u>Clinic Date</u>	<u>Patient Census (#)</u>
October, 1999	12 patients
January, 2000	14 patients
May, 2000	19 patients already scheduled.

Despite our continued efforts to increase regional subspecialty diabetes services to Eastern Kentucky, it is impossible to “guarantee” enrollment of a specific number of patients for several reasons.

- These clinics provide for subspecialty pediatric care. Consequently, total patient enrollment in these clinics is dependent upon patient referral from local general practitioners. Services can only be provided to those patients who are actually referred to the UK Medical center. We accept all referrals for children with type 1 DM into our Pediatric Endocrine practice. Unfortunately, parents are free to decline such medical care for their children.
- Many patients are referred to the University of Kentucky Division of Pediatric Endocrinology and Metabolism from Eastern Kentucky who elect to receive medical care at the University of Kentucky Medical Center in Lexington. Such patients are a part of the population of children with type 1 DM in Appalachian Kentucky (i.e > 370 children) but are not reflected in traveling clinic census. Patients are given the option of receiving care either through the traveling diabetes clinics or our Lexington-based pediatric diabetes clinics at the University of Kentucky. Patients with available resources and suitable transportation may elect to be seen in Lexington.
- Continued funding of traveling clinic operations is dependent upon continued grant and/or philanthropic funding. The additional costs of providing “traveling” medical

services are not reimbursable through standard third-party payors. Consequently, the pace at which traveling clinic services can be further expanded will be dependent upon the availability of future grant/philanthropic funding.

Traveling Diabetes Clinic statistics for the past year are provided below. These statistics reflect the fact that we currently provide care to ~123 patients at three traveling clinic locations. We also provide care to an unspecified number of new patients from Eastern Kentucky who are now being seen at our Lexington clinics. (The University of Kentucky Division of Pediatric Endocrinology & Metabolism currently provides care to over 400 children with type 1 DM through all combined diabetes clinics.) Even a conservative estimate of ~ 150 patients identified through Appalachian medical outreach efforts represents a significant increase in clinic census from the numbers reported in our 1998 Final Progress Report (i.e. 80 patients).

<u>Clinic Location</u>	<u>Clinic Date</u>	<u>Patient Census (#)</u>
Pike County	September, 1998	59
	December, 1998	59
	March, 1999	64
	June, 1999	51
	September, 1999	57
	December, 1999	57
Knox County	October, 1998	50
	January, 1999	47
	April, 1999	45
	July, 1999	42
	October, 1999	47
	January, 2000	43
Wayne County	5/2000	19

It is our belief that objectives of this grant were completed with the initiation of the Wayne County Hospital traveling clinic site in May, 1999. Moreover, continued increases in clinic census over the last 2 years reflect our continued commitment to expanding the availability of Pediatric Diabetes subspecialty medical care to the children of Appalachian Kentucky.

Respectfully submitted,



Kathryn M. Thrailkill
Associate Professor of Pediatrics