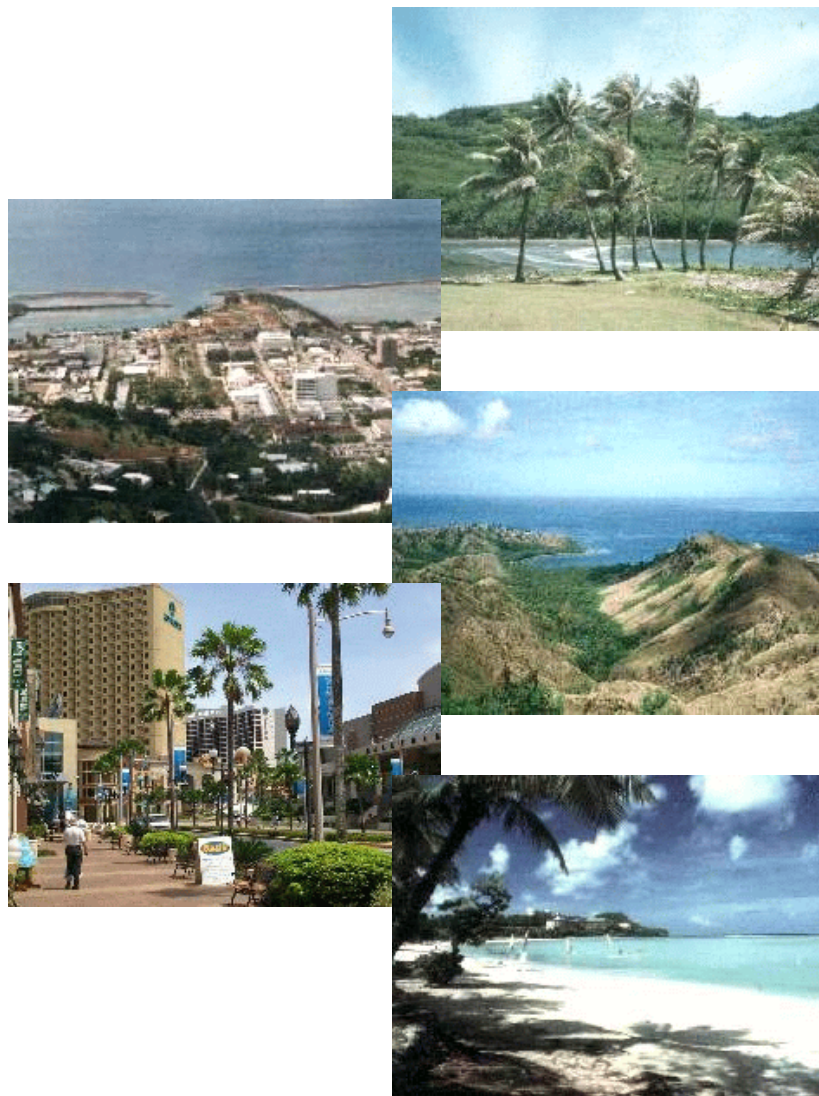




**U.S. Department of the Interior
Office of Inspector General**

Audit Report

**Management of Federal Grants
Department of Mental Health and Substance Abuse
Government of Guam**



August 2002

Report No. 2002-I-0036



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

Pacific Field Office
415 Chalan San Antonio
Baltej Pavilion - Suite 306
Tamuning, Guam 96911

August 19, 2002

Honorable Carl T.C. Gutierrez
Governor of Guam
Office of the Governor
P.O. Box 2950
Hagatna, Guam 96932

Subject: Audit Report "Management of Federal Grants, Department of Mental Health and Substance Abuse, Government of Guam" (Report No. 2002-I-0036)

Dear Governor Gutierrez:

This report presents the results of our audit of the management of Federal grants by the Department of Mental Health and Substance Abuse of the Government of Guam.

Section 5(a) of the Inspector General Act (5 U.S.C. app.3) requires the Office of Inspector General to list this report in its semiannual report to the U.S. Congress. In addition, the Office of Inspector General provides audit reports to the Congress. We have also provided a copy of this report to the U.S. Department of Health and Human Services.

Please provide a response to this report by September 13, 2002. The response should provide the information requested in Appendix 4 and should be addressed to our Pacific Field Office, 415 Chalan San Antonio, Baltej Pavilion - Suite 306, Tamuning, Guam 96913.

Sincerely,

Arnold E. van Beverhoudt, Jr.
Audit Manager for Insular Areas

cc: Ms. Aurora F. Cabanero, Acting Director,
Department of Mental Health and Substance Abuse

EXECUTIVE SUMMARY

BACKGROUND

The Department of Mental Health and Substance Abuse, which is part of the Executive Branch of the Government of Guam, is responsible for providing mental health, alcohol, and drug prevention and treatment programs.

The Department receives an annual budget of approximately \$6 million from the Guam Legislature and receives approximately \$1 million annually from three U.S. Department of Health and Human Services (DHHS) block grants: Projects for Assistance in Transition from Homelessness (PATH), Substance Abuse Prevention and Treatment (SAPT), and Community Mental Health Services (CMHS). The Department also received a DHHS discretionary grant: Mental Health Statistics Improvement Program (MHSIP) Stage I Implementation (see Appendix 1).

