

MEMORANDUM REPORT ON REVIEW OF
HANCOCK COUNTY
SNEEDVILLE, TENNESSEE

HANCOCK COUNTY PICTURE ARCHIVING COMMUNICATIONS SYSTEM

ARC Grant Number: TN-14941-04

Grant Period: October 1, 2004 through September 30, 2005

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: 08-10

Date: April 21, 2008

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Grant Period: October 1, 2004 through September 30, 2005

Prepared By:

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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: 08-10

SUBJECT: Memorandum Review Report on Hancock County, Hancock
County Picture Archiving Communications System, ARC Grant
Number: TN-14941-04.

PURPOSE: The purpose of our review was to determine if (a) the total funds provided to Hancock County for its Hancock County Picture Archiving Communication System grant 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 AL-14941-04 to Hancock County for the period October 1, 2004 through September 30, 2005. Total grant funding was for an amount not to exceed \$360,000 or 80 percent of actual, reasonable, and eligible project costs. ARC required that the grant be matched with \$90,000 or 20 percent in cash, contributed services, or in-kind contributions, as approved by the ARC. The ARC made one payment of \$337,194.

The purpose of the grant was to provide funding for a project designed to improve the telecommunications infrastructure in the new Hancock County Hospital. Grant funds were used to equip a new 10-bed acute care hospital with the capability of doing tele-radiology modality consultations, through the acquisition of tele-radiology equipment including: servers, diagnostic display station, digitizer equipment, diagnostic X-ray equipment, ultra sound equipment, and other related equipment. The hospital is able to do radiology reads over the internet, rather than having a staff or on-call radiologist.

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 Hancock County was in compliance with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with Hancock County personnel. Our results and recommendations are based upon 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 both the First Tennessee Development District in Johnson City, Tennessee and the Hancock County Mayor's Office in Sneedville, Tennessee on January 7, 2008 through January 8, 2008.

A. Incurred Costs

Hancock County's financial records report total program costs of \$426,493 for the period from October 1, 2004 through June 2, 2005. Of these costs, \$337,194 (79%) was attributed to ARC expenditures, with the remaining \$89,299 (21%) attributed to matching and in-kind expenditures.

During the course of the review, we reviewed the direct and matching costs claimed and determined that the funds had been expended as shown in the financial records.

B. Internal Controls

During the course of the review, we reviewed Hancock County's system of internal controls. One area of weakness was identified that could have affected the accountability of costs or compliance with the terms of the grant agreement.

1. Completion of Progress Reports

The ARC Grant Agreement: Special Provisions (Part I), Article 3 (Reports) requires the completion of a progress report for each 120-day period as well as a final report upon project completion.

The grantee did not submit any interim progress reports during the 244-day grant period. A final report was submitted upon project completion.

Recommendation:

We recommend that ARC require Hancock County to complete progress reports in a timely manner on any future ARC grants.

ARC's Response:

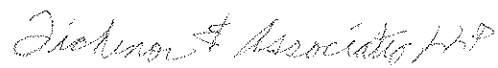
ARC concurred with our recommendation and has notified Hancock County that if they apply for funding in the future strict compliance with ARC's grant agreement will be required. Additionally, on April 3, 2008 ARC contacted all ARC Program Managers and Local Development District directors to remind them of the need for grantees to strictly comply with all OMB circulars. (See Appendix A – ARC's Response.)

Auditor's Comment:

ARC has notified Hancock County that strict compliance with the ARC grant agreement will be required for any future funding and ARC has taken steps to remind all ARC Program Managers and Local Development District directors of the need for strict compliance with all OMB circulars. As a result, the recommendation is considered closed.

C. Program Results

Our review of Hancock County's Hancock County Picture Archiving Communications System grant indicated that the specific objectives identified in the grant were achieved. The grantee originally estimated that 940 patients would use the tele-radiology equipment in the first year of operation. Based on reports provided by the hospital the equipment was actually used by 2,170 patients in the first year of operation.


Tichenor & Associates, LLP
Louisville, Kentucky
January 8, 2008

APPENDIX A
ARC'S RESPONSE



APPALACHIAN
REGIONAL
COMMISSION

*A Proud Past,
A New Vision*

April 4, 2008

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

RE: Draft Audit on TN-14941 – Picture Archiving Communications System

Dear Mr. Tichenor:

The Appalachian Regional Commission is in receipt of your draft audit on the above referenced project. The ARC coordinator for the project, Harry L. Roesch, has discussed your findings with the grantee. The project's director, Greg Marion, has provided a response (see attached) to the recommendation made in the audit, and Mr. Roesch has subsequently discussed the response to the audit recommendation with the grantee.

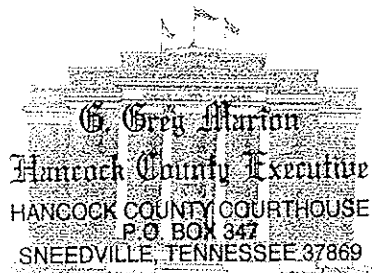
ARC concurs with the recommendation found in the draft audit, and Hancock County has been notified that if they apply for funding in the future strict compliance with our grant agreement will be required. In addition, on April 3, 2008 all ARC Program Managers and Local Development District directors were contacted to remind them of the need for grantees to strictly comply with all OMB Circulars.

Based on the information that has been submitted by the grantee ARC is satisfied with their response to your specific audit question.

Sincerely,

Henry B. King, PhD
Director, Program Operations Division

cc: Clifford Jennings
Thomas Hunter
Paula Lovett
Harry Roesch



February 21, 2008

Mr. Harry Roesch
Appalachian Regional Commission
1666 Connecticut Ave. NW
Suite 700
Washington, DC 20009-1068

Re: Hancock County PACS System Audit

Dear Mr. Roesch

On behalf of Hancock County, I would like to apologize for not submitting the 120 Day Progress Report required by the Appalachian Regional Commission (ARC) grant. This was unintentional and will not happen again on future grants. I, along with residents in Hancock County greatly appreciate the grant dollars from the ARC for the PACS System.

Thanks again. If you have any further questions or comments concerning this project, please let me or Bill Forrester with the First Tennessee Development District know.

Sincerely,

A handwritten signature in cursive script that reads "Greg Marion".

Greg Marion
County Mayor

Enclosures

GM/bf-ftdd