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Digest of
A Performance Audit of
Davis Mental Health Center Non-client Activities

There are a number of deficiencies with the administrative operations of Davis Mental Health that are a direct result of poor financial controls and insufficient oversight. These deficiencies are the theme running through the audit. Poor controls and insufficient oversight have allowed the executive director to abuse his business travel privileges, gain significantly from compensation and perquisites that are far above reasonable levels, operate a recreational program that is not necessarily in the best interest of Davis clients, and utilize funding from a second board in a manner unacceptable to the funding donors. We believe that, between 1993 and 1996, the Davis Mental Health director personally gained by at least $80,000 by taking advantage of the organization's deficiencies outlined in this report and, has unnecessarily received an additional $29,500 in the form of excessive salary. Correction of the organization's administrative problems cannot be achieved by just altering organizational policies and procedures. The causes of the organization's administrative problems are pervasive and deeply embedded within its structure and may need to be addressed by organizations beyond Davis management and the Davis Board. Davis client services, beyond its recreational programs, were not reviewed in the course of this audit.

Perhaps the most important issue to surface from this report is that of oversight. As early as 1991, audits by the Utah Department of Health and by Davis' own external CPA firm identified documentation problems specifically dealing with the director's travel, meals, and mileage. There was no apparent action taken by the Davis Board and, in fact, we have been told by a board advisor that this information never was given to the board. Without complete information, oversight is greatly reduced and funding can be used inappropriately.

Mental health organizations are funded with federal flow-through monies entrusted to the state and state monies dedicated to mental health by the Utah Legislature which are combined with some local monies. Accompanying these funds is the expectation that they will be used efficiently and effectively when they are transferred to the custody of the state-approved mental health authority. The mental health authority (Davis County Commission), as in the case of Davis Mental Health, has allowed privatization of this function which entrusts the operation and funds to a board-controlled private corporation. That board, in turn, entrusts operational controls to the corporation's management. If each of these steps is not completed with diligence, oversight by the authority may be reduced, thus also reducing financial controls. We believe that oversight and financial control of Davis Mental Health operations have, indeed, been compromised in this process and that other mental health centers with similar organizational structures are at risk of having similar problems.

This audit is the product of a joint effort by the Office of the Legislative Auditor General and the Department of Human Services. The Department of Human Services requested that the Utah State Legislature direct the Office of the Auditor General to conduct a review to answer numerous concerns with the administrative operations of Davis Mental Health. Prior to and during the audit there were a number of specific allegations, all concerning the center's director and his use of public monies or equipment. The audit's major objective was to answer legislative and public concerns as they apply to administrative operation and control of Davis Mental Health. In addressing legislative concerns, we have reviewed Davis' administrative operations from a "sources and uses of funds" perspective. We reviewed funding sources as identified in the center's accounts receivable system and reviewed uses of funds by reviewing vendor files and the accounts payable system.

The results and conclusions found in this audit are based on information made available to the audit team by Davis. Davis records are, unfortunately, incomplete and may have incorrectly recorded information. The report's findings have been presented to management and they have brought no contrary data forward.

The following summaries identify the most significant findings and conclusions of the audit:

Director's Travel is Inappropriate and Overstated. The Davis director has received more than $22,000, between 1993 and 1996, for business travel reimbursements that are overstated and inappropriate, given Davis policies and generally accepted business practices. The director's overstated travel appears to be the result of the confusion created by the director's excessive volume of travel in combination with poor board and financial controls at Davis. Generally, the director has been allowed to bypass normal controls over travel expenses that are applied to other employees such as: preapproval of travel, submission of receipts, documentation of travel purpose, and trip expense reconciliation. The director's questionable travel reimbursements can be divided into four areas. First, $7,000 of overpayments for airfare where the director billed the center more than he actually paid. Second, $3,300 of multiple billings of the same expenses. Third, $6,200 of payments for the director's spouse to accompany him on trips. And, fourth, $5,900 of payments for charges made on personal extensions of business trips.

Director's Compensation and Perquisites are High. Over the last three years, Davis Mental Health's director may have been overpaid as much as $29,500 in salary, $35,500 for bonuses and on-call, and $22,000 for meals and mileage perquisites that lack documentation and appears overstated. In 1996 the director received about $10,000 more in salary than directors in other major Utah centers. Additionally, for the same year, he received a generous bonus and on-call pay amounting to $10,900 (of this value we question $8,600 as inappropriate) that directors in comparable centers did not receive and $6,700 of excessive mileage and meal payments. As a result, in 1996 alone the Davis director received $27,600 more than his peers in the form of compensation and perquisites (meals and mileage).

Some Recreational Therapy Program Operations are Inappropriate. Davis Mental Health's Western Wilderness Institute operation is inappropriately subsidizing recreational opportunities for private organizations that include the director's family. Overall, the institute's subsidy of activities for private groups cost taxpayers at least $27,800 in 1995 and $26,100 in 1996. Davis officials have consistently stated that these trips are used for prevention-based therapy and that revenues collected from private groups cover the cost of their trips even though their own accounting proves otherwise. Such a prevention program may not be the best use of funds which may be better utilized spent on clients with greater need or in programming that addresses a greater number of people. Because the institute subsidizes the cost of non-client trips, there is a likelihood that the institute unfairly competes with private business as it is able to charge lower fees than commercial operators. Further, the institute has poor management controls that have resulted in lost inventory.

Director Inappropriately Used Private Funds. Actions taken by the board of an associated organization on behalf of the director have not always been in the best interest of Davis Mental Health clients or the donors providing funds for that group. Given the nature of the organization's activities and funding, we believe that the existence of the associated organization is redundant and may actually inhibit Davis policies and directives. Existing on donated funds meant for Davis client-care programs, the associated organization does not appear to have a valid reason for duplicating Davis expenses. That organization receives between $40,000 and $50,000 in donations each year and uses the funds for activities that do not appear appropriate, including: property litigation, Davis director's travel expenses, equipment purchases, an annual party, golf tournaments, and administrative expenses that unnecessarily duplicate Davis expenses.

Chapter I
Introduction

Insufficient financial controls, lack of sufficient documentation, and inadequate board oversight have contributed to the inappropriate use of Davis Mental Health funds and resources by the center director. Our review of information available from Davis Mental Health (Davis) and an associated organization that serves as an intermediate for privately donated funds, indicates that between 1993 and 1996, at least $80,000 of taxpayer funds and donations has been spent inappropriately in support of the center director and his family. An additional $29,500 is questioned as excessive salary that does not appear warranted when compared with salaries of other Utah mental health directors.

