

**RURAL HEALTH EDUCATION PARTNERSHIPS (RHEP)  
PROGRAM REVIEW  
FOR FISCAL YEARS ENDED JUNE 30, 1992-JUNE 30, 1999**

**PROCESS**

In order to perform the program review of the West Virginia Rural Health Education Partnerships (RHEP) program for fiscal years ended June 30, 1992 through June 30, 1999, the following steps were undertaken:

- 1.** Discussions were held with RHEP personnel at the state level to assist in gaining an understanding of the program, its policies and procedures regarding the program, what the functional levels of program operation, and the approach to apply in conducting the review, especially in terms of site visitations and data collection.
- 2.** Based on the above discussions, it was determined that questionnaires would be developed and submitted to each RHEP fiscal agent (the State's three medical schools through whom program funds were distributed) and to each RHEP lead agency (the entity to whom funds for provision of program activities were distributed) requesting information on funds flow and program operation.
- 3.** Once a response to the questionnaire was received (it should be noted that questionnaire responses, or informational contacts, were received from each of the lead agencies as well as from the West Virginia School of Osteopathic Medicine), the data were reviewed, a file established, contact made with the individual indicated on the questionnaire as responsible for the information collection or program operation, and an on-site visit was scheduled with the lead agency's financial officer and the consortium's site coordinator.

4. During the site visit, discussions were held with individuals knowledgeable with program operation and financial activities. This usually included the lead agency's financial officer and the consortium's site coordinator. Based on these discussions, additional questionnaires were completed and data analyzed to develop a summary report for each entity visited.
  
5. The observations and recommendations in the following section were formulated from the information collected, and the analyses completed, based on the above procedures.

Responses received from the parties identified above plus on-site interviews with the various financial officers and site coordinators at both the fiscal agent and lead agency levels were essential in developing and carrying out this program review.

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**OBSERVATIONS AND RECOMMENDATIONS**

The following observations and recommendations are based on our program review:

1. **Observation:** The role of the fiscal agents (the State's three medical schools) and their relationship with lead agencies (health care provider organizations with signed contracts for direct program delivery) must be better defined. Currently the fiscal agents have no responsibilities for lead agency oversight beyond service as a pass-through conduit for state funds. For example, directives currently require that the fiscal agent receive a copy of the lead agency's annual audit, and that they review that document and perform a desk audit of RHEP program expenditures. It is unclear if this responsibility is being fulfilled, especially as regards feedback from the fiscal agent to the lead agency.

**Recommendation:** State level RHEP Officials should be responsible for program review and oversight.

Fiscal agents serve no valuable purpose in being merely a pass-through agent for state funds. Program review and oversight should be the responsibility of state-level RHEP program personnel. The state office already prepares all thirteen lead agency contracts. Efficiencies will be gained by having the central office process contracts directly without going through the added step of requiring the medical schools to also process the contracts.

The task of monitoring and evaluation is somewhat more time consuming. Current staff do not have the time nor all the skills necessary to audit and monitor funds. Independent monitoring and evaluations could be accomplished through the use of an outside firm selected through an RFP process. Consideration of certain financial activities of the RHEP program could be performed as part of the lead agency's annual fiscal audit (See Recommendation number twelve), if there is a concern that the program would not be addressed as part of the audit procedures because of selection criteria under U.S. Office of Management and Budget (OMB)

Circular A-133, a separately defined program fiscal audit or review should be required.

- 2. Observation:** Lead agencies enjoy and appreciate the flexibility built into the program and the open-ended nature of program directives. Each lead agency/consortium is perceived as being a component of a partnership and not a sublevel of a hierarchical organization. However, this has caused a wide diversity in approaches to spending program funds and allows for interpretations that could lead to instances of questionable expenditures.

**Recommendation.** Policies and procedures should be developed at the state level to provide a more focused framework regarding the use of program funds. Flexibility should be a continued earmark, but accountability and a greater uniformity must be accomplished through a better definition of allowable expenditures. In addition, if there is any question on allowability of expenditures, there should be a mechanism in place for site coordinators and/or lead agency financial officers to address the issue (before committing funds) with someone at the state level.