OBJECTIVE

The objective of the audit was to determine whether the Department administered its Federal grants in accordance with Federal and local laws and regulations relating to (1) the procurement of supplies and services and the administration of contracts, (2) the identification and allocation of costs for personnel and contract employees, and (3) the billing and control of grant reimbursements.

RESULTS IN BRIEF

Although the Department of Mental Health and Substance Abuse generally followed procurement requirements, it did not adequately account for costs billed or comply with certain grant requirements. Specifically, we found that the Department:

- ' Charged the SAPT block grant for \$138,190 of unallowable inpatient psychiatric services.
- ' Did not account for SAPT block grant expenditures on a program basis, as required by grant regulations, resulting in unsupported costs of \$1.5 million.
- ' Expended \$300,260 in MHSIP discretionary grant funds without achieving the grant objective of developing a computerized patient information system and improperly used \$60,000 of SAPT block grant funds on a second attempt to develop a patient information system.

RECOMMENDATIONS

We made six recommendations to the Governor of Guam to address the deficiencies disclosed by our audit.

**AUDITEE COMMENTS
AND OFFICE OF
INSPECTOR GENERAL
EVALUATION**

The Department of Mental Health and Substance Abuse concurred with all six recommendations and provided an action plan to implement them, including identification of the officials responsible for implementing the action plan and the dates by which the tasks are to be completed. Accordingly, we consider five recommendations to be resolved but not implemented and one recommendation to be implemented. Because the audit related to Federal funds granted by the U.S. Department of Health and Human Services, a copy of this report will be provided to that agency.

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INTRODUCTION

BACKGROUND

The Department of Mental Health and Substance Abuse, which is part of the Executive Branch of the Government of Guam, is responsible for providing mental health, alcohol, and drug abuse prevention and treatment programs. Such programs include 24-hour crisis intervention services, group and family counseling, partial hospitalization and aftercare for the mentally ill, outpatient services for adults and children, and inpatient and community-based outpatient alcohol and drug treatment programs.

The Department had 142 employees and received annual appropriations of approximately \$6 million from the Guam Legislature plus approximately \$1 million annually from three U.S. Department of Health and Human Services (DHHS) block grants (see Appendix 2). The three block grants were: Projects for Assistance in Transition from Homelessness (PATH), Substance Abuse Prevention and Treatment (SAPT), and Community Mental Health Services (CMHS).

During the period of September 30, 1993 to September 15, 1995, the Department also received \$341,064 under the DHHS discretionary grant Mental Health Statistics Improvement Program (MHSIP) Stage I Implementation. This grant was available to state and territorial mental health agencies to develop patient information systems to provide uniform patient/client demographic and treatment data and program data. There were three types of MHSIP grants: Stage I grants covered the implementation of an automated patient information system, Stage II grants covered initial operation of the information system, and Stage III or Decision Application grants were to demonstrate that the reports from the information system could be used to evaluate program performance.

OBJECTIVE AND SCOPE

The objective and scope of the audit was to determine whether the Department of Mental Health administered its Federal grants in accordance with Federal and local laws and regulations relating to (1) the procurement of supplies and services and the administration of contracts, (2) the identification and allocation of costs for personnel and contract employees, and (3) the billing and control of grant reimbursements. The scope of the audit included expenditures charged against the block grants awarded during fiscal years 1998, 1999, and 2000. We also included in our review a discretionary grant initially awarded in fiscal year

1994 for an automated patient information system. The expanded scope of audit was necessary because contractual services charged against the SAPT block grant duplicated work performed under the MHSIP discretionary grant.

Our review was made, as applicable, in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances.

As part of the audit, we evaluated the system of internal controls related to the awarding and administration of Federal grants by the Guam State Clearinghouse and the Department of Mental Health. Based on our review, we identified internal control weaknesses which are discussed in the Results of Audit section of this report. Our recommendations, if implemented, should improve the internal controls in these areas.

PRIOR AUDIT COVERAGE

During the past 5 years, neither the General Accounting Office or the Office of Inspector General has issued any audit reports on Federal grants awarded to the Department of Mental Health and Substance Abuse, Government of Guam. In addition, none of the single audit reports issued during the same 5-year period included a review of Federal grants administered by the Department of Mental Health and Substance Abuse.

However, in August 1997, the Office of the Public Auditor, Government of Guam issued a report on a "Management Audit of the Department of Mental Health and Substance Abuse." The report concluded, in part, that the Department had lost revenues of about \$4.2 million during fiscal years 1994 through 1997 as a result of not charging service fees to patients. The charging of fees was identified in the initial needs analysis for a computerized patient information system, which is discussed in this report.

RESULTS OF AUDIT

OVERVIEW

The Department of Mental Health and Substance Abuse charged the SAPT block grant for unallowable inpatient psychiatric services; did not account for SAPT block grant expenditures on a program basis, as required by grant regulations; and expended \$300,260 in MHSIP discretionary grant funds without successfully developing and implementing a computerized patient information system and improperly used \$60,000 of SAPT block grant funds in another attempt to develop a patient information system. These conditions existed because the Department did not distinguish between contractual billings for inpatient and outpatient psychiatric services prior to approving payments, did not have procedures to account for grant expenditures on a program basis, and did not follow standard information system project management practices. As a result, we identified \$1.7 million of questioned costs and \$300,260 of cost that could have been put to better use (see Appendix 1).