We are concerned primarily with expenses reported for the director's travel, compensation, and expense account. We are concerned for two reasons: First, the problems identified in this report are not new. As early as 1991 the Utah Department of Health's medicaid settlement reports of Davis identified problems with documentation of the director's travel, meal reimbursements, and mileage claims. The Department of Health did not pursue these issues beyond disallowing expenses from medicaid reimbursement and stating that Davis' accounting allowed inadequate documentation. The center's own independent auditor reported similar findings in a management letter in 1994; their findings were not presented to the board. Second, nearly all of the questionable charges favor the Davis director and only the Davis director and lack documentation proving they are necessary. Some of these charges may be violations of **Utah Code** 76-8-402 which describes misuse of public monies by any individual charged with the receipt, safekeeping, transfer, or disbursement of public monies. Testing of other Utah mental health centers did not uncover problems similar to those found at Davis. The other centers appear to have better financial controls that maintain reasonable spending limits and have better oversight by their authorities.

Davis Mental Health Uses State and Federal Funding

In addressing the request for this report we reviewed the sources and uses of funds utilized by county authorized mental health centers. Mental health centers focus on providing state and federally mandated mental health care and substance abuse programs that have associated funding. Most of these funds flow through a state oversight agency. **Utah Code** sections 62A-12-102 and 62A-8-103 have established a state-level agency for mental health and substance abuse to serve as a resource for the counties and a centralized point for funding distribution. Local delivery systems such as Davis, with both mental health and substance abuse elements, have a number of legislatively mandated services: inpatient, residential, day treatment, case management, out-patient, 24-hour crisis, outreach, follow up, screening for referral, consultation, education, and prevention.

Utah's mental health system is primarily funded with federal and state monies. The greatest portion of this funding is federal flow-through funding that is given to the state and distributed to the counties by formula. The breakdown of mental health funding sources is shown in Figure I.

Figure I
Utah Community Mental Health Centers
Expenditures by Revenue Source

Revenue Source	Percent of Expenditures
Federal Funds	46.5%
State Funds	34.0
County Funds	10.6
Other	9.0
Total	**100.0%**

While the state agency controls the distribution of funds and general program requirements, the county maintains control over how the funds are used and how local programs will be designed. **Utah Code** sections 17A-3-601 and 701 assign responsibility and authority for substance abuse and mental health services to county governing bodies or local mental health authorities. County governing bodies have been given the power to determine the method of service delivery. County authorities may also be held accountable for the funding given them under the above sections.

Oversight and ultimate authority of county mental health centers is always held by county government. Center operations, however, can either be controlled by counties or private entities separated from county government such as private, non-profit corporations controlled by appointed boards. These appointed boards, while not the ultimate authority over the centers, supplant the counties for the day to day oversight of center operations. This oversight function is important as system controls alone may not be sufficient to prevent abuses.

Financial control of mental health centers occurs at both state and county levels. Financial controls in place at the state level include Medicaid audits (both program reviews and fiscal audits) and quality of care reviews by the Division of Mental Health. Controls at the center level include independent or county auditors who audit their organization and review their internal controls and center developed policies and procedures. Further control is supposedly gained when the organizational structure is based on sound business practices which allow for checks and balances. In the case of a private provider, such as Davis Mental Health, the structure relies heavily on oversight by a volunteer board which does not necessarily have the same level of controls enforced by the state or county. Nevertheless, private providers are compelled to act ethically with state and federal funds as they are required to properly account for and use money as provided in **Utah Code** 76-8-402.

Audit Scope and Objectives

This audit is the product of a joint effort by the Office of the Legislative Auditor General and the Department of Human Services. The Department of Human Services requested the Utah State Legislature direct the Office of the Auditor General to participate in a review to answer numerous concerns with the operation of Davis Mental Health. Prior to the audit, the Department of Human Services became aware of a number of specific allegations, all concerning the center's director and his use of public monies or equipment. Allegations continued to surface during the audit.

Human Services made the referral to the Legislature because they believed that the department did not have the expertise to address the issues as thoroughly as necessary. Human Services' cooperated in the audit and provided a staff auditor familiar with mental health accounting and programs. The audit's major objective was to answer legislative and public concerns as they apply to the operation and control of Davis Mental Health.

In addressing legislative concerns we have reviewed Davis operations from a general perspective to identify the substance of the allegations. We proceeded by identifying the sources and uses of funds in any area that we could identify as unique or questionable. We found that many of the allegations were accurate as we reviewed selected funding sources as identified in the center's accounts receivable system and reviewed uses of funds by reviewing selected vendor files and the accounts payable documents.

The results and conclusions found in this audit are based on information made available to the audit team by Davis. Davis records are, unfortunately, incomplete and may have incorrectly recorded information. We have asked repeatedly for any information that may be contrary or refute the findings of the audit team and have incorporated all information made available by Davis as of the release of this report.

The reason for the lack of sufficient information is the director's use of funds and programs outside the normal operation of the center in combination with Davis's poor internal controls. The director has benefitted by utilizing organizations outside the control of the system to circumvent center controls. He has also benefitted within the center's system by utilizing non-reconciled credit card charges paid by the center without proper authority, documentation, or approval. The director's non-standard methods and weaknesses in internal controls have made it difficult for the audit team to track expenses and determine if the director has paid for some of the over-charges identified in this report.

The audit's objectives are addressed in greater detail in the following chapters:

- Review Davis director's travel and compare with travel of other centers.
- Review Davis director's compensation and perquisites in relation to accepted standards.
- Review Davis recreational therapy programs.
- Review the activities of an organization associated with Davis Mental Health that functions as a source of private funds for the center.

Chapter II
Director's Travel is Inappropriate and Overstated

We have concluded from a review of Davis travel records that the Davis executive director has submitted and received payment for travel that has been inappropriate or contains expenses that are exaggerated. In total, we have identified more than $22,000 in business travel reimbursements to the director, between 1993 and 1996, that we believe are inappropriate or overstated and should never have been paid, given both center policies and generally accepted business practices. Travel reimbursements have been made for both overstated business travel and for what appears to be personal travel inappropriately included as a business expense. The director's exaggerated expense claims for travel appear to be the result of the director's abuse of weaknesses in controls at Davis and selected organizations. Generally the director bypassed normal controls over travel expenses that are applied to other employees such as: preapproval of travel, submission of receipts, documentation of travel purpose, and trip reconciliation. The director asserts that all of his travel expenses comply with the center's policies and that there is a misunderstanding in our interpretation of his travel. However, based on the records, the travel files and other documents made available during the audit, the director's travel reimbursement requests are clearly overstated.