- 3. Observation:** The issue of funds allocation to lead agencies needs to be reviewed. There is a perception that the methodology is arbitrary at worst and out-of-date at best. This is especially evident when considering that some consortia have significant amounts of carryover funds each year and others have none. It appears that once a lead agency's allocation is decided, the same amount is received each year without any requirement to evaluate needs peculiar to each entity.

**Recommendation:** State level program officials should assist in better educating site coordinators and lead agency financial officers on the methodology of funds allocation. At the same time, the RHEP finance committee should become more involved in determining formulas for allocation, and these formulas should be reviewed annually. In addition, whenever there are carryover funds, the lead agency should provide the finance committee with the reason for the carryover, a plan and time frame for the use of the carryover within program guidelines, and a follow-up reporting on the liquidation of the carryover. If there are carryover funds available, consideration should be given to requiring the lead agency to set these funds aside in a separate, interest bearing, bank account with the interest earned having to be used for program activities.

**Comment:** A subcommittee of the finance committee has already been formed to develop a revised funding formula. It should also be noted that prudent use of carryover funds has been the rule and carryover funds

have generally earned interest that has been returned to the program. In one particular instance, carryover funds have earned in excess of \$280,000 in interest between 1993 and 1999, and this interest has been made available for use in the lead agency's RHEP program development.

4. **Observation:** There is a need to better define the reporting requirements placed on lead agencies in relation to state-level program representatives. While an annual report, due by May 1 at state-level RHEP offices, serves a specific purpose, this report does not reflect the full RHEP year's activity, expenditures are only **estimated** through year end; that is, actual expenditures are reported for the July 1 through April 30 (or March 31) period and estimated through June 30. Other reports may be supplemental in nature, but a full and detailed report by the lead agency based on the RHEP fiscal year (July 1-June 30) is not required.

**Recommendation:** Reporting for the full RHEP fiscal year is needed, with comparisons of actual expenditures to budgeted amounts, and carryover funds, if any, should be specifically identified with budget line items. This report should be provided to the lead agency's external auditor, as well as to the RHEP state-level staff and the finance committee, and form the basis for program examination for those lead agencies that have a fiscal year which coincides with that of RHEP. Additionally, program financial reports should be more frequent (at least quarterly) and more comprehensive (indicating approved budget amounts, actual expenditures by budget line item, specific identification of expenditure of carryover funds, etc.).

5. **Observation:** Without question, the program was well received and well regarded by everyone interviewed. However, it was evident that many strongly believed that a program self-evaluation was needed to determine how best to approach the future. One immediate concern was a perceived need to shift from maintenance of the status quo to actively entering the arena of recruitment and retention. A major issue for discussion related to physicians. All indications were that individuals in this discipline were the most difficult to attract and retain, especially once "lost" to residency programs that may need to provide a more positive approach concerning rural practice. Also, an expressed concern related to a shortage of nurses in many rural facilities.

**Recommendation:** Attention must be given to the goals, approaches and methodologies of the RHEP program site coordinators should play a major role in helping state-level program representatives determine a plan that is practical in relation to recruiting health care professionals into rural areas of West Virginia as well as a plan for retention. Site

coordinators need to recruit for all consorting members based on priorities established by local boards. WVRHEP's Recruitment and Retention (R&R) Committee, which is in state code, should take a direct role in recommending recruitment and retention strategies for local consortia boards and site coordinators. For example, the R&R committee should carve out a role for the consortia boards in the current rural residency GME initiative.

**Comment:** The Final Report and Recommendations of the Visions Workgroup of the State Advisory Panel, issued in November 2000, as well as the PERD Report have addressed many of these issues and provides an outline for approaches to mission and objectives.

6. **Observation:** As a continuation of observation five above, the ability of rural-based programs to compete for health care professionals, especially where issues of salary, benefits, and such "fringes" as student loan repayment are concerned, is overwhelming. While not a defined part of the program, it is an element of health care professional recruitment and retention that must be addressed in approaching the problem as a whole.

**Recommendation:** While direct operations of the RHEP program do not encompass the issues of salary and benefits of health care professionals, the program itself cannot accomplish ultimate goals of introducing these service providers to the attributes and values of a potential rural practice unless there are mechanisms to make the practice of rural health care attractive in remuneration as well as reward. Where feasible, the RHEP program should dovetail with other programs that either are now functioning to help accomplish this goal or may be started or expanded to assist in this area. This approach is being addressed currently; continuing emphasis on communication and cooperation among programs is needed. The oversight responsibility for this WVRHEP role should fall to the R&R committee.

