



JULY 31, 1997

OIG REPORT NO. 97-49(H)

MEMORANDUM FOR: WILLIAM D. PIKE, EXECUTIVE DIRECTOR, WESTERN NEW YORK RURAL HEALTH CARE ASSOCIATION, INC., TONAWANDA, NEW YORK

SUBJECT: Memorandum Survey Report--Rural New York Health Networking Project, ARC Grant NY-11729-94-I-302-0630 (Contract 94-159)

PURPOSE

The purposes of our review were (1) to determine the allowability of the costs claimed under the ARC grant, (2) to determine if the grant objectives were met, and (3) to determine the current status of the project.

SCOPE

Our review included procedures to review costs incurred and claimed for reimbursement under the grant as well as costs claimed as matching funds. The initial period of performance was October 1, 1994 through September 30, 1995 but the grant was subsequently extended through May 31, 1996. We reviewed the grantee's reports, examined records, and held discussions with grantee officials June 12-13, 1997. As a basis for determining allowable costs and compliance requirements, we used the provisions of the grant agreement, Office of Management and Budget (OMB) Circulars A-110, A-122, and the ARC Code.

BACKGROUND

ARC Grant No. NY-11729-94-I-302-0630 was awarded to the Western New York Rural Health Care Association, Inc. to fund the acquisition of telecommunication equipment for a new hospital-based telecommunications network serving seven hospitals in Chautauqua, Cattaraugus, Allegany and Steuben Counties in Appalachian New York. The grant was amended to delete one of the original facilities from the project and to allow ARC-funded equipment to be placed at a medical center outside of Appalachian New York (Erie County) because it was essential to the inner-connectivity and operation of the network.

The total amount of the project was estimated at \$991,300. The grant was for the lesser of \$182,114 or 18 percent of actual, reasonable and eligible project costs. The grantee was to pay or cause to be paid the non-federal share of \$566,340 (57 percent) in cash, contributed services, or in-kind contributions, as approved by ARC. Federal funds in the amount of \$242,846 (25 percent) were also to be contributed from the Rural Electrification Administration (REA).

Specific tasks to be completed by the grant were as follows:

- 1) Select, install and test the video teleconferencing equipment which will link Grantee's members with the nine-member Western New York Health Services Consortium in the greater Buffalo, New York area;
- 2) Implement medical and community applications; and
- 3) Evaluate the system.

At the time of our visit, the grantee had received grant funds totaling \$174,753.95 and \$7,360.05 had been deobligated by ARC. ARC closed out the project in December 1996.

RESULTS

Financial Review

The grantee reported to ARC that grant costs were \$174,753.95 (22 percent) and REA and matching costs totaled \$627,071.81 (78 percent). During our review we found that the grantee had erroneously added some receipts to total costs and that total costs were actually \$777,230.84. The percentage of ARC grant costs to total costs increased to 22.5 percent. At the time of project close out ARC staff approved an increase in the ARC contribution from the 18 percent specified in the grant agreement because the total cost of the project was significantly reduced due to line charges of \$165,200 not being needed and because of the cost savings related to the hiring of a project manager. We determined that the error in total project costs did not result in a significant change to the ARC contribution.

We reviewed the grantee's financial records including paid invoices and supporting documentation. We noted that personal services totaling \$5,123.09 had been incurred during the grant period but had not been paid at the time of our visit. Subsequent to our visit, the grantee obtained final billing from the vendor and provided evidence of payment to us. No deficiencies as to the allowability or the documentation of other expenses were noted.

Program Review

Telecommunications equipment purchased under the ARC project was installed at seven medical facilities as planned. By the end of February 1996 all equipment had been installed and training had been completed. The equipment has been used for medical and educational purposes. The grantee indicated that the network is not being used to its full potential, however, the participants are continuing efforts to promote it and expand its usage.


Hubert N. Sparks
Inspector General