
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL
AUDIT OF GRANT AWARD**

**Baptist Memorial Hospital- Golden Triangle Internal Medicine
Residency**

**Final Report Number: 19-34
Project Number: MS-18282-15
July 22, 2019**

Prepared By:

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July 22, 2019

Appalachian Regional Commission
Office of Inspector General
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Bonadio & Co., LLP completed an audit of grant number MS-18282-15 awarded by the Appalachian Regional Commission (ARC) to Baptist Memorial Hospital Golden Triangle(grantee) for the creation of the Internal Medicine residency training program. The audit was performed to assist the Office of Inspector General in carrying out its oversight of ARC grant funds.

The primary objectives of the audit 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 appropriate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); (5) the performance measures were met or likely to be met; and (6) matching requirements of the grant were satisfied.

Overall, the grantee's financial management and administrative procedures, including related internal controls, were adequate to manage the funds provided under the ARC grant reviewed. The expenditures tested were supported and are considered reasonable. It appears that the overall grant performance measures will be met as scheduled.

Bonadio & Co., LLP appreciated the cooperation and assistance received from the grantee and the ARC staff during the audit.

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BACKGROUND

Bonadio & Co., LLP completed an audit of grant number MS-18282-15 awarded by the Appalachian Regional Commission (ARC) to Baptist Memorial Hospital Golden Triangle(grantee) for the creation of the Internal Medicine residency training program. The audit was conducted at the request of the ARC, Office of Inspector General, to assist the office in its oversight of the ARC grant funds.

The grant provided \$552,779 in ARC funds and required a match of \$337,786 in non-ARC funds with a total project of \$890,565. The grant was awarded to cover the period October 1, 2015 to June 30, 2017 and was amended to extend the grant through September 30, 2017. The grant provided support for the establishment of an Internal Medicine residency training program, to be based at the grantee's regional hospital in Columbus. The grantee developed curriculum, devised policies and procedures, arranged community-based clinical rotations, secured accreditation in 2016, recruited faculty and students, updated facilities, and launched the program in July 2017. The program's first graduates will complete their residency in 2020. The anticipated outputs include establishing an accredited academic program with enrollment of 18 students within three years of establishing the program. Program outcomes include the creation of four jobs, the graduation of five students and serving an undetermined number of patients.

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 appropriate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); (5) the performance measures were met or likely to be met; and (6) matching requirements of the grant were satisfied.

We obtained an overall understanding of the grant activities, the accounting system, and operating procedures. We evaluated grantee administrative procedures and related internal controls to determine whether they were adequate to administer the grant funds. We examined financial and other required reports to determine if they were supported and submitted in accordance with the grant requirements. We also obtained the most recent Single Audit report to determine whether there were any reported issues that affected the ARC grant.

Of the \$513,022 in expenditures charged to the grant, we selected a sample of \$236,000, in expenditures for testing to determine whether the charges were properly supported and allowable. We also reviewed the grantee's procedures for allocating administrative costs to the grant.

The criteria used in performing the audit were ARC grant documents, the grant approval, the grant agreement, the ARC code, other ARC requirements, and 2 CFR Part 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards". The audit was performed in accordance with the *Government Auditing Standards*. The fieldwork was completed during the period of August 21, 2018 through August 23, 2018, which included on-site work at the grantee's office. The audit results were discussed with grantee representatives at the conclusion of the on-site visit. The grantee's representative agreed with the audit results.

SUMMARY OF AUDIT RESULTS

Overall, the grantee's administrative procedures were adequate to manage the grant funds reviewed. Out of the total budget of \$890,565, only \$513,022 was expended, which included \$315,752 of ARC funds and \$197,270 of local funds. Based on test work results, we did not question any costs incurred. The expenses tested were supported and considered reasonable. We found that the grantee had an adequate process in place for obtaining and recording data related to the goals of the grant. In addition, the records and reports indicated that the tasks required by the grant agreement will be accomplished.

Four jobs were created and the residency training program was created by the end of the grant period. Accreditation for the program was received in September of 2016. The first six residents matriculated in July of 2017 and are on schedule to conclude their three-year residency program in 2020. An additional six residency students joined the program in 2018 and additional 6 were scheduled to join in 2019, bringing the total to 18 as projected in the grant application.

In addition, the grantee projected that the first year residents would provide care to 200 patients in their first year of residency, which began in June 2017. In the first quarter of operation, they provided care to 260 patients and provided care to approximately 1,000 patients by May 31, 2018. One obstacle noted by the grantee is the outpatient clinic is not large enough for the volume of patients to be seen through the residency clinic. It will need to be enlarged significantly (or relocated to a larger space) in order to more effectively provide care and increase the number of patients served.