INPATIENT PSYCHIATRIC SERVICES

Contrary to grant regulations, the Department charged inpatient psychiatric services to the Substance Abuse Prevention and Treatment (SAPT) block grants for fiscal years 1998 and 1999. This occurred because the Department could not distinguish between inpatient and outpatient psychiatric care services billed under contracts with psychiatrists. As a result, we determined that billings for inpatient psychiatric services totaling \$138,190 were paid during the 2-year period.

Contractor Time Sheets Were Not Used to Determine the Amount of Allowable Charges

Grant regulations contained in the Code of Federal Regulations (45 CFR § 96.135(a)(1)) governing the use of SAPT grant funds prohibit the expenditure of grant funds for psychiatric services provided on an inpatient basis, except in certain documented circumstances where the patient could not be safely treated in a community-based, non-hospital, residential treatment program and the treatment was expected to improve the patient's condition. Psychiatric services at the Department were provided on a contractual basis by individual psychiatrists who submitted monthly billings for their services. Our review of the contracts and the monthly billings disclosed that for fiscal years 1998 and 1999, the SAPT grant funds were used to pay the entire billed amounts although time sheets submitted by the contractors clearly identified the charges for inpatient treatment.

The Administrative Officer for Financial Management, who certified the availability of funds for expenditures at the Department of Mental Health, stated that the time sheets and billing invoices from the psychiatrists were forwarded to the Department of Administration for payment and were not used to determine the allowable charges for the grant. In addition, the Administrative Officer stated that the entire cost of the doctors' contracts were charged to the SAPT grants for fiscal years 1998 and 1999 because there were insufficient local funds to pay for any inpatient psychiatric services. She stated that for fiscal year 2000, psychiatric services were charged to local Government of Guam appropriations.

Based on grant expenditure records, we determined that \$138,190 of inpatient psychiatric services was improperly charged against the SAPT grants for fiscal years 1998 (\$103,200) and 1999 (\$34,990).

LEVEL OF EFFORT REQUIREMENTS

The Department did not account for SAPT grant expenditures on a program basis. Consequently, it could not show compliance with grant regulations requiring a minimum level of effort for three prevention and treatment programs under the SAPT block grant. As a result, we estimated that the Department had incurred \$1.5 million of unsupported grant expenditures.

Federal Regulations Required Level of Effort Reporting

Although each state and territory had discretion in developing its prevention and treatment programs, there were restrictions on how much of the SAPT grant could be spent on certain programs. Grant regulations contained in the Code of Federal Regulations (45 CFR § 96.124) required states and territories to spend not less than 35 percent for alcohol abuse prevention and treatment programs, 35 percent for other drug abuse prevention and treatment programs, and 20 percent for primary prevention programs. The remaining 10 percent was for administration of the grant and discretionary programs. In this context, the SAPT grant application process required the Department to prepare reports showing, in part, how much it planned to spend on the required categories of programs (Form 11) and the actual expenditures and obligations incurred (Form 4) against the SAPT grant awarded 2 years previously for actual expenditures and 1 year previously for actual outstanding encumbrances. For example, the fiscal year 2001 SAPT grant application (submitted in fiscal year 2000) required the Department to report the actual expenditures incurred, by program, for the fiscal year 1998 grant and outstanding encumbrances for the fiscal year 1999 grant.

From these two reports, compliance with the level of effort requirements could be determined.

Accounting Records Did Not Support Level of Effort Reporting

Despite these requirements, the Department only accounted for grant expenditures by expenditure classifications such as "labor," "travel," and "contractual services," and not by program. For required level of effort reports (Form 4), the Department simply multiplied the total expenditure and obligation amounts by the minimum level of effort percentage for each program. However, these amounts did not necessarily represent the actual allocation of expenditures and obligations among the three main program categories. The amounts reported (Form 11) for subsequent year grant budgets were computed using the same process, rather than being based on budgets derived from an analysis of expected level of effort.

The administrative officer for financial management, who provided the expenditure and encumbrance data for the SAPT grant applications, stated that she was aware of the required level of effort percentages for the grant, but that it would be difficult to allocate costs on a program basis because the payroll system used by the Government of Guam was not set up to record employee time on a program basis, particularly for counselors who might work on several programs during a pay period. However, the management analyst who oversaw the grant application process stated that the key to complying with the grant requirement was to establish a budget for the grant award on a program basis. Additionally, an internal timesheet could have been implemented to record and account for employees' time on a program basis. The management analyst added that the fiscal year 2001 CMHS grant award had been budgeted in this way. Although we verified the existence of the budget, internal spreadsheets used to account for grant expenditures had not yet been set up to record expenditures and encumbrances against the budget categories for this grant.

Grant Managers Were Not Required to Acknowledge Their Familiarity with Grant Requirements

Contributing to the noncompliance with level of effort requirements was the grant clearinghouse review and approval process that was required for all Government of Guam Federal grant applications. The review and approval process required that grant applications submitted by the originating department or agency be reviewed by the Bureau of Planning and the Bureau of Budget and Management Resources. Once these reviews were completed, the Governor signed the application as the Chief Executive Officer. For the SAPT grant application, the Governor

was also required to sign a "Funding Agreements/Certifications" form (OMB No. 0930-0080) that specifically spelled out the compliance requirements of the grant, including the level of effort percentage requirements. The PATH and CMHS grants had similar certification requirements.

