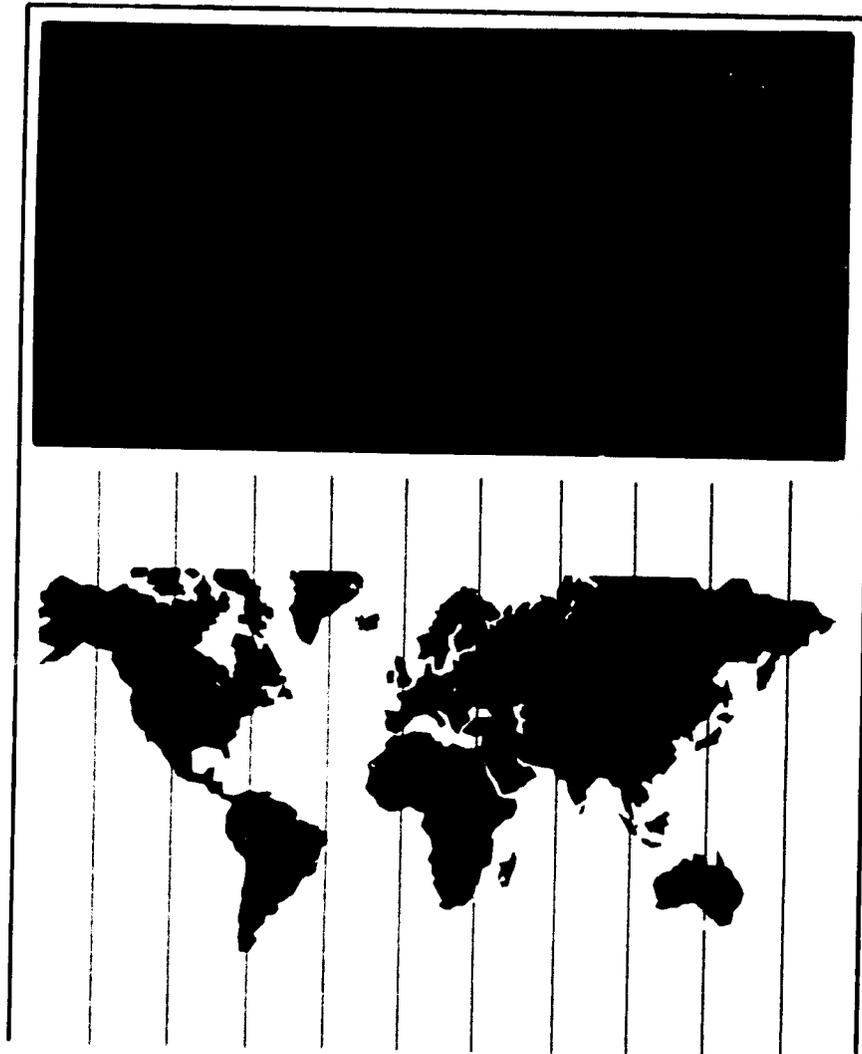


UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

THE
INSPECTOR
GENERAL



Regional Inspector General for Audit
WASHINGTON

MEMORANDUM REPORT ON
AMERICAN SCHOOLS AND HOSPITALS ABROAD
GRANT TO AMERICAN-ITALIAN
CHILDREN'S FOUNDATION

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MEMORANDUM REPORT ON
AMERICAN SCHOOLS AND HOSPITALS ABROAD GRANT
TO AMERICAN-ITALIAN CHILDREN'S FOUNDATION

INTRODUCTION

At the request of the United States Ambassador to Italy, we made a limited review of three American Schools and Hospitals Abroad (ASHA) grants involving the Columbus Hospital in Rome, Italy. Our review was limited to records available in AID's Office of American Schools and Hospitals Abroad (PDC/ASHA) and discussions with PDC/ASHA officials. In the following paragraphs we set forth background data about the three grants, discuss the apparent issues, and raise certain questions which should be addressed before disbursements are made under the most recent grant.

BACKGROUND

Grant No. AID/asha-19, dated January 28, 1972, as amended, provided \$4 million to the Association Columbus, an Illinois Corporation organized in 1956, to establish the American Hospital in Rome. The grant was used by the Association Columbus to acquire 99 percent of the stock in an Italian corporation which owned the Clinica Moscati, a 300 bed hospital in Rome, Italy. Association Columbus provided the funds to purchase the final 1 percent of the stock. The Clinica Moscati was renamed the Columbus Hospital instead of the American Hospital in Rome as agreed to in the grant agreement. Since 1974, a portion of the hospital building has been used as a children's cancer clinic.

Grant No. AID/asha-65, dated April 6, 1973, as amended, provided \$885,000 to Association Columbus to finance equipment, a medical exchange program and professional services for the Columbus Hospital.

