



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to Adams County Medical Foundation, Inc. Grant Number OH-20497

Report Prepared by Regis & Associates, PC

Report Number 24-09

November 21, 2023

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



Office of Inspector General

Appalachian Regional Commission

November 21, 2023

TO: Brandon McBride, Executive Director

FROM: Philip M. Heneghan, Inspector General

SUBJECT: Audit Report 24-09 – Adams County Medical Foundation, Inc.

This memorandum transmits the Regis & Associates, PC, report for the audit of costs charged to grant number OH-20497 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.

Regis & Associates, PC, is responsible for the attached audit report and the conclusions expressed in this 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.

The auditors made two recommendations in the report. Within the next 30 days, please provide me with your management decisions describing the specific actions that you will take to implement the recommendation.

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.

*Report on Performance Audit
of
Appalachian Regional Commission
Grant Number OH-20497-I
for the Period from October 1, 2021 to December 31, 2022*

*Awarded to
Adams County Medical Foundation, Inc.*

*Prepared for the Appalachian Regional Commission -
Office of Inspector General*

Auditee: Adams County Medical Foundation, Inc.
As of Date: October 31, 2023


MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS
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EXECUTIVE SUMMARY

Office of Inspector General,
Appalachian Regional Commission
1666 Connecticut Avenue, NW; Suite 700
Washington, DC 20009

We conducted a performance audit (the audit) of grant agreement, number OH-20497-I, awarded by the Appalachian Regional Commission (ARC) to Adams County Medical Foundation, Inc. (the Grantee); with a grant performance period of October 1, 2021 to December 31, 2022. We conducted this performance audit at the request of the ARC Office of Inspector General, to assist it in its oversight of ARC grant funds. This performance audit engagement covers the period from October 1, 2021 to December 31, 2022.

The objective of this performance audit was to determine whether: (1) program funds were managed in accordance with 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; (6) the reported performance measures were fair and reasonable; and 7) if the requirements for the performance of a Single Audit were met, the Grantee conducted such an audit and appropriately addressed any noted findings and recommendations related to the management of Federal awards.

We conducted this performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

We conducted the planning and fieldwork phases of the audit during the period from January 10, 2023 to August 31, 2023. We determined that, except for the matters identified as finding 2023-001, in the accompanying Findings, Recommendations, and Grantee’s Response section of this report; Adams County Medical Foundation, Inc.’s financial management, administrative procedures, and related internal controls; were adequate to manage ARC’s grant funds.

We discussed the results of this performance audit with Adams County Medical Foundation, Inc.’s officials at the conclusion of our fieldwork. Adams County Medical Foundation, Inc.’s response has been included as Attachment 1 to this report. Regis & Associates, PC appreciates the cooperation and assistance received from Adams County Medical Foundation, Inc.’s and ARC staff during this performance audit.

Regis & Associates, PC

Regis & Associates, PC
Washington, DC
October 31, 2023

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's staff is responsible for program development; policy analysis and review; grant development; technical assistance to states; and management and oversight. 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.

On September 30, 2021, the Appalachian Regional Commission awarded Grant Number OH-20497-I titled "Adams County Regional Medical Center Orthopedic Surgery Project", to Adams County Medical Foundation, Inc., in the amount of \$ 250,000. As a condition of this award, the Grantee was required to contribute a matching amount of \$ 168,222. The total matching contribution was to be made in the form of cash, contributed services, or in-kind contributions, as approved by ARC. The period of performance of the grant was from October 1, 2021 to December 31, 2022, which is covered by this performance audit engagement.

The grant was awarded to Adams County Medical Foundation, Inc. to build a state-of-the-art Orthopedic Robotic Surgery Program to increase access to healthcare services for those residing in Adams County, Ohio. The project included the purchase of a multitude of equipment; including, but not limited to, radiology shields, x-ray machines, and sterilizers.

Objective, Scope, and Methodology

Objective

The general objectives of this performance audit were to determine whether Adams County Medical Foundation, Inc. expended grant funds, in accordance with applicable requirements; and to report any resulting findings and questioned cost related to internal controls, program performance, and compliance with provisions of the grant agreement and laws and regulations.

Scope and Methodology

The Appalachian Regional Commission, Office of Inspector General, under Order Number ARC21P050, dated February 25, 2022; engaged Regis & Associates, PC to conduct a performance audit of Grant Number OH-20497-I titled "Adams County Regional Medical Center Orthopedic Surgery Project", which was awarded to Adams County Medical Foundation, Inc. The term of the grant was from October 1, 2021, to December 31, 2022.

The budgeted amounts for the grant are presented below:

Exhibit – A: Schedule of Grant Budget			
<u>Category</u>	<u>Federal</u>	<u>Non-Federal</u>	<u>Total</u>
Equipment	\$250,000	\$168,222	\$418,222
Total Direct Charges	\$250,000	\$168,222	\$418,222
Total	\$250,000	\$168,222	\$418,222

We conducted this performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); the ARC Code; and the grant agreement.