We noted that although the Governor signed the certification form, the clearinghouse review process did not require the respective department officials who would actually be administering the grants to sign the same certification forms. We believe that requiring the cognizant department or agency officials, such as the director and certifying officer, to acknowledge their awareness and understanding of the grant requirements would formally place responsibility for compliance directly on the shoulders of the responsible officials at the department or agency level.

We estimated that the Department's inability to show compliance with the level of effort requirements resulted in unsupported costs of \$1,504,141 for the SAPT grants fiscal years 1998 (\$430,236), 1999 (\$424,251), and 2000 (\$649,654).

COMPUTERIZED PATIENT INFORMATION SYSTEM

The Department did not successfully develop and implement an automated patient information system after spending \$300,260 of MHSIP discretionary grant funds on the project. In addition, the Department had committed \$60,000 of SAPT block grant funds to the project in fiscal year 2000 in another poorly-planned attempt to develop a patient information system. The Department's inability to develop and implement a patient information system was the result of inadequate management oversight.

Mental Health Statistics Improvement Program Grant of \$300,260 Did Not Result in a Usable Information System

In July 1993, the Department applied for an MHSIP Stage I grant, stating that the Department needed a fully functional computerized patient information system in order to implement a fee schedule for services and to provide patient demographic and program performance data for short and long-term planning. In addition, the grant application stated that the need for a computerized patient information system had existed since 1983.

During the first year of the grant, the Department contracted with a computer specialist in mental health data standards to conduct an assessment of its data needs and provide recommendations for implementation of a computerized patient information system. After a review of available products, a medical records

management system patterned after the one used by the State of Kansas was selected. Unfortunately, the contracted specialist died before the work could be completed. Subsequently, the system was abandoned and a committee composed of Department administrators and supervisors and chaired by the Deputy Director selected an "off-the-shelf" commercial software package designed for tracking patient treatment.

Based on our review of available records, we determined that the Department had preselected this software without (1) identifying what the Department actually needed and (2) evaluating other software packages used in the mental health field. On February 4, 1997, after preselecting but not yet purchasing the software, the Department retained a computer consultant, at a cost of \$89,200, to perform a systems analysis of the Department's needs and to purchase and customize the preselected software for the Department's use.

However, the process of selecting the software and then conducting a needs analysis was opposite of the normal system development process. The consultant's systems analysis report implied this problem by stating, "This analysis differs from most computer analysis in that [the] software system has already been pre-chosen and that the analysis was scheduled to be done without the benefit of a working copy of the software."

Nevertheless, work progressed with the customization process until the current Department Director, who assumed that position in November 1997, stated that after a few months at the Department he realized that the customization of the software would not work. Subsequently, on February 26, 1998 the Department entered into a memorandum of understanding with the University of Guam, with funding of \$78,004 being financed from the MHSIP grant, to have a professor from the University's Computer Science Program assess the current status of the software customization process and identify additional work needed to complete the patient information system.

The University's report, received by the Department on March 5, 1999 (or 9 months overdue), confirmed the Director's doubts about the viability of the efforts to customize the off-the-shelf software. The report stated that additional effort should not be spent customizing the purchased software package because the work, at that point, was not finished and there were no assurances from the software vendor that it was willing to support a customized version of its software. The report further stated that the Department had three courses of action: (1) find another

commercial software package that met the Department's requirements, (2) find a vendor that could supply a basic patient information system and the personnel to modify it, or (3) create a fully customized system. As a result, the customization project was stopped.

The MHSIP grant close-out report dated June 12, 1998 summarized the Department's activities under the grant by stating, in part, that the Department "tried to implement a system without any formal analysis or master plan." Despite this comment and the Director's initial realization that the software customization project probably would not work, the close-out report concluded that the Department anticipated a fully functioning computerized patient information system by October 1998. When we asked the Director about the closeout report conclusion, in view of his own doubts about the customization project, he stated that he was unsure why this was stated in the final report.

Another Attempt Was Made to Develop a Patient Information System

With the MHSIP grant closed, on September 22, 2000, the Department made another attempt to develop a computerized patient information system by entering into a \$60,000 memorandum of understanding with the University of Guam covering the 1-year period ending September 30, 2001. We concluded that this second attempt may not be successful because of weaknesses in the agreement with the University and inadequate testing of the program.

Weaknesses in the Memorandum of Understanding

Specifically, the memorandum of understanding did not (1) specify how the system components would be tested and approved by the Department, (2) identify who would have ownership of the software, and (3) specify which programming language would be used to write the software or what the requirement would be for program documentation, including user manuals. We discussed these weaknesses with the current project manager, who stated that when she took over the project on February 20, 2001, she recognized the deficiencies, but the project was too far along to implement the necessary corrective actions. Furthermore, the project manager expressed reservations about whether the project could be completed with an operational information system in place by the September 30, 2001 deadline.

Inadequate Testing

In December 2000, the principal programmer demonstrated the patient intake portion of the program in a meeting with the Department's managers and supervisors, and provided individual

demonstration programs that were subsequently loaded onto personal computers for officials to test and provide constructive feedback. Although the intake portion of the program was demonstrated to managers and supervisors, the actual testing process was incomplete and not adequately monitored to ensure that problems with the program were addressed timely.