On July 14, 1977, the American-Italian Children's Foundation (AICF), established in Louisiana on April 22, 1977, proposed a \$2,710,000 project to establish a new children's cancer clinic in Rome, Italy, to be known as the American Center for Children. The new American Center for Children was to be headed by the Director of the children's cancer clinic being operated at the Columbus Hospital since 1974. The estimated cost of the project was computed as follows:

| | |
|---|--------------------|
| Land to be furnished by Catholic University of Rome | \$ 710,000 |
| Construction costs | 1,515,000 |
| Furniture, equipment, and other costs | <u>485,000</u> |
| | <u>\$2,710,000</u> |

AICF requested an AID grant of \$1,515,000 and stated that it would supply furniture, equipment and any other funds needed for total completion of the project. AICF also stated in its application that it would pay for the Center's research personnel and materials. On August 10, 1977, Grant No.

AID/asha-140 was signed to provide \$1,600,000 to the AICF to build the American Center for Children (\$1,515,000 for construction plus \$85,000 for contingencies). We could not determine why AID increased the original request by \$85,000 for contingencies when AICF had already indicated it would provide any other funds required to complete the project.

On August 28, 1979, AICF advised AID that governmental and administrative problems would probably delay the construction of a new center several years and add substantially to its cost. Accordingly, AICF proposed an amendment to the grant providing that the \$1,600,000 be used not for construction of a new center but rather to rent a wing of the Columbus Hospital (\$600,000), to renovate the wing (\$300,000), to furnish and equip (\$615,000), and to provide for miscellaneous and contingency costs (\$85,000). On October 5, 1979, AID revised the grant as proposed. Available records show the children's cancer clinic will not be a new independent entity but rather will continue as a component of the Columbus Hospital. As of March 20, 1981, no disbursements had been made under the grant.

ISSUES

We compared the revised grant with the criteria for screening of applicants for grants under the ASHA program, originally outlined on January 14, 1972 and finalized in the Federal Register on November 26, 1979, and found that the revised grant does not meet all of the criteria (see Exhibit A for criteria not met). We conclude as a result of our review that there are four major issues which impact on AID's making any disbursements to AICF under the grant. These issues are as follows:

1. Under grant No. AID/asha-140 as amended, AICF has virtually no definable financial or management responsibilities for the children's cancer clinic in Rome. In the original grant application, AICF stated that it would furnish \$485,000 for start-up costs such as architectural and engineering services, furniture and equipment, and that, after the children's cancer clinic was established, AICF would also pay for the costs of research personnel and materials. AICF's responsibility for start-up costs was reflected in the original grant agreement. However, when the grant was revised in 1979, AICF was divested of any financial commitment to the children's cancer clinic. Neither the original nor the revised grant agreement defined AICF's specific management responsibility for the children's cancer clinic. Our analysis of the agreements between AID and AICF and between AICF and the Association Columbus indicated that AICF's only financial or management contribution foreseen, aside from serving as a conduit for AID funds, would be to have a representative on the committee guiding the clinic's operations (see Exhibit A). Although AICF's responsibilities appear insignificant, those of the Association Columbus appear substantial and significant. Available information indicates that Association Columbus has furnished and will continue to furnish substantial financial and management resources to operate the Columbus Hospital and the children's cancer clinic. Accordingly, we conclude that the sponsorship role of AICF is virtually non-existent when compared with the role Association Columbus will play.

2. Although AICF does not appear to qualify under the amended grant as a sponsor, there are several problems in transferring sponsorship of the children's cancer clinic grant to the Association Columbus. First, despite repeated inquiries over the past 15 months, PDC/ASHA has been unable to obtain information from Association Columbus regarding the status of the Columbus Hospital. Second, despite promises and commitments by the Association Columbus to name the hospital the American Hospital in Rome, it named it the Columbus Hospital without the knowledge or consent of AID. Finally, documents available in PDC/ASHA indicate that the Columbus Hospital in Rome has not lived up to the promises made by the Association Columbus in its applications for the grants. Association Columbus' grant application stated that "The American Hospital will provide a show-case in Italy illustrative of the best American standards in medical training and hospital care." There was virtually no evidence in PDC/ASHA files that these goals were accomplished, but, to the contrary, there were numerous indications that this was not the case (see Exhibit B for further data).

3. AID has authorized the payment of \$600,000 rent to Association Columbus to allow the children's cancer clinics to use a portion of the hospital which was largely financed by AID in the first place. The \$600,000 will be used to pay rent in advance for 18 years to Association Columbus for a wing of its hospital to be used by the same children's cancer clinic, which has been (and apparently will continue to be) operating as a component of the hospital since 1974.

4. Both the application for the grant and the grant agreement state that, aside from the children's cancer clinic to be assisted by the grant, there are no facilities in Italy to provide adequate medical care for, and undertake research with regard to, children from poor families suffering from leukemia and solid cancerous tumors. The American Embassy in Rome states that the foregoing grant premise is simply untrue, as there are a number of facilities in Italy providing these services. It further states that pediatric oncology has been a subject of U.S.-Italian cooperation, precisely because of Italian achievements in this area.