Business travel is done for the benefit of and at the cost of the business or organization. The traveler is not expected to subsidize the company by personally paying for business-related expenses; nor is the business expected to subsidize the traveler by paying for personal expenses. It is this differentiation of expenses that has been blurred by Davis's director who has overstated his business expenses to his personal gain and has classified personal expenses as business expenses, also to his benefit.

Davis may be a quasi-private organization but it is funded primarily from state and federal funds and is under the authority of the Davis County Commission. There is an obligation on the part of management to provide adequate travel controls and ensure a certain level of economy over the expenditure of taxpayers funds; Davis has done neither, when considering the director's business travel. This obligation of ethical behavior is firmly established in **Utah Code** 76-8-402 in its description of misuse of public funds.

Questionable travel reimbursements discussed in this chapter are divided into four types. First, overpayments for airfare where the director billed the center nearly $7,000 more than he actually paid. Second, multiple billings of the same expenses, amounting to nearly $3,300. Third, payments of about $6,200 for the director's spouse to accompany him on trips to business meetings even though she had no business purpose at the meetings. And, fourth, extension of business trips for personal reasons that may have cost the center more than $5,900. This chapter concludes with a review of a trip taken by the director to attend a three-day conference in Latvia while vacationing in Europe that contains examples of each type of questionable reimbursement.

Airfare Reimbursements Have Been Excessive

Davis' director has received reimbursements for airfare expenses from Davis and other organizations that are based on false or misleading documents. These documents imply that the director has personally incurred relatively high airfare costs when, in fact, he has actually flown free or on less expensive tickets. Documents show that the director personally received $6,966, over a four-year period, as a result of submitting false or misleading records of his actual airfare expenses. In addition, we found no documentation indicating that either the director or center ever identified any of the $6,966 as income or compensation for tax purposes. The director is the top executive of a government supported organization and should set the organizational standard by carefully administering and controlling all travel costs. This pattern of excessive airfare reimbursements is disturbing because it indicates just the opposite is occurring for the personal benefit of the director himself.

The director believes that his requests for payment are reasonable and reflect a value that he has given up in the form of lost personal time and travel benefits. We do not agree with his position and have determined that he has often charged far more than the actual amount he paid for the airfare. Further, his airfare reimbursement practices are inconsistent with what we find at other Utah mental health centers and government organizations.

We believe that common business practice implies that the traveler, acting on behalf of the business, travels at the expense of the business and is not intended to personally gain from the travel. However, the business is expected to reimburse the traveler for reasonable and actual costs pertaining to the business-related trip. We believe that the Davis director's actions violate common practice. County, state, and federal regulations support our position as do federal tax regulations that classify this type of personal gain as taxable compensation. Figure II shows seven business trips where the director submitted expense reports claiming non- existent or exaggerated airfare expenses.

Figure II
Airfare Paid to the Director
Compared to the Actual Cost of the Flight Taken

Destination	Date	Airfare Paid to Director	Cost of Ticket Paid by Director	Overpayment to the Director
San Diego	1993	$ 258.00	$ 108.00	$ 150.00
Atlanta	1993	1,160.00	422.00	738.00
Riga, Latvia	1994	1,682.00	-0-	1,682.00
Cincinnati	1994	1,110.00	-0-	1,110.00
Orlando	1994	1,303.00	517.00	786.00
Richmond	1995	1,287.00	-0-	1,287.00
Philadelphia	1996	1,213.00	-0-	1,213.00
Total		**$8,013.00**	**$1,047.00**	**$6,966.00**

Figure II identifies seven trips over a four-year period (1993-1996) where documents indicate the director claimed and was paid significantly more than his actual airfare. The director received payments totaling $8,013 for his airfare when his actual cost was only $1,047 for a total net personal gain of $6,966. Many of the airfare payments were based on travel itineraries, which are not tickets or receipts, but merely quotations which identify an available airfare. Instead of buying tickets at the quoted fare, the director actually used complimentary airline passes issued by the airlines, traveled on less expensive airlines, or traveled on a far less expensive fare. For six of the cases the director was traveling as a board member of the Mental Health Risk Retention Group (MHRRG), a mental health liability insurance provider, which highlights the director's use of other organizations.

In each case, travel documents indicate the director submitted and received payments that were far greater than the actual airfare charges paid either by Davis or MHRRG. The director has submitted these itineraries as proof of travel and has, as a result, received payments for the highest coach fares available, not his actual expenses. We have detailed the director's use of inappropriate airfares (shown in the above figure) in the following four examples.

1. In the 1993 trip to San Diego, center records show a round trip airline ticket was purchased for $108 on January 6 for the director on Morris Air Service. One day before the departure, on February 22, an airfare itinerary was obtained from Delta Airlines for the same trip showing an airfare of $258. Both the ticket and the itinerary have very similar

departure schedules. However, the Morris ticket was arranged more than six weeks in advance and has restrictions that force the price down. This lower price is advantageous if you are traveling with family members and travel records indicate the director was traveling with his family. The Delta itinerary was printed the day prior to the flight and showed a fare with no restrictions or discounts. The ticketing for this itinerary would be far more expensive than the Morris ticket. Center records indicate the director actually flew on the Morris ticket (at a cost of a $108) but claimed the Delta airfare itinerary (at a cost of $258) for reimbursement purposes. Consequently, we believe the director over-charged $150 for this airfare.

2. In 1995, the director traveled to Richmond, Virginia by using a complimentary ticket but claimed $1,287 (the itinerary price) as the airfare charge for the trip. If he had not used the complimentary ticket, the director's actual airfare would still have been far less than the $1,287 he claimed. Center records show the director's wife flew with him on this trip, on a ticket purchased by the center for $594. The director paid nothing for his airfare because he chose to use a complimentary ticket but the actual cost of his airfare would have been $594 if he had not selected to use a complimentary ticket.

   In this instance the director contacted MHRRG to inform them of his intent to use an airfare itinerary for ticket estimate purposes. An MHRRG official stated they received a phone call from the Davis director requesting permission to submit an itinerary instead of an actual ticket receipt. According to the MHRRG official, the director claimed the actual ticket would be much more expensive because he was traveling to Houston for personal reasons and then to the meeting. The director said he did not feel good about asking MHRRG to pay a higher airfare for his personal side trip and instead wanted to use an itinerary that would represent his costs if he flew directly to Richmond. MHRRG did pay the $1,287 fare listed on the itinerary without asking for further detail. In fact, center records never shown to MHRRG indicate the director did fly through Houston on a complimentary ticket he received from the airline. Since his actual cost of the ticket used was nothing it is our opinion the director overcharged $1,287 on this airfare.