7. **Observation:** Lead agencies should provide more detail on carryover funds available at year end. Carryover funds are perceived by many to lose their budget line status and are generally deemed to be available for any purpose that meets a broad interpretation of relationship to the RHEP program.

**Recommendation:** Each year a lead agency with carryover funds should provide a detailed listing of amounts of funds by budget line item, an explanation of why there are such funds remaining, and an outline of their proposed use. The entity should be held accountable for following through on this proposal or face the possibility of having to return unused

funds. Consideration should be given to requiring carryover funds to retain budget line item attributes unless the lead agency is granted permission by state-level representatives or the finance committee to move them to other lines.

8. **Observation:** There needs to be better control over program funds used for capital expenditures. Interpretations as to allowable capital purchases and the status of the purchase item vary. Such questions as what constitutes a capital expenditure, what methods of depreciation should be used, who owns the asset, and how should depreciable assets be disposed of, reflect areas of concern.

**Recommendation:** The state-level RHEP office should establish guidance on capitalization criteria, assigning asset lives and depreciation methodology, ownership of assets purchased with RHEP funds, and rules of disposition. Establishing dollar thresholds for requiring purchase approval might be considered; for example, capital expenditures above \$10,000 in aggregate might require approval of state-level personnel and those in excess of \$50,000 might require finance committee approval.

In the unlikely event a lead agency withdraws from the program, equipment which is not fully depreciated should revert back to the program.

**Comment:** Capital expenditure issues have been discussed by RHEP representatives and policy considerations are currently being addressed.

9. **Observation:** Many items currently charged to the RHEP program at the lead agency level have a general rationale that is reasonable, but there is nothing concrete or current to substantiate these as fully related to RHEP activities. For example: (a) personnel whose time is divided between various programs may be charged to the RHEP program for a portion of that time, but there are no time records kept which show the actual time they worked on RHEP program functions, (b) field faculty may have entered into a contract to provide certain services as specified rates, but there are no records indicating when they performed those services and the rate may have changed without a change in the contract, (c) goods may have been received for use in the RHEP program, but there are no invoices containing details which indicate applicability to the program, or (d) indirect costs are charged to the program based on an arbitrary amount or an indirect cost study completed several years ago.

**Recommendation:** Expenditures of RHEP funds should be substantiated by current documentation. There should be some

mechanism to require substantiation of an individual's salary and benefits being charged to the program (i.e., proof the individual actually worked on RHEP-related activities and, if the person works in more than one program, what percentage of the individual's time is devoted to the RHEP program). A means should be developed to substantiate field faculty time charged to the program and the rate applied should be documented. Invoices or other documents should be should clearly indicate a relationship to the RHEP program if so charged. There also should be substantiation of indirect costs (e.g., administrative overhead and site occupancy charges such as rent and utilities) invoiced to the program. There is no need to go to extremes to substantiate expenditures, but there should be documentation and that documentation should be current and readily available for examination.

10. **Observation:** One of the most significant obstacles in the current review process was the amount of time covered (July 1, 1992 through June 30, 1999) and the amount of time elapsed since the period under review ended.

**Recommendation:** If deemed necessary, program reviews should be done more timely and more frequently, perhaps twice during each appropriations cycle. Timing of the review should also be given due consideration, for each fiscal agent and many lead agencies have fiscal years ending June 30. During the period from about June 1 through September 30, these entities are involved in closing one fiscal year and opening another, preparing for their annual financial audit, and dealing with personnel vacations. Reviews should be scheduled outside of this period as much as possible.

11. **Observation:** Current program directives are vague and subject to varying interpretations regarding requirements of lead agencies to have their independent auditor include the RHEP program as part of the lead agency's annual audit. In only one instance was it noted that the RHEP program was audited in and of itself, and in only one instance was RHEP the only program in which the lead agency was involved. Otherwise, the program may have been identified as a separate grant in a schedule of non-federal awards or in a footnote disclosure as part of the lead agency audit as a whole, but it may not have been discretely examined because it did not meet any specific criteria for financial or compliance auditing under *Government Auditing Standards*, as issued by the Comptroller General of the United States, or under OMB Circular A-133.

