



March 28, 2003

MEMORANDUM FOR The Federal Co-Chairman
ARC Executive Director

SUBJECT: OIG Report 03-12—ARC Grant KY-13698
Appalachian Osteopathic Postgraduate
Training Institute Consortium

Attached is a copy of the subject report dealing with the Appalachian Osteopathic Postgraduate Training Institute Consortium at the Pikeville College School of Osteopathic Medicine in Pikeville, Kentucky. There were two recommendations that the grantee has promised to remedy. We recommend that the project coordinator ensure the program income of \$75,000, mentioned in the second finding, be noted in the project files with appropriate action taken. When the project coordinator has completed this action, I would appreciate being notified. I consider this report closed.

Please contact me if you have any questions on this issue.

A handwritten signature in black ink, appearing to read "Cliff H. Jennings", written over a horizontal line.

Clifford H. Jennings
Inspector General

Attachment

cc: Director, Program Operations

TICHENOR & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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March 26, 2003

Mr. Clifford H. Jennings
Appalachian Regional Commission
Consumer Protection Division
1666 Connecticut Avenue NW, Suite 215
Washington, DC 20009-1068

Re: Final Report on Reviews of the following:

1. Appalachian Osteopathic Postgraduate Training Institute Consortium- KY-13698

Dear Mr. Jennings,

Enclosed, please find five copies (two bound and three unbound) of our final report on the above listed Grantee. It has been our pleasure working with you and your staff on this project. If we can be of further assistance, please call (502) 245-0775.

Sincerely,



William R. Tichenor
Managing Partner
Tichenor & Associates, LLP

Enclosure

**MEMORANDUM REPORT ON REVIEW OF
PIKEVILLE COLLEGE
SCHOOL OF OSTEOPATHIC MEDICINE
PIKEVILLE, KENTUCKY**

**APPALACHIAN OSTEOPATHIC POSTGRADUATE
TRAINING INSTITUTE CONSORTIUM**

ARC Grant Number: KY-13698

October 1, 2000 through September 30, 2003

Prepared By:

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

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

FROM: Tichenor & Associates, LLP
Louisville, Kentucky

REPORT FOR: The Federal Co-Chairman
ARC Executive Director
OIG Report Number: 03-12

SUBJECT: Memorandum Review Report on Pikeville College, School of
Osteopathic Medicine, Appalachian Osteopathic Postgraduate
Training Institute Consortium (A-OPTIC), ARC Grant Number: KY-
13698.

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for advance by Pikeville College, School of Osteopathic Medicine for its Appalachian Osteopathic Postgraduate Training Institute Consortium 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) that the objectives of the grant were met.

BACKGROUND: ARC awarded Grant Number KY-13698 to Pikeville College, School of Osteopathic Medicine for the period October 1, 2000 through September 30, 2003. Total grant funding was for an amount not to exceed \$370,000. ARC required that the grant be matched with \$92,500 in cash, contributed services, or in-kind contributions, as approved by ARC. ARC made a payment to A-OPTIC in December 2001 for \$125,167.

The purpose of grant was to create A-OPTIC, which will provide three years of residency training for Pikeville College, School of Osteopathic Medicine (PCSOM) graduates. Establishing residency programs in Appalachian hospitals will enable PCSOM graduates to forge ties with this region, its people, and its communities, thereby enabling them and encouraging them to remain in Appalachia for their medical practice as osteopathic primary care physicians.

The ARC funds were to be used to pay the salary and fringe benefits of the A-OPTIC Executive Director for 29 months, to pay the travel expenses for the Executive Director to travel to member hospitals, to purchase equipment required for accreditation of member hospitals, and to pay the accreditation fees for the accreditation of A-OPTIC in the American Osteopathic Association.

SCOPE: We performed a program review of the grant as for the period October 1, 2000 through December 31, 2002, described in the Purpose above. Our review was based on the terms of the grant agreement and on the application of certain agreed-upon procedures previously discussed with the ARC, OIG. Specifically, we determined if the tasks described above were being performed, if the accountability over ARC funds is sufficient as required by applicable Office of Management and Budget (OMB) Circulars, and if PCSOM and A-OPTIC were in compliance with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with the PCSOM and A-OPTIC personnel. Our results and recommendations are based on those procedures. These review procedures were performed in accordance with applicable Government Auditing Standards.

RESULTS: The following results are based on our review performed at Pikeville College in Pikeville, Kentucky from March 1 through March 7, 2003.

A. Incurred Costs

A-OPTIC claimed total program costs of \$621,790 for the period October 1, 2000 through December 31, 2002 of which they claimed direct reimbursable cost of \$291,741 from ARC, program income of \$187,500 and matching costs of \$142,548. We reviewed the direct and matching costs claimed and determined that, in general the funds were expended as reported and were used to fulfill the purpose of the grant.

B. Internal Controls

1. Progress Reports Not Prepared Every 120 Days

PCSOM did not prepare 6 of 10 120-day progress reports for A-OPTIC (KY-13698) on time.

Grant Agreement Number KY-13698 between the Appalachian Regional Commission and PCSOM, Part I- Special Provisions, Paragraph 3 states:

“Reports. A progress report for each 120-day period and a final report are required under this agreement (see Part II, Article 4).”

The Pikeville College Assistant Controller stated that they were aware of the requirement to submit 120-day progress reports but were merely late on submitting the reports. All late reports were submitted to the ARC on February 28, 2003.

RECOMMENDATION

We recommend that PCSOM and A-OPTIC prepare progress reports in accordance with the Grant Agreement.

GRANTEE RESPONSE

The grantee stated that it is aware that a progress report is due after the end of each quarter and will attempt to submit the reports timely in the future.

2. Program Income Inaccurately Reported on Quarterly Reports

PCSOM did not include \$75,000 in program income in the quarterly reports to ARC.

Grant Agreement Number KY-13698 between the Appalachian Regional Commission and PCSOM, Part II, Article 12- Grant-Related Income, states, in part:

“All grant-related income shall be reported to ARC in the progress and final reports required by this agreement.”

The Pikeville College Assistant Controller stated that due to the annual auditor’s entries, there was \$75,000 in program income that was overlooked when the quarterly reports were prepared.

RECOMMENDATION

We recommend that PCSOM and A-OPTIC accurately prepare progress reports in accordance with the grant agreement.

GRANTEE RESPONSE

The grantee stated that it acknowledges the inaccuracy and will attempt to accurately prepare the reports in the future.

C. Program Results

It appears that the ARC grant funds are being used for the purpose of the grant. That is establishing residency programs in Appalachian hospitals that will enable PCSOM graduates to forge ties with this region, its people, and its communities, thereby enabling them and encouraging them to remain in Appalachia for their medical practice as osteopathic primary care physicians.

Tichenor & Associates, LLP

Tichenor & Associates, LLP

Louisville, Kentucky

March 7, 2003