3. In 1996, center records indicate the director submitted an itinerary invoice from Salt Lake City to Philadelphia at a cost of $1,213 on Delta Airlines. At the time, Delta required a Saturday night stay over for a lower airfare. However, the director actually flew for $389.50 on Northwest Airlines. Records indicate the director had a voucher worth $300 from Northwest Airlines that he received on a prior flight. Davis paid the remaining $89.50 and was never reimbursed by the director even though he received $1,213 from MHRRG. Information we collected indicates that if the director had not used his voucher, he could have flown to and from the meeting without a Saturday night stay for approximately $800 on two other carriers. Consequently, the director requested and received payment at a much higher rate than that due him under any

   circumstance. However, the director's actual cost of the airfare was nothing resulting in an overcharge of $1,213 on this trip.

4. For the 1994 trip to Riga, Latvia, the director redeemed frequent flyer miles and received free tickets for himself and three other family members. The director then inappropriately billed the center $1,682 for his own airfare. We could find no documentation in the travel files to either support the airfare value claimed or declaring the use of a free ticket. This is a concern for three reasons: First, we believe it is inappropriate to personally gain when traveling for a publically-funded organization. Second, without acknowledging the use of the free ticket, the compensation earned is not reported by the center or declared by the user as taxable income; and third, we could find no documentation in the travel files or board records that approved the director's travel from Salt Lake City to Riga. The director clearly gained personally by using airfare obtained through a frequent flyer program and, in so doing, appears to be in violation of center policy, federal tax regulations, and possibly the state's misuse of public funds statute. Various government entities we contacted indicated it is not permissible to gain from the use of frequent flyer program use. Such a gain may be in violation of federal tax rules that prohibit the deduction of free passes. Federal tax rules state:

   > *"If you were provided with a ticket or you are riding free as a result of a "frequent flyer" or other similar program, you have no deduction."*

   A warning notice even appears on the frequent flyer award certificate as the airline's attempt to inform participants of federal tax rules and its own rules governing the use of frequent flyer awards. The airlines declaration states:

   > *"The sale, purchase or barter of... Frequent Flyer Bonus Travel Award Certificates and Tickets has been held to be illegal. Any person selling, purchasing or bartering Delta Frequent Flyer Certificates, Award Tickets or mileage credit may be liable for payment of the full fare, damages and litigation and transaction costs. Violators are subject to having their Frequent Flyer account terminated or deductions of mileage made from their accounts."*

   Neither the director nor the center noted the use of free tickets in travel files or as income for tax purposes. Rather, both participated in placing an artificial value on the airfare and treating it as a valid and true airfare expenditure. The director requested and received $1,682 for airfare and the center processed the charge without question and without any receipt. When asked about the billing during this audit the director and the CFO both acknowledged that frequent flyer tickets had been used and that the director had been paid for their use. The director says that he does not see any problem with what had occurred while the CFO claims that he was not knowledgeable on the use of frequent flyer tickets but thought that the director's use was acceptable. Both indicated they could not recall why they failed to document what actually happened nor why they believe the airfare amount supplied by the director was correct.

Further complicating the issue is the lack of clear documentation approving the director's travel from Salt Lake City to Latvia. We believe that, had the director not used a free ticket, the director should only have received reimbursement for the Frankfurt, Germany to Latvia portion of the trip. This belief is based on minutes from Davis's executive committee meeting in January 1994, six months before the trip which states:

> *"Dr. Williams also said he had been invited to present at the psychiatric convention in Latvia in June. Since this is at the time he will be over there getting his son from his mission, the cost to the Center would be from Germany to Latvia at a cost of approximately $2,000. Carlene and Steve agreed he should do this."*

It is clear from this discussion that only $2,000 was acceptable to the committee for the entire trip and that the trip would commence from Germany, not Utah. We could not find, nor could center officials provide, any other document with an agreement by the board or any of its officers superceding the above. We did find one other reference in the board minutes that tied the Latvia trip to the $2,000; in this case the board seems to be directing $2,000 of the director's 1994 annual executive bonus toward payment of trip expenses.

Several aspects of this trip are disconcerting including: the lack of proper documentation for the airfare; the fact that the travel file does not clearly indicate the use of frequent flyer miles or make any reference to what actually occurred regarding the airfare; and, the fact that the only board approval seems to limit airfare and other expenses from Germany, rather than Salt Lake, to Latvia at $2,000. Finally, it is disconcerting that the director personally benefitted from this trip but that it is not reported as compensation by the center. The director says that he traveled with the full approval of the board and states that he discussed his plans at length with the board for nearly two years prior to his trip, the total cost of the trip is discussed in a following section of this report.

It is clear that the director has personally gained from the airfare reimbursements and we have found no indication that the center ever reported or the director ever claimed any of the $6,966 as income or compensation. The director is a top executive of a government-supported organization who should be setting the example of controlling travel costs. The director's pattern of airfare reimbursements shows that he and he alone benefits from the lack of control over multi-organization travel and credit card use. We question his motive and believe that his actions are potentially in violation of Utah's misuse of public monies provision.

Travel Files are Misleading

As indicated earlier, during our review of the director's travel files we found nothing that clearly identified the use of complimentary tickets or free tickets obtained from frequent flyer miles. The Davis travel files reviewed indicated the airfare was exactly what was reported on the itinerary and made no reference to the complimentary airfare tickets. When we asked why the actual airline tickets were not included in the files, Davis officials did not volunteer information concerning the false itinerary billings and the actual ticket prices. This inform- ation was only discovered after the audit team noticed conflicting information in a travel file. Upon contacting the airline listed on the itinerary it was confirmed that the director never traveled on the airline as indicated in the travel file. We checked other trips and found the same sequence of events in many of those trips. Much later in the audit we found a second set of travel files maintained by the director's administrative assistant that had copies of both the itinerary airfare and the actual airfare. We understand that this practice was not known by the staff in either accounts payable or the business office.

Rather than identify the use of complimentary tickets or frequent flyer points, the director submitted and the center's chief financial officer (CFO) allowed expense reporting based on itinerary invoices (except the Latvia trip which had no supporting invoice). An itinerary invoice should never be accepted as a valid reimbursable receipt as it does not represent any expenditure. An itinerary can be printed at any time by any travel agency and merely identifies an available travel option and the projected cost of that option. Many of these itinerary rates have not benefitted from advanced purchase discounts and other restrictions that have been used on other trips taken by the director. Our review of the files indicates that meeting times have been scheduled with sufficient notice to allow such discounts to be made by the traveler.