CONCLUSION

In our view the conditions discussed above raise serious questions regarding the propriety of allowing disbursements under grant No. AID/asha-140. Inasmuch as our review was limited to information available in PDC/ASHA, additional information might exist which would provide a different perspective on the issues we have raised. Accordingly, in our view, before disbursements are made, PDC/ASHA should address the following questions:

1. Should the American-Italian Children's Foundation be accepted as a sponsor when the real sponsorship responsibilities rest with Association Columbus.
2. Should PDC/ASHA allow the Association Columbus to be the sponsor of the children's cancer clinic when it has (a) failed despite repeated AID inquiries to explain the degree to which it has

achieved its grant objective, (b) failed to rename the hospital as agreed, and (c) by all independent evidence failed to achieve the promises made in its grant application.

3. Should AID authorize the payment of rent to the owner of a hospital largely acquired with AID funds for the use of a long existing component of that hospital.
4. Was this grant falsely premised on the fact that the children's cancer clinic to be assisted was the only facility in Italy to properly treat and do research on children's cancer.

SUMMARY OF MANAGEMENT'S COMMENTS

The Bureau for Private and Development Cooperation (PDC) has agreed to make a detailed assessment of the issues and questions raised by our review, and stated that no disbursements will be made until the issues raised are resolved.

The action being taken is responsive and will address the concerns raised by our limited review. We therefore are making no recommendation, but, we will follow up to see that the issues are satisfactorily resolved and a decision made.

ISSUES RE THE AMERICAN-ITALIAN CHILDREN'S FOUNDATION
AND THE ASHA CRITERIA

| No. | Criterion Statement | Condition |
|-----|---|---|
| 1. | <p>The applicant should be a nonprofit U.S. organization which either founded or sponsors the institution for which assistance is sought.</p> <p>The applicant must demonstrate a continuing supportive relationship with the institution. Evidence of this would be the provision of financial and management support for the institution.</p> | <ul style="list-style-type: none">- The benefiting institution had not been established when the grant was made.- The sponsoring institution had only been established for 4 months when the grant was made.- Although the original grant provided that the sponsor would contribute about \$485,000 of funds for the establishment of the American Center for Children, Amendment No. 1 to the grant effectively relieved the sponsor of any responsibility for financial support.- The financial and management support for the benefiting institution does not rest with the American-Italian Children's Foundation but rather with Association Columbus. |
| 5. | <p>The faculty and staff of a school or hospital center should include a significant number of U.S. citizens or other persons trained in U.S. institutions who are in residence and teaching at the hospital center on either a full-time or part-time basis.</p> | <ul style="list-style-type: none">- The only commitment by the sponsoring organization is to have 1 Italian who graduated from an Italian medical school and did 10 years of training and research in the U.S. on the staff. |

ISSUES RE THE COLUMBUS HOSPITAL AND THE ASHA CRITERIA

| No. | Criterion Statement | Condition |
|-----|--|---|
| 3. | Institutions are expected to reflect favorably upon and to increase understanding of the United States. | <ul style="list-style-type: none"> - Amembassy Rome states the hospital is far from meeting U.S. standards. - Amembassy Rome indicates hospital not highly regarded by American community in Rome. - Another observer noted that there was no discernible U.S. characteristic to the hospital. |
| 4. | A hospital center in addition to being a treatment facility must be involved in medical education and research. | <ul style="list-style-type: none"> - As regards medical education, Association Columbus in its grant application stated (a) it would provide hospital training facilities based on U.S. standards for the students attending the affiliated College of Medicine of Rome and (b) it would provide a program of nurse training and education and para-medical training based on U.S. standards to applicants for the same from all parts of the free world. Nevertheless, more than 8 years after the grant was made, ASHA had no data showing the status of medical education at the Columbus Hospital. |
| 5. | The faculty and staff of a school or a hospital center should include a significant number of U.S. citizens or other persons trained in U.S. institutions who are in residence and teaching at the school or hospital center on either a full-time or part-time basis. | <ul style="list-style-type: none"> - There has been a complaint that several well qualified American trained physicians have been forced out of Columbus Hospital. - ASHA has no data re the number and/or proportions of doctors on the hospital staff who are U.S. citizens or U.S. trained. |

LIST OF REPORT RECIPIENTS

| | |
|---|----|
| Deputy Administrator | 1 |
| Assistant Administrator, Bureau for Private and Development Corporation | 1 |
| Office of American Schools and Hospitals Abroad | 5 |
| Office of Financial Management, Controller | 1 |
| Office of Legislative Affairs | 1 |
| Office of General Counsel | 1 |
| Inspector General | |
| RIG/A/Egypt | 1 |
| RIG/A/EA | 1 |
| RIG/A/LA | 1 |
| RIG/A/AFR | 1 |
| IG/IIS | 1 |
| IG/PPP | 1 |
| IG/EMS/C&R | 16 |