We contacted four supervisors and one employee in the Department who were directly involved with the patient intake process to determine if they had used the demonstration program and provided feedback to the programmers. Of the five individuals we interviewed, only one had actually used the demonstration program. The other four individuals had the program on their computers but had not tried to use it prior to our interviews. When the intake program was tried by the four individuals during our interviews, the program did not work. In addition, all five individuals were unclear as to whom they would have asked for help with the program. The five individuals were also unclear as to whom they should provide comments on the intake program.

In our opinion, adequate testing and monitoring would ensure that the end users would be provided a product that would meet the expectations of the Department.

SAPT Block Grant Funds of \$60,000 Were Used to Fund the Second Attempt to Develop a Patient Information System

Although the need for a computerized patient information system had been well documented, we question the use of \$60,000 of fiscal year 2000 SAPT block grant funds to finance this second system development attempt. First, the Department had already received a separate grant, which if managed properly should have resulted in a functioning system. And second, it is questionable whether the SAPT grant funds should have been used to fund another attempt since grant regulations for the SAPT grant stipulated that no less than 90 percent of grant expenditures be specifically related to substance abuse prevention and treatment programs. In this context, the Department did not specifically receive any approval from DHHS to use SAPT grant funds for a systems development project.

Finally, the Guam Public Auditor's 1997 audit report (see "Prior Audit Coverage") estimated that the Department had lost more than \$4 million over a 4-year period by not charging service fees. Since one of the original reasons for developing a computerized patient information system was to facilitate the billing of fees for services provided to patients with medical insurance, the Department should seek local appropriations to bear the cost for developing a computerized patient information system.

RECOMMENDATIONS

TO THE GOVERNOR OF GUAM

We recommend that the Governor of Guam require the Director of the Department of Mental Health and Substance Abuse to:

1. Develop and implement procedures to review contractor billings for psychiatric services and stop charging the SAPT grant for inpatient psychiatric services unless they meet the specific exceptions contained in the Code of Federal Regulations.

2. Develop and implement program-based budgets for each Federal grant in accordance with grant regulations and record grant costs against the budgets based on program categories and level of effort criteria contained in the Code of Federal Regulations.

3. Reconstruct SAPT grant expenditures for fiscal years 1998 through 2000 on a program basis and submit the results to the U.S. Department of Health and Human Services for review.

4. Develop and implement procedures requiring the Director and other cognizant Department officials to acknowledge their awareness of and responsibility for complying with applicable grant regulations for each Federal grant application submitted to the grant clearinghouse for review and approval.

5. Seek clarification from the U.S. Department of Health and Human Services as to whether the SAPT grant can be used to develop and implement a computerized patient information system. If the costs are unallowable, request a local appropriation from the Guam Legislature to complete development and implementation of a computerized patient information system.

6. Amend the memorandum of understanding between the Department of Mental Health and Substance Abuse and the University of Guam to ensure that there is a clear statement of deliverables under the agreement, including testing and documentation of the patient information system.

AUDITEE RESPONSE AND OFFICE OF INSPECTOR GENERAL REPLY

The April 29, 2002 response (Appendix 2) to the draft report from the Department of Mental Health and Substance Abuse indicated concurrence to the recommendations and provided a corrective action plan that included the titles of the officials responsible and the target dates for implementing the

recommendations. Based on the response, we consider Recommendations No. 1, 3, 4, 5, and 6 to be resolved but not implemented and Recommendation No. 2 to be implemented (see Appendix 3).

The response also provided general comments on specific aspects of the audit findings, as follows:

- Regarding inpatient psychiatric services, the response stated that the use of the SAPT grant funds for inpatient psychiatric services was allowable for inpatient care because it was the only community-based facility on Guam for drug and alcohol clients. Our review of the grant regulations governing inpatient and outpatient psychiatric services showed no waiver for exclusive providers of such services. If Department officials now feel that they qualify for an exemption to the regulations, they should request such an exemption directly from U.S. Department of Health and Human Services.

- Regarding level of effort requirements, the response noted that the Governor had delegated grant assurance certification to the Director of the Department of Mental Health and Substance Abuse, who had subsequently delegated specific compliance tasks to his staff. Based on our review, we found that there was a defacto delegation of duties for administering the SAPT grant. However, this delegation did not ensure that costs were kept on a program basis. Accordingly, we recommended that the delegation be formalized with each of the applicable staff formally acknowledging their awareness of the grant regulations. This attestation will make it easier to hold appropriate staff members accountable for noncompliance with grant regulations and should help prevent future instances of noncompliance.