When asked about their use and the lack of actual airfare documentation, the CFO seemed unconcerned because the billing for many of the questioned trips went to and was paid for by MHRRG. This became a common response by both the director and the CFO who didn't think there should be any concern about these trips because it was MHRRG, not Davis, money. It should be Davis' concern because Davis processed and in some cases approved the payment. Also, MHRRG is financed primarily from insurance premium payments made by organizations that are funded by state and federal governments. It is also a concern because the director and CFO could never explain why they believed it was acceptable for the traveler to make money on these business trips. It is unclear if Davis management believes being paid for the use of personal frequent flyer points and complimentary tickets is acceptable or why the general travel files did not document and report this practice of compensating by paying for the use of such tickets. If the practice was accepted by the board it is also unclear as to why the earned income was not reported.

Reimbursement Approach is Not Common Practice

Since Davis is a quasi-private organization accountable to the Davis County Commission, we contacted county officials regarding their travel policies. We were told that Davis County business travelers are only reimbursed for the actual airfare expended. We asked if the county would allow the traveler to use frequent flyer miles to obtain the airfare for a business trip and yet reimburse the traveler for the full cost of the airfare. The official stated that some travelers have used the frequent flyer miles they obtained while on county business but have not charged the county any airfare. The Davis official said that since the traveler spent nothing for the fare the county would reimburse nothing. He said, in his opinion, it would be grounds for termination if a traveler requests a reimbursement for an airfare that cost the traveler nothing. The county does not require a ticket stub for reimbursement because all airfares have to be purchased on the county credit cards and a summary or proof of purchase is mailed to the agency.

We contacted The Utah State Travel Administrator to find out if this practice of accepting other than actual fares was acceptable within the state. We were told that state travel policies require that all airfare be purchased through the state travel account which has established contracts with airlines maximizing utility and minimizing costs. As a cost control, the state generally will not reimburse employees for airfare because individuals cannot normally match the state's purchasing power. However, without this level of control an organization should require the actual ticket receipt as documentation to support what is reported on the travel expense report. In addition, IRS regulations clearly state that actual receipts must be submitted and maintained for travel expenses.

We contacted three of the largest mental health centers in the state and examined the directors' travel records to determine if airfare receipts were on file for each trip and if the ticketed price agreed with the amount shown on the reimbursement form. In all other organizations we reviewed, we found copies of the actual airline tickets on file or suitable proof of purchase. We found no other mental health center that reimbursed for rates other than the actual airfare shown on the ticket. The practice employed by the Davis director is not representative of generally accepted practices of comparable organizations in Utah.

The center director and finance officer referred to the practice of reimbursing airfare at a higher rate than actual as "airfare per diem." We could find no support for this term in Davis policies or for this approach with the various government officials we contacted. We challenged Davis officials to provide us with examples of other centers or similar organizations using this approach. They are yet to respond to this request. In addition, to further determine if this reimbursement approach is common practice by Davis, we requested that they provide us with examples of other employees traveling who received similar reimbursements. During our audit we found no instance of other employees being refunded more than the actual cost of airfare. Again the center has not responded to our request.

Double Payments for the Same Expense Should not be Allowed

Our review of Davis records indicate that travel expenses have been paid multiple times in as many as 32 trips taken by Davis' director. In total, our review of the director's travel expenses indicates that he may have received as much as $3,300 in double payments from 1993 to 1996. In the most common scenarios the director requests and receives a meal per diem for his travel and then the same meal(s) are often charged to his corporate card or are paid for by other organizations. We have also found instances where the director and his spouse stayed in the same room yet each submitted for and received lodging payments. In another instance we were able to identify that the director's spouse was paid twice for the same airfare by submitting payment requests to both Davis and to the associated organization, thus using both Davis' public funding and the associated organization's private funding for the same expense. Again the intent of a travel reimbursement is to recover actual costs and not to produce income for the traveler.

The Davis director has benefitted from the weaknesses of having charges that cannot be properly reconciled because they are paid by two different boards, MHRRG, and credit cards that are all outside the Davis system. He is the only individual in the Davis system in a position to benefit from these weaknesses. Specifically, he is one of four Davis employees closely associated with the private funding organization and is the only Davis employee associated with MHRRG. Furthermore, he is one of only two Davis employees with a credit card. Some of the information has been available to Davis' accounting system but, because of the director's actions or those of the CFO, the system has failed to identify double billing or prevent double reimbursements in the director's travel. It appears that travel related charges made by the director to the Davis credit card are not reconciled with travel related charges claimed in his expense reports.

Center policy requires a reconciliation form be completed on every trip which would identify all charges associated with the trip. Contrary to center policy, for the director's travel the reconciliation form has not been used. Other double reimbursements occurred when the director or his wife charged Davis for expenses that were also charged to the associated organization. Since the associated organization is independent of the center's financial controls, such double charges have gone unnoticed by both organizations.

The director has also double billed expenses incurred during his MHRRG Board trips by billing both MHRRG and Davis for the same expenses. It appears that many of these double billing activities went unreported to and undetected by the accounting staff. However, it is the responsibility of the traveler to make sure his/her travel reimbursement is accurate and reflects actual costs. It should be obvious to the director that actual travel costs covered by the center's credit card or reimbursed by another organization cannot be reimbursed a second time by Davis or any other organization. In our opinion, this practice is unacceptable and demonstrates the lack of control exerted by Davis officials over the director's travel reimbursements.

The 32 trips involving double billings range from a high of $863 to a low of $5.00 with an average over-billing of about $110. Some trips have numerous instances of double billings while others involve only a single meal. According to Davis records, the following seven trips represent about $1,800 or nearly 60 percent of the total dollar value of questionable double billings presented in this report.

1. Davis records indicate that the director and his spouse received approximately $863 in double reimbursements as a result of their October 16-20, 1996 trip to Stowe, Vermont for an MHRRG meeting. At this meeting the director charged $282.48 for lodging to the center's credit card which was paid by Davis. However, the associated organization's board paid the director's spouse lodging per diem totaling $256 for the same lodging, resulting in a double payment. On this trip, the spouse's airfare was also charged on the corporate credit card and paid by Davis and the director later requested and was reimbursed another $503 from the associated organization's board resulting in a double payment for the same airfare. The director has since agreed that this payment was inappropriate and that the center should be repaid. In addition, the director received five days of per diem from October 16-20, 1996 totaling $150.00. After the trip, he requested reimbursement from the associated organization for $104.03 to cover three separate meals while he was on per diem. All of these meals exceed the per diem rate and lacked sufficient documentation to determine the business purpose and result in a double payment. The traveler should not be reimbursed a per diem for meals that are also charged on the company credit card. For this trip we have reported an overpayment to the director of $863.03 due to double billings.