**Recommendation:** Better direction must be provided to lead agencies regarding requirements of having their independent auditor include the

RHEP program as part of the lead agency's annual audit. If the intent is to have each lead agency's RHEP activities audited distinctly as a program, this must be communicated as such and the issue of cost must be addressed. If the intent is to follow the letter of the affiliation agreement with each lead agency and require the lead agency "to provide periodic financial reports regarding the receipt and disbursement of funds under this agreement, including an annual financial report to be reviewed for accuracy, completeness and fairness of presentation by the Lead Agency's independent auditor...", better definition of such terms as "annual financial report", "accuracy, completeness and fairness", and "reviewed" must be provided. Independent auditors assess the lead agency as a whole in determining auditing and reporting requirements. Unless directives require a RHEP-specific program audit (i.e., an audit of only that program separate from other lead agency activities), an auditor, in consultation with the lead agency, will conduct the audit according to defined professional standards, including those listed in the observation paragraph, and those professional standards may not lead the auditor to view RHEP as a program that must be specifically examined.

12. **Observation:** Lead agencies approach the maintenance of RHEP funds in various ways. Some include those funds with other entity funds in a single bank account; some maintain those funds in a separate bank account. Those lead agencies that maintained separate bank accounts for RHEP funds were often more readily able to report and document program receipts and expenditures. However, all lead agencies had mechanisms in place to reconcile and control RHEP funds. When program-specific funds are commingled with other agency funds, there is an increased likelihood of not differentiating those funds. In certain circumstances, all funds may be considered available for entity needs, even if those needs require drawing on what are RHEP balances for other than RHEP expenditures.

**Recommendation:** While flexibility in approach to program spending is a desired attribute, a separate bank account maintained for RHEP funds should be considered. If a separate RHEP bank account is not deemed prudent, feasible, or necessary for general lead agency operations, it may be considered such for any RHEP carryover funds available.

13. **Observation:** Continuing funding to lead agencies at a level established year's ago is making it difficult for RHEP programs to operate. In effect, the flat funding has meant a decrease in real dollars, and there have been occasions when program funds were decreased due to state shortfalls. RHEP programs at lead agencies have had to struggle to attract and retain qualified staff when funds are not available for salary increases,

have had to continue to pay field faculty at a rate that is not commensurate with their remuneration from other sources, and have had to rely more and more on the lead agency to absorb overhead expenses.

**Recommendation:** The obvious response to this situation is to increase funding; however, what is obvious may not be attainable. If funding cannot be increased, some mechanism must be found to address the issue through decreasing program operations, reallocating program amounts now earmarked for other than lead agency purposes, reallocating carryover funds, or decreasing the number of lead agencies. None of these approaches is desirable. Lead agencies can absorb only a limited amount of subsidization of RHEP programs. Generally, consortia programs are mature enough to have completed the bulk of significant capital expenditure outflow (e.g., for learning resource center and office space). Perhaps this will mean more funds will be available for continuing program operation, but there will be an increasing need to upgrade learning resources, increase salaries and benefits of RHEP personnel to reasonable and comparable levels among the various lead agencies (perhaps job descriptions and salary ranges for RHEP site personnel should be developed by the state-level office), increase the amount paid to field faculty to levels commensurate with their market value, and increase amounts paid to lead agencies for warranted indirect costs.

14. **Observation:** Should RHEP programs continue to operate under the lead agency format? Should RHEP programs function as independent, stand-alone entities? Some site coordinators would say yes; some lead agencies would say yes.

**Recommendation:** The one example of a stand-alone RHEP program site is struggling, but this is probably more related to its low level of funding and the vast geographic area it covers than to any inherent weakness of the stand-alone concept. Removing the RHEP program from lead agency inclusion would probably help in giving it an identity separate from the lead agency; however, separating the RHEP program from lead agencies will undoubtedly increase costs for overhead/indirect type services. Many RHEP programs have developed an excellent working relationship within the lead agency format and there has been a symbiosis created with mutual benefits outweighing what each would receive if they were separated. From an accounting standpoint, a stand-alone RHEP program would insure the program would be audited as a discrete entity, but this would probably increase the cost of audits to the entity. If there is no separation of the RHEP program from lead agencies, each lead agency must at least identify the RHEP program as a separate cost center

and maintain records to specifically document RHEP activities on an accrual basis.