- Regarding patient information services, the response stated that while \$20,000 of the \$60,000 expenditure of funds for the memorandum of understanding with the University of Guam may be questionable, the remaining \$40,000 was not questionable because it had been budgeted for in the Department's fiscal year 2000 SAPT grant application under the category "Information Systems," which the grantor agency approved. In addition, the response stated the work by the University was not a duplication of effort, because the contractor performed other duties related to the Department's computer network. Our decision to question the entire \$60,000 and defer the final decision on allowability to the U.S. Department of Health and Human Services was based on the following three factors:

- ' Contrary to what the Director stated in the May 7, 2002 MHSIP grant close-out report, the Department did not have a "fully functioning" patient information system by October 1998. We found no correspondence from the Department to grantor officials clearly explaining this fact before or after the October 1998 deadline. Neither did the fiscal year 2000 SAPT grant application disclose that a "fully functioning" patient information system had not been implemented.
- ' During the audit, we were aware that the contractor, the University of Guam, had performed other work on a computer network. However, the cost of that additional work was not specified in the agreement and our review of available records clearly indicated that the University was developing a patient information system for the Department.
- ' Our review of records as well as interviews with Department officials indicated that the Department had lost control of the project, with the principle programmer providing sketchy progress reports of the work completed as well as what remained to be completed. In addition, Department officials were unsure of the status of the project or whether it would ever be completed.

APPENDIX 1 - GRANT AWARDS, EXPENDITURES, AND COST EXCEPTIONS

<u>Description of Grant</u>	<u>Grant Awards</u>	<u>Grant Expenditures</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>	<u>Funds To Be Put To Better Use</u>
SAPT Block Grants:					
FY 1998	\$644,346	\$581,240	\$103,190	\$430,236	
FY 1999	749,439	506,380	34,990	424,251	
FY 2000	<u>756,532</u>	<u>721,838</u>	<u>60,000</u>	<u>649,654</u>	
Totals	<u>\$2,150,317</u>	<u>\$1,809,458</u>	<u>\$198,190</u>	<u>\$1,504,141</u>	
CMHS Block Grants:					
FY 1998	\$128,389	\$123,638			
FY 1999	134,969	74,991			
FY 2000	<u>167,301</u>	<u>75,728</u>			
Totals	<u>\$430,659</u>	<u>\$274,357</u>			
PATH Block Grants:					
FY 1998	\$50,000	\$35,285			
FY 1999	50,000	20,529			
FY 2000	<u>50,000</u>	<u>0</u>			
Totals	<u>\$150,000</u>	<u>\$55,814</u>			
MHSIP Stage I Grant:					
FY1994-1998	<u>\$341,064</u>	<u>\$300,260</u>			<u>\$300,260</u>

All amounts represent Federal funds.

APPENDIX 2 - RESPONSE TO DRAFT REPORT



GOVERNMENT OF GUAM
AGANA, GUAM 96910

DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE (DIPATTAMENTON SALUT HINASSO YAN ABUSON AMOT)

790 Governor Carlos G. Camacho Road
Tamuning, Guam 96913
Tel: (671) 647-5303/5330 • Fax: (671) 649-6948

CARL T.C. GUTIERREZ
Governor of Guam

MADELEINE Z. BORDALLO
Lieutenant Governor

DMHSA 02-05001

April 29, 2002

AURORA F. CABANERO
Acting Director

Arnold E. van Beverhoudt, Jr.
Audit Manager for Insular Areas
United States Department of the Interior
Office of Inspector General
Pacific Field Office
415 Chalan San Antonio, Baltej Pavilion – Suite 306
Tamuning, Guam 96911

Subject: Draft Audit Report “Management of Federal Grants, Department of Mental Health and Substance Abuse, Government of Guam” (Assignment No. N-IN-GUA-002-00-M)

Dear Mr. Van Beverhoudt:

The following is the department’s response to the Draft Audit Report “Management of Federal Grants, Department of Mental Health and Substance Abuse, Government of Guam” (Assignment No. N-IN-GUA-00200-M) conducted by your office.

While we generally concur with the audit findings, it is important to note that all grant funds were used for patient care, which is in the spirit of the grant provisions. Our response to the findings is written in italics preceding the text of the draft report. Please note the comments and/or recommendations in italics are intended to provide clarification to the audit findings. Should you wish to discuss any of the proposed amendments, I would be available to meet with you and your staff, you may call me for an appointment at 647-5448.

It is worth noting that the outcomes of this audit have provided the department with guidance and recommendations to improve management and administration of its programs. We look forward to working with your office on follow-up review to demonstrate the Department’s implementation of corrective action.

Sincerely,

Aurora F. Cabanero
Aurora F. Cabanero,
Acting Director

Encl: a/s

cc: Office of the Governor

AFC/KTA:tl



Commonwealth Now!

EXECUTIVE SUMMARY

Results In Brief

We found that the Department of Mental health and Substance Abuse:

Concurrence

- ❑ Charges the SAPT Block Grant for unallowable inpatient psychiatric services.

Concurrence

- ❑ Did not account for SAPT block grant expenditures on a program basis, as required by grant regulations.

Non-concurrence

- ❑ Expended \$300,260 in MHSIP discretionary grant funds without achieving a computerized patient information system and improperly used \$60,000. \$20,000 of SAPT block grant funds on a second attempt to develop a patient information system. *(Although \$60,000 of 2000 SAPT funds were used, \$40,000 actually was cleared for use though block grant review. If this use was improper, then grant reviewers should have noted it. The additional \$20,000, which may be questionable was used consistent with previous year allocations that funded maintenance of local area network (see SAPT block grant application included funding as follows: 1998 Award \$7,500; 1999 Award \$21,000; 2000 Award \$40,000).*

INTRODUCTION

Background

The Department of Mental Health and Substance Abuse, which is part of the Executive Branch of Government is responsible for providing mental health, alcohol, and drug abuse prevention and treatment programs. Such programs include 24-hour crisis intervention services, group and family counseling, partial hospitalization and aftercare for the mentally ill, outpatient services for adults and children, and inpatient services for alcohol and drug addiction treatment.