2. On an earlier trip to Stowe, Vermont (August 24-27, 1995) again for MHRRG, the director charged the hotel room on the Davis credit card and upon returning the director requested lodging per diem of $192 for his spouse. However, records indicate they stayed in the same room. For this trip we have reported $192 as an overpayment to the director due to double billing.

3. Davis records indicate the director attended meetings in Seattle and Portland in April 1994 for the National Institute of Corrections (NIC). The director claimed and was reimbursed $180 by Davis for meal per diem for the entire five day trip, $142 meal allowance from the NIC also for the five day period, an associated organization reimbursement of $78.77 for meals at the Seattle Space Needle Restaurant, and he charged two meals for $35 on the Davis credit card for this same time period. From center records, it appears that there is a combination of double and triple billing for some meals. The travel records do not identify who ate the meals. Also there is not

sufficient documentation to confirm that any of the individually billed non-per diem meals had a business purpose and two of the three exceeded the per diem rate. For this trip we have reported $255.47 as an overpayment to the director due to double billing.

4. Center records indicate that the director attended a meeting in San Diego, California from February 24 -27, 1993. According to the travel files he received $68 per diem from Davis for two of the four days and received $68 from MHRRG for the remaining two days. However, the associated organization board reimbursed him a total of $115.80 for three meals including one meal at the Hard Rock Café in Tijuana, Mexico. Again the meals exceed the established per diem rate and lack documentation in the file as to who ate the meals and why they should be regarded as business meals. We are reporting an overpayment to the director of $115.80 due to double billing for this trip.

5. From August 30 to September 3, 1996, the director traveled and attended an MHRRG meeting in Seattle, Washington. He was reimbursed $114 by MHRRG for meals. However, he charged,$117 on the center's credit card for what center records indicate was for staff dinners. Center files identify this charge was made while per diem was being received and do not identify any staff on the trip. The record does not identify who ate the meal or establish a business purpose. It appears both organizations paid for the same meal and, as such, we have counted $117 as a double billing received by the director.

6. According to travel records, the director was in Chicago from March 19-23, 1994, for a National Community of Mental Healthcare Council meeting. The director received $180 per diem for the five days. However, he also charged one meal on the Davis credit card for $49.63 and, upon returning, was reimbursed $66.84 by the associated organization board for three additional meals. All of these meals were for the period covered by the per diem period. The travel records provide no indication of who ate the meals nor a justified business purpose for these meals. This appears to be a double billing of $116 to the director for this trip.

7. In February 1994, the director traveled to Orlando for a one day MHRRG board meeting and then to Houston for personal reasons. Two days of per diem was paid by MHRRG and an additional two days by Davis. For this same period, however, the associated organization board reimbursed the director $96.50 for meals at Walt Disney World and the Epcot Center which is a double payment. The travel records provide no documentation regarding the meals, and we have reported a double billing of $96.50 benefitting the director.

The frequency and seriousness of the above double billing practices indicate a lack of concern on the part of the traveler to accurately and fairly account for taxpayer funds which may constitute misuse of state funding. The fact that the traveler is the chief executive officer of an organization responsible for managing millions of dollars in state and federal funds does, however, raise serious questions as to the lack of organizational controls that allows double billings to go unnoticed or uncorrected. It is also our opinion that it is clearly the traveler's responsibility to ensure that reimbursements reflect actual costs while the organization has a responsibility to verify the traveler's accounting.

Multiple Agencies Paying Bills Creates Confusion and a Lack of Control

Central to the problem of multiple billings for the same expense is the confusion created by having the director's expenses billed to and paid for by more than one source. This problem is most noticeable in the director's connection with MHRRG and the system used to reconcile billings for MHRRG related travel. Multiple billings also exists within the Davis system with the director receiving a per diem and actual expenses for meals by both Davis and the associated organization. In the cases we observed, there is an apparent failure to safeguard the accounting systems with adequate controls and dependence on the poor controls of others.

Ideally, MHRRG travel should have entirely been for and paid for by MHRRG; there should not have been Davis funding for any portion of this travel. Yet, the director, as shown in the above examples, often exceeded the amount allowed by MHRRG and billed Davis for additional charges. In a number of cases, MHRRG paid the director a set amount for all his meals during the meetings, but the director claims to have needed a greater payment for entertaining unnamed guests while on MHRRG business. In these cases the director billed Davis for both a meal per diem and the additional cost of the guest meals. We believe there should have been no cost to Davis on these trips yet the director billed Davis. In such cases, the center had the necessary information to identify duplicated payments.

When we discussed many of the double billing concerns with the center's CFO, his response was that he was not aware double charges had occurred. He indicated he had no knowledge of what was claimed or reimbursed by the associated organization's board and stated that if there was a double charge he should not be expected to know. We agree that the Davis CFO should not be held responsible for the actions of another organization and believe his comment reveals part of Davis's control problem. It is difficult to reconcile payments when they are made by two separate organizations with two separate boards, each with independent funding sources. When they share in expenses such as reimbursing the director for his travel and other expenses they rely solely on the director for control. The director did not offer this control. In the second issue, we have asked for an explanation regarding the center's failure to match the credit card expenditures with the travel costs but we did not receive a satisfactory answer during the audit.

A review of three other Utah mental health centers showed no use of company credit cards or double payments similar to those found at Davis. The directors use personal credit cards when traveling and must submit receipts to be reimbursed for expenses. The receipts are reconciled with all other payments to close out each trip. Davis County, the state, and other mental health centers avoid double payments to employees by requiring original receipts for all expenses before checks are issued. In addition, these organizations do not pay actual cost of meals when the employee is on per diem. The county official stated that Davis County will not reimburse an employee for any business meal. He said that business meals are not allowed and business meals should be "Dutch treat." The State of Utah and the IRS do not accept a business meal without a statement identifying the business purpose. This statement should include an agenda or record of the discussion and list the people in attendance. If the cost of the meal exceeds the per diem rate (per individual), then justification of why it was necessary to exceed the rate should also be included. The traveler cannot claim both the business meal and per diem for the meal in question.