Our audit procedures included:

- Obtaining an understanding of the Grantee’s internal controls; assessing control risk; and determining the extent of testing needed, based on the control risk assessment.
- Reviewing written fiscal policies and administrative procedures for applicable grant activities.
- Assessing, on a test basis, evidence supporting the amounts, and the Grantee’s data and records.
- Assessing the accounting principles and significant estimates made by the Grantee.
- Evaluating the overall evidence and presentation of the records.
- Assessing whether the program’s reported performance measures were fair and reasonable.
- Conducting other test procedures deemed necessary, based on our professional judgment.

Results

Based on the results of our testing and analysis on this performance audit, we determined that:

- 1) The grant funds were managed in accordance with ARC and Federal grant requirements; except for the non-compliance related to unallowable cost, described as finding 2023-001, in the accompanying Findings, Recommendations, and Grantee’s Response section of this report.
- 2) As of December 31, 2022, the grant funds were expended, as provided for in the approved grant budget. Below, we have presented a Schedule of Claimed and Audit Recommended Cost as of December 31, 2022, which reflects the results of our audit.

**Exhibit – B: Schedule of Claimed and Audit Recommended Cost
 as of Dec 31, 2022**

Object Class Category	Claimed Costs		Questioned Costs		Audit Recommended		Total
	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	
Equipment	\$250,000	\$ 174,750	\$ 6,854	\$ -	\$243,146	\$ 174,750	\$417,896
Total Direct Charges	\$250,000	\$ 174,750	\$ 6,854	\$ -	\$243,146	\$ 174,750	\$417,896
Total	\$250,000	\$ 174,750	\$ 6,854	\$ -	\$243,146	\$ 174,750	\$417,896

- 3) Internal guidelines, including program (internal) controls, were adequate and operating effectively. The Grantee had written policies and procedures for applicable grant activities, which we considered adequate for administering the grant; except for the matter described in the accompanying Findings, Recommendations, and Grantee’s Response section of this report.
- 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), including ARC requirements, except for the matters described in finding number 2023-001, in the accompanying Findings, Recommendations, and Grantee’s Response section of this report. We questioned \$6,854 of Federal grant expenditures, as a result of unallowable costs identified.
- 5) We determined that as of December 31, 2022, the Grantee had contributed matching funds in the amount of \$174,750, which was \$6,528 more than the required matching amount of \$168,222. These matching funds were properly supported and allowable under both Federal and ARC requirements.
- 6) We determined that the Grantee implemented effective policies and procedures to accurately capture, record, and report grant performance measures (that included the number of jobs created and retained, number of patients served, as well as their outcomes). Based on our review of the Grantee’s procedures, the performance results reported to ARC, were fair and reasonable.
- 7) We determined that the Grantee was not subject to the Single Audit requirements under the Uniform Guidance for the audit scope period.

Findings, Recommendations, and Grantee's Response

2023-001: Lack of sufficient internal control to provide reasonable assurance that Federal awards are expended for allowable cost

Condition:

During testing of grant expenditures, we identified one transaction, submitted as part of equipment expense, that included taxes of \$6,854. The Grantee charged the full amount of the invoice, including the taxes, to the grant. The Grantee is tax exempt and was credited by the vendor for the full tax amount. Even after the vendor credited the Grantee for the taxes, the Grantee failed to adjust the amount of taxes charged to the grant. As a result, we questioned the taxes of \$6,854 that were charged to the grant.

Criteria:

Section 2 CFR 200.470(i) of the Uniform Guidance specifically disallows taxes for which exemptions are available to the non-Federal entity.

Cause:

The Grantee did not have an adequate process in place to ensure that sales taxes are not charged to Federal grants.

Effect:

The Grantee improperly charged sales taxes to the grant, which are unallowable under the terms of the grant agreement. This resulted in overbilling to the grant.

Recommendation:

1. We recommend that the Grantee develop a process to ensure that sales taxes are not charged to Federal grants.
2. We also recommend that the Grantee reimburse ARC for the amount of the unallowable sales taxes charged to the grant.

Grantee's Response:

The Grantee concurred with the audit results. See the Grantee's full response in Attachment 1.

Auditor's Response:

Since the Grantee concurred with our audit results, no additional comment is necessary.

Attachment 1: Grantee 's Response



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October 31, 2023

Peter Regis, CPA
Regis & Associates, PC
1420 K Street, NW Suite 910
Washington, DC 20005

Subject: Performance Audit of Grant Agreement Number OH-20497-I

We are providing this letter in connection with the subject audit performed by Regis & Associates, PC on behalf of the Appalachian Regional Commission (ARC).

I have reviewed the audit finding and concur with the audit result. On behalf of Adams County Medical Foundation, Inc., it was a pleasure working with you and your team and we look forward to working with you in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Regis".

www.acmedicalfoundation.org