Please note that the Department stopped providing inpatient services for drug and alcohol addiction treatment in November 1997. The current services being provided are comprehensive inpatient and community-based outpatient mental health, alcohol and drug programs and services for those who experience the life-disrupting effects of mental illness, alcoholism and drug abuse or are at risk to suffer those effects and who are in need of prevention and treatment programs. Such programs include: 24-hours Intake, Emergency Services and Crisis Hotline; Counseling Services; Psychiatric Medical Services; Drug & Alcohol

Treatment, Community Support Services; Residential Treatment Facilities; Day Treatment (partial hospital treatment) Healing Hearts (sexual assault intervention); Prevention, Training, and Education; Adult and Child/Adolescent Inpatient Services; and Outpatient Medication Management.

RESULTS OF AUDIT

Overview

The Department of Mental Health and Substance Abuse charges the SAPT block grant for unallowable inpatient psychiatric services, did not account for SAPT block grant expenditures on a program basis, as required by grant regulations; and expended \$300,260 in MHSIP discretionary grant funds without successfully developing and implementing a computerized patient information system and improperly used \$60,000

\$40,000 was cleared in 2000 SAPT award for use in further development of patient information system, \$20,000 may be questionable expenditure (not included in grant application and not having been cleared by grant reviewers; see approved 2000 grant application)

of SAPT block grant funds in another attempt to develop a patient information system. These conditions existed because the Department did not distinguish between contractual billings for inpatient and outpatient psychiatric services prior to approving payments, did not have procedures to account for grant expenditures on a program basis, and did not follow standard information system project management practices. As a result we identified \$1.6 million of questioned costs and \$360,260 of cost that could have been put to better use *(this amount should be lessened, pending review of programmatic grant ledgers)*

INPATIENT PSYCHIATRIC SERVICES

Although 1998 and 1999 SAPT monies were used to fund psychiatric medical consultant contracts and purchase orders the department believes that psychiatric services performed by these psychiatrists is allowable as the department is the only community-based hospital on Guam and provides services for the drug and alcohol clients. To date no further federal funds are being used for psychiatric medical services to inpatient units.

Contractor Time Sheets

**Were not used to
Determine the Amount of
Allowable Charges**

The department has incorporated within its psychiatric medical consultant contracts a provision requiring all consultants to attach timesheets to monthly billings. The Administrative Services Officer is tasked with reviewing all monthly billings to ensure that detailed timesheets are attached prior to processing for payment. (Supported by review of all psychiatric medical consultants contracts issued 10/01/00).

LEVEL OF EFFORT REQUIREMENTS

**Accounting Records did
Not support level of
Effort Reporting**

Beginning fiscal year 2001 SAPT, CMHS, and PATH grant awards the department implemented detail budget ledgers that report actual obligations and expenditures as described in the grant applications and monitors the performance of action plans pursuant to grant goals and objectives.

**Grant Managers Were Not
Required to Acknowledge
Their Familiarity with
Grant Requirements**

The Governor has delegate grant assurance certification to the Director of DMHSA, the Director's has delegated the responsibility of carrying out the goals and objectives (as described in the grant) to the Department's management (i.e. Clinical Administrator (program manager for adult clinical outpatient services to include residential facilities), Child/Adolescent Administrator (program manager for child/adolescent outpatient services to include residential facilities), Nursing Administrator (program manager for all inpatient services, medication clinic, and psychiatric medical services), Administrative Services Officer (provides administrative operational support services to division administrators, to include procurement, budgeting, payroll, fixed asset inventory, financial management of appropriated funds both federal and local), Management Analyst (provides administrative programmatic support services to division administrators, to include grants management, information systems, data collection & analysis, and regulatory)), all of which are authors and reviewers for all grant applications and budget submissions; and are task managers to ensure compliance of all appropriations and awards both local and federal funds.

Management has enforced established policies and procedures to efficiently and effectively control internal operations. Despite the directorship change, career middle management provides the stability and continuity to improve and enhance the department's overall compliance of its mandates.

COMPUTERIZED PATIENT INFORMATION SYSTEM

Mental Health Statistics Improvement Program Grant of \$300,260 did Not result in a Usable Information System

During the period of September 30, 1993 to September 15, 1995, the Department was awarded \$341,064, Mental Health Statistics Improvement Program (MHSIP) grant. The Department encountered multiple problems with the development of our MIS system.

*** In Stage I - The Implementation.**

The Department developed a proprietary automated patient information system to provide uniform patient/client demographic and treatment data and program data. This proprietary patient information (MRM) system was terminated when the company President passed away and the corporation was unwilling to continue the project. In addition, the Manager originally hired under the MHSIP grant eventually left the employ of this Department and left the project in abyss. The problem with the MHSIP project was that there was no needs assessment plan in place for other assigned individuals to follow through. As a result, MRM system was scrapped and searched for another patient information system.