Double billings and meal per diem charged by the director are not consistent with reasonable policy and only serve to profit the director. The accounting for state and federal funds should be done in such a way that the public can be assured that an employee is not making a profit from business travel at the expense of the taxpayer.

Spouse Expenses Should Not Be Paid

Davis and the associated organization paid approximately $6,200 between 1993 and 1996 for the director's spouse to accompany the director to meetings, even though she is not a regular employee of either organization. Davis records do not identify any clear business purpose to support a reimbursement for her expenses on these trips, yet the center paid at least $3,657 and the associated organization paid $3,746 in expenses. Total payments for the spouse are actually $7,403 of which $1,211 was previously reported as double billings. It is our opinion that these payments are inappropriate for any organization funded primarily from state and federal funds and again may be in violation of the state misuse of public funds statute. It is widely accepted in both federal and state government that spouse travel is of a personal nature and, therefore, agencies do not reimburse such expenses. In addition, our tests found no other Utah mental health center that provides reimbursements for a spouse on any business trip. We are further concerned with this practice as some of the trips did not appear to be sanctioned by the Davis board and others, while sanctioned, are approved based on questionable board decisions supporting the spouse's travel.

Board members for both Davis and the associated organization claim that many of the trips are given to the director's spouse as rewards, in lieu of compensation, for her work with the center as an interior decorator. Center documents, however, demonstrate that the director's spouse has billed the center for her work and has kept track of her hours for those billings. We do not know how many members of the board have been aware of these center payments. In addition, we could not find any record of hours earned but not paid to the spouse that justifies such payments. Finally, the center's CFO states that, by policy, Davis does not pay for spouse travel and that he has been unaware that Davis has paid for any spouse travel. He has stated that all spouse travel has been paid by the associated organization.

Once per year the associated organization board pays for airfare, meal per diem, hotel per diem and other miscellaneous expenses for the director's spouse to accompany the director on an out-of-state MHRRG meeting. It costs the associated organization between $800 and $1,078 each year to provide this benefit. These payments are paid based on a submitted expense report which is not accompanied with supporting receipts. The payments are not reported as compensation. MHRRG will not pay expenses for spouses because such payments are not business related. When first asked about his spouse receiving travel payments by the associated organization, the director commented that he had nothing to do with those payments and that they were between his wife and that association's board. The director has stated that his spouse attended meetings at the request of officials of the sponsoring organizations and that the Davis board agreed to pick up the costs.

The Associated Organization Appears to be Misusing Funds by Paying for Spouse's Travel. The associated organization is funded with private donations that have been earmarked for direct client care. However, more than $3,700 has been used to pay for travel for the director's spouse. We discussed the use of these funds with the primary donor and found that there are strong stipulations in the use of these donated funds that do not allow funds to be used for anything other than direct client care. The current use of these funds jeopardizes the future of funding from this group.

The most glaring example of Davis-paid spouse travel expenses was the director's trip to Riga, Latvia. An expense report submitted for the director's spouse claimed expenses totaling $2,132 for this trip. Davis paid the entire claim. Her report claimed the same fictitious airfare rate of $1,682 (where a free ticket was received by redeeming frequent flyer miles) claimed by the director and $450 for nine days of meal per diem. We could find no approval of her travel noted in any board-related information, and none of the trustees interviewed by the audit staff knew of the director's wife receiving any payment for the trip. One board member stated that the director's wife is an artist with no purpose on the trip and that the board never agreed to pay and was not aware of any payment. Despite these problems, board members were generally very supportive of the director.

The director asserts that it is appropriate for the center to pay for his wife's travel stating that the invitation to come to Latvia was extended to them as a couple. Further he states that his spouse's travel was approved by the board. The board approval appears to be based on the signing of expense reports after the trip by the then-board chairperson. The former board chairperson, however, on seeing the document agrees that he did sign it but does not recall why he would have done so. He claims that it was never his intent to pay for spouse travel.

The expense report itself is questionable as it was never signed by the traveler and the expenses lack documentation. Davis's CFO knew of the expense report but neither prepared nor reviewed the document. We were later told that the document was prepared by the director and his administrative assistant. It apparently never went through the reconciliation process before being taken to the board chair for approval. Further, another control was violated in this process with the combining of the director's and his spouse's payments in a single check. Failing to separate the payment is a poor practice because it makes it difficult to identify and track expenses in a vender-specific system like Davis'.

The trip to Latvia was not the only time Davis paid for spouse travel. Davis also paid $1,522 for airfare, per diem, and conference registration for the director's spouse on other occasions. We did not find any other Davis employee's spouse receiving this benefit nor could we identify any other center which paid travel expenses for a spouse. In fact, other directors have been aware of the presence of the Davis director's spouse and have questioned the appropriateness of her attending some of these meetings. In addition, all levels of government (county, state and federal) do not allow a spouse of an employee to travel at the cost of the taxpayer.

Regardless of any board approval, the practice of paying for the expenses of a spouse to accompany an employee on a business trip is unacceptable. Again, the use of public funds requires strong controls, and such funds should not be used to provide a vacation for a spouse. This practice is only common at Davis and has been done for the director's spouse. None of the three other mental health centers reviewed have ever reimbursed the spouse for travel.

Extension of Business Trips is not Justified

During the course of our review we identified 16 business trips where the reimbursement of some of the expenses did not appear to be appropriate. We believe that at least $5,900 has been paid to the director for claimed expenses that either lacked sufficient documentation demonstrating the business purpose of the expense or had evidence that demonstrated the expense as personal rather than business. For the purposes of this report we will detail only 3 of the 16 trips involving questionable expenses in the form of extended stays where the length did not match the reported meeting agenda. In these three trips alone the center paid almost $800 more than travel records could justify. We accept the fact that most of the trips are centered around an official business meeting, but we are concerned about the extensions of these business trips for what appears to be personal reasons. Extension of business trips is demonstrated in the following three examples.

1. The director, his spouse, daughter and a friend traveled to San Diego, California for a Friday MHRRG board meeting in February 1993. They left on a Wednesday and returned on a Saturday. MHRRG reimbursed the director a total of $683 for airfare, two days meal per diem, two nights lodging, ground transportation, tips, parking, and mileage to the airport. However, Davis and the associated organization paid an additional $359 for an additional two days' meal per diem, one night's lodging, a car rental, and several additional meals.

