



September 30, 2002

MEMORANDUM FOR The Federal Co-Chairman
ARC Executive Director

SUBJECT: OIG Report 02-35—ARC Grant MS-14007
Hickory Flat Clinic Health Care Project

Attached is a copy of the subject report dealing with the Hickory Flat Clinic Health Care Project. There are no issues requiring action or followup. We consider the report closed.

A handwritten signature in black ink, appearing to read "Cliff H. Jennings", with a large, stylized flourish at the end.

Clifford H. Jennings
Inspector General

Attachment

cc: Ms. Judy Rae

**MEMORANDUM REPORT ON REVIEW OF
HICKORY FLAT CLINIC
HICKORY FLAT, MISSISSIPPI**

HICKORY FLAT CLINIC HEALTH CARE PROJECT

ARC Grant Number: MS-14007

July 1, 2001 through December 31, 2002

CAUTION: Certain information contained herein is subject to disclosure restrictions under the Freedom of 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: 02-35

Date: September 27, 2002

**MEMORANDUM REPORT ON REVIEW OF
HICKORY FLAT CLINIC
HICKORY FLAT, MISSISSIPPI**

HICKORY FLAT CLINIC HEALTH CARE PROJECT

ARC Grant Number: MS-14007

July 1, 2001 through December 31, 2002

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: 02-35

SUBJECT: Memorandum Review Report on Hickory Flat Clinic, Hickory Flat
Clinic Health Care Project, Hickory Flat, Mississippi. ARC Grant
Number: MS-14007.

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by the Hickory Flat Clinic for its Hickory Flat Clinic Health Care Project 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 are being met.

BACKGROUND: ARC awarded Grant Number MS-14007 to the Hickory Flat Clinic for the period July 1, 2001 through December 31, 2002. Amendment Number 1 to the Grant Agreement was approved July 3, 2002 by the ARC Contract Coordinator, extending the period of performance through December 31, 2002, and approving a budget revision concerning in-kind contribution sources. Total grant funding was for an amount not to exceed \$99,960 or 80 percent of actual, reasonable and eligible project costs. ARC required that the grant be matched with \$24,990 or 20 percent in cash, contributed services, or in-kind contributions, as approved by ARC. ARC made two progress/advance payments to Hickory Flat Clinic, in October 2001 and March 2002, totaling \$60,000.

The purpose of the grant is to provide funds to continue, enhance and expand health care services offered by Hickory Flat Clinic by replacing, upgrading, and adding medical and office equipment. The equipment will facilitate serving an increased number of patients and provide items needed by existing providers and any additional providers.

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 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 the Hickory Flat Clinic was in compliance with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with the Hickory Flat Clinic 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 the Hickory Flat Clinic in Hickory Flat, Mississippi from July 31, 2002 to August 1, 2002.

A. Incurred Costs

The Hickory Flat Clinic claimed total program costs of \$41,813 for the period July 1, 2001 through June 30, 2002 of which they claimed direct reimbursable cost of \$33,701 and matching costs of \$8,112. We reviewed the direct and matching costs claimed and determined that, in general, the funds had been expended as reported. However, we identified that \$26,299 in ARC funds drawn down in March 2002 that had not yet been expended as of June 30, 2002. This issue is discussed below.

Draw Downs Exceeded Current Needs

The Hickory Flat Clinic drew down \$20,000 in October of 2001 and \$40,000 in March of 2002. The requests were for funding to cover periods from October 1, 2001 through October 31, 2001 and March 1, 2002 through May 31, 2002, respectively. During the course of our review, we noted that as of June 30, 2002 the Hickory Flat Clinic had expended \$33,701 of the ARC funds and had \$26,299 of ARC funds on hand.

Office of Management and Budget Circular A-110, Subpart C, Post-Award Requirements, Financial and Program Management, .22 Payment, paragraph (b) states:

“Recipients are to be paid in advance, provided they maintain or demonstrate the willingness to maintain: (1) written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient, and (2) financial management systems that meet the standards for fund control and accountability as established in Section .21. Cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs.”

According to the Hickory Flat Clinic Director, in order for the clinic to use ARC funding, the clinic must first contribute matching funds, at 20% of the expenditure. Matching funds from clinic resources had been lower than expected, so ARC funds were not used until matching funds could be acquired. In July of 2002, a revision to the matching portion of the budget for this grant was approved, allowing the use of a donated building to be allocated as a part of matching funds. The Clinic Director anticipated that the supplement of matching funds would allow the clinic to use the remaining ARC funds.

RECOMMENDATION:

We recommend that the Hickory Flat Clinic not withdraw any of the remaining grant funds in excess of its current needs as required by OMB Circular A-110.

B. Internal Controls

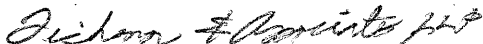
We did not identify any internal control weaknesses that could have affected the accountability of costs or compliance with the terms of the grant agreement.

C. Program Results

Our review of the Hickory Flat Clinic Health Care Project indicated that the objectives of the grant had and are being met.

OTHER:

We provided Hickory Flat Clinic with a copy of the draft review report on August 28, 2002. We did not receive any written or oral response to the finding or recommendation contained in the draft report. Therefore, no changes to the finding or recommendation have been made subsequent to the draft report.



Tichenor & Associates, LLP
Louisville, Kentucky
August 1, 2002



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Welcome Ingrid+ Rickard, today is Monday, September 30, 2002

Project - General: MS-14007-0 -I ✓

Project	Grantee	Location	Funding	Payment	Notes	Performance	Closeout
ID: 25758					New Grantee		Select Gran

Grantee's Name * Hickory Flat Clinic

Contact Person: Sue Morrison

Type of Grantee:* Non- Profit Organization

Employer ID Number (EIN): 64-0618512

Phone: 662-333-6387

Fax:

Email:

Grantee Address

Address POB 128

City Hickory Flat

State Mississippi

Zip Code 38633

Save Cancel

Proj Title: Hickory Flat Clinic
Health Care Equipment



September 30, 2002

Mr. Bill Renick, Chief of Staff
Office of the Governor
P. O. Box 139
Jackson, MS 39205

re: OIG Reports 02-35, ARC Grant MS-14007—Hickory Flat Clinic Health Care Project; 02-36, ARC Grant MS 14020-0-I—Governor's Initiative for Classroom Technology; 02-37, ARC Grant MS-13561—Virtual Entrepreneurship Education and Training; and 02-38, ARC Grant MS-13869-0-I—Tupelo Middle School SELECT

Dear Mr. Renick:

Enclosed is a copy of each of the subject reports.

Sincerely,

A handwritten signature in black ink, appearing to read "Clifford H. Jennings", with a stylized flourish at the end.

Clifford H. Jennings
Inspector General

Enclosures

cc: Dr. Mabel Murphree, Director
Appalachian Regional Commission Office



APPALACHIAN
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*A Proud Past,
A New Vision*

Office of the Inspector General

September 30, 2002

Ms. Sue Morrison
Hickory Flat Clinic
P. O. Box 128
Hickory Flat, MS 38633

re: OIG Report 02-35, ARC Grant MS-14007—
Hickory Flat Clinic Health Care Project

Dear Ms. Morrison:

Attached is a copy of our report on the subject grant. A copy of the report is being provided to the Federal Co-Chairman, ARC Executive Director, and the Mississippi State Alternate.

The courtesies and cooperation afforded the auditor were appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Cliff H. Jennings", with a long, sweeping flourish extending to the right.

Clifford H. Jennings
Inspector General

Enclosure