*** In Stage II - Operation.**

Due to the limitation (financial as well as applicants) of hiring a MIS manager, a social worker with knowledge of computer system (he was once an employee of the Department of Revenue & Taxation, holding the position of Computer Analyst), was detailed to take charge. He recommended the purchase of \$30,000 and software system TEM-2000 to automate our patient information system. A Request for Proposal (RFP) resulted in the selection of vendor who was supposed to merge the MRM file to the TEM-2000 file. This was not accomplished because the users who are clinicians were still unable to perform patient automation.

*** In Stage III - Application**

Recognition that a patient automation system, as well as a functional MIS program is important for efficiency. The Department solicited the assistance of University of Guam (UOG) to salvage or redesign a functional MIS program. As of this date, the information provided to management and staff is limited. The program is finalizing completion for automation but now; our hardware is becoming outdated and/or incapable to fully automation. UOG is currently assisting us in programming.

**SAPT Block Grant Funds
Were used to Fund the
Second Attempt to
Develop a Patient
Information System**

Contractual services charged against the SAPT block grant was not a duplication of the work performed under the MHSIP discretionary grant but to enhance and to improve the system.

The use of grant monies was to further develop an automated patient information system which is ongoing; it is important to note some monies were used to upgrade IBM 256K CPU workstations of the local area network, that had become outdated and non-compliant with Y2K, the current LAN after upgrade is completely stable).

RECOMMENDATIONS

Plan of Action to Recommendations:

Item No.	Responsible Individual	Timeline	Action
1.	Administrative Services Officer and Nursing Administrator	30 days (June 1, 2002)	Develop and implement procedures to review billings of psychiatrist
	Administrative Services Officer and Nursing Administrator	15 days from completion of procedures	-Revise time & attendance sheets complete by psychiatrists to include diagnosis
	Nursing Administrator	30 days from revision of time & attendance sheet	-Meet with psychiatrists to explain importance of completing forms
	Administrative Services Officer	Monthly upon receipt of psychiatrist's billings	-Enforce compliance by psychiatrists on completing time & attendance sheet prior to processing billing for payment

2.	<i>Management Analyst, Administrative Services Officer and Division Administrators</i>	<i>Upon submission of each grant application</i>	<i>-Develop & implement detailed program based budgets for each federal grant in accordance with grant regulations</i>
	<i>Administrative Services Officer</i>	<i>Upon Receipt of Grant Awards and for each expenditure</i>	<i>-Record grant costs against the budgets based on program categories and level of effort criteria contained in the Code of Federal Regulations</i>
3.	<i>Management Analyst (programmatic goals & objectives) Administrative Services Officer (expenditures)</i>	<i>90 days (August 1, 2002)</i>	<i>Reconstruct SAPT grant expenditure for fiscal years 1998, 1999, and 2000 on a program basis and submit the results to the U.S. Department of Health and Human Services for review.</i>
4.	<i>Director/Deputy Director</i>	<i>30 days (June 1, 2002)</i>	<i>Develop and implement procedures requiring the Director and other cognizant Department officials to acknowledge their awareness of and responsibility for complying with applicable grant regulations for each Federal grant application submitted to the grant clearinghouse for review and approval.</i>
	<i>Management Analyst</i>	<i>Upon submission of each grant application</i>	<i>Identify department officials responsible for each goal & objective outlined in every action plan to be submitted with to each grant applications, obtaining signatures of officials acknowledging their responsibility.</i>
5.	<i>Management Analyst</i>	<i>15 days (May 15, 2002)</i>	<i>Seek clarification from the U.S. Department of Health & Human Services as to whether the SAPT grant can be used to develop and implement a computerized patient information system. Prepare letter & forward to SAMHSA for clarification.</i>
	<i>Administrative Services Officer and Director</i>	<i>If costs are unallowable</i>	<i>Request a local appropriation from the Guam legislature to complete development and implementation of a computerized patient information system.</i>
6.	<i>Management Analyst</i>	<i>30 days (June 1, 2002)</i>	<i>Amend the memorandum of understanding between the Department of Mental Health and Substance Abuse and the University of Guam to ensure that there is a clear statement of deliverables under the agreement, including testing and documentation of the patient information system.</i>

APPENDIX 3 - STATUS OF RECOMMENDATIONS

<u>Finding/Recommendation Reference</u>	<u>Status</u>	<u>Action Required</u>
1	Resolved, not implemented.	Provide documentation to show that corrective actions have been completed.
2	Implemented.	No further action is required.
3 to 6	Resolved, not implemented.	Provide documentation to show that corrective actions have been completed.

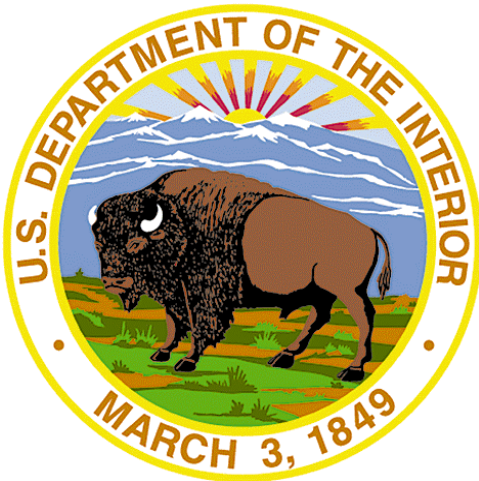
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