   It appears that the director left a day earlier than necessary and stayed a day more than necessary after the meeting. MHRRG only allows two days of per diem and lodging because more days are not justified for this meeting. We found no documentation in the file to indicate the director had other business on any day other than the Friday MHRRG meeting. The director can spend extra days at conference resorts, but it should not be at the expense of the center.

We are also concerned about the use of a car rental. The car, paid for by Davis and MHRRG, was a Lincoln Town Car. The use of a Lincoln Town Car is a violation of generally accepted business rental guidelines which tend toward more conservative rentals. In addition to the car, the director traveled to Tijuana, Mexico. When we first asked the director about the side trip to Tijuana, he told us it must be a mistake because he never went there. He later responded that he had gone to Tijuana. The travel file verifies this latter response as it contains a meal receipt for $35 from the Hard Rock Cafe in Tijuana, which was reimbursed by the associated organization. We are puzzled why the director billed the associated organization for this meal given his per diem status. He claims it was a business meal but does not recall who attended.

The director justified his extended stay in San Diego by claiming he attended an allied Mental Health Corporation of America (MHCA) meeting the day before the MHRRG meeting. However, his justification is not consistent with the itinerary in the travel file that does not show him attending the MHCA meeting on Thursday but only an evening reception and dinner party. Since it takes one hour to fly from Salt Lake City to San Diego, it was not clear why the director had to travel on Wednesday. Our conclusion is that the travel file does not provide documentation to support the extra days of per diem and one night of lodging along with some of the meals charged. The travel file does not provide adequate documentation to support the additional expenses, and we conclude that portions of this trip may have been personal but paid for by Davis' and the associated organization's funds. According to our determination, based on available documents, the director was overpaid $245 by Davis and the associated organization for the questionable lodging and transportation related to this trip.

2. In February 1994 the director, his spouse, daughter and a friend traveled to Orlando, Florida on a Tuesday to attend a one day MHRRG meeting which was held on a Friday. MHRRG reimbursed the director $1,569 for this trip while Davis and the associated organization together paid him an additional $473. MHRRG reimbursed the director for one day, and he claimed expenses from the center and the associated organization for the remaining two days. We are concerned with the lack of any documentation in the travel file justifying the expenses paid for the remaining two days. The director traveled on a Tuesday when he should have traveled on Thursday for a Friday meeting. Meal receipts turned in by the director indicate he spent parts of Wednesday and Thursday at Disney World and the Epcot Center. Given these charges and the fact that the travel file does not identify any other meetings, we conclude that two days of this trip are for personal travel. The director was overpaid $302 by the center and the associated organization for his personal travel costs associated with this trip.

3. In a 1996 trip to Seattle, Washington for an MHRRG meeting, the director, his spouse and daughter left on a Thursday for a Friday meeting and returned on a Tuesday. On this

trip the director charged $854 on the center's credit card. MHRRG reimbursed $551 of these charges for airfare and two nights' lodging to account for the director's business expenses. However, we could find no documentation which showed the director paid the center for any of the remaining credit card charges. Consequently, $322 was paid for by Davis to cover $148 for a rental car, $117 for a meal, and other expenses. The director did not claim lodging or meal per diem for the additional days.

No documentation exists in the travel file showing why this trip was extended beyond the Friday meeting. Travel records show the director rented a car on Friday evening at 5:14 p.m. which is after his business meeting. He put 81 miles on this car over Saturday and most of Sunday. He returned the car and exchanged it for a van on Sunday afternoon. This trip was over the Labor Day weekend, and he kept the van until about 4:00 p.m. Monday. He put 419 miles on the van. Our concerns are that the rental of both vehicles covers a time period other than that of the business meeting and that he put a total of 500 miles on the two cars, both of which were reimbursed by the center. No documentation in the file exists to support the $148 rental car, and since the rentals took place over a holiday weekend, the use appears to be personal. In addition, this trip had other miscellaneous charges of $57 that could not be justified. The director was paid $205 for his extended travel.

The center's own policy requires a reconciliation of all business trips. Reconciliation means that an examination of all costs related to the trip is done and a determination is made of which charges are justified and which are not. We found no evidence that a reconciliation had taken place on most of the director's trips. Further we found no evidence of other centers making payments for extensions of business travel by their directors. Davis County requires a full reconciliation of all business expenses within 10 days of the trip. Charges that can not be justified with receipts and meeting agendas are not reimbursed. Failing to identify personal expenses is not allowed in state and federal government operations and is controlled by requiring receipts for all expenses and a clearly defined business purpose for all the days of the trip.

There have been numerous business trips taken by the Davis director with questionable charges similar to those identified above. We believe the Latvia trip is a good example of the problems outlined in the preceding sections because it illustrates all the elements of the inappropriate activities previously discussed in this chapter including: 1) a payment by Davis for inappropriate airfare; 2) duplicate payments by two different boards; 3) an inappropriate payment in support of spouse travel; and, 4) payment for excessive claims and unreported items that are the result of an overstated and extended trip.

Director's Trip to Latvia Demonstrates Excessive Spending

Our review of Davis's records indicated that the executive director's trip to the country of Latvia has cost Davis about $7,775, while Davis documents identify only $2,000 as approved prior to the trip and actual reimbursable expenses were only $1,680. Consequently we believe the director overcharged Davis as much as $5,775 on expenses related to the Latvia trip. It is difficult to understand how the board could approve the extent of expenses for the Latvia trip. It does not appear, from the information we have reviewed, that the board fully understood the costs associated with the trip. A review of the director's visit to Latvia, however, shows the Davis director gained substantially with the center paying for a major portion of a family vacation. The problem of separating center and personal expenses for this trip is further complicated by the director's personal use of his center-issued credit card and the center's accounts payable system. The center's costs were not adequately monitored and, consequently, were never correctly reconciled or reflected in the travel expense reports. The end result is an example of the confusing array of inappropriate actions outlined in this section.

It is our belief that the lack of board oversight in conjunction with the poor and overridden Davis controls contributed to the director being reimbursed for expenses that should never have been presented to Davis as business-related. Many of the expenses lack documentation and appear to be overstated, thus offsetting some of the director's personal travel expenses. Figure III summarizes the various payments made with Davis' and the associated organization's funds in behalf of the director for the trip to Latvia.

Figure III
Funding Sources for the Director's Latvian Trip

Expense Category	Amount Paid
Expenses charged to Center's Credit Card or paid with Center Checks	3,489.00
Reimbursement Requests after trip to Davis Board	3,705.00
Reimbursement Request after trip to the Associated Organization	581.00
Total	**$ 7,775.00**

Figure III shows that Davis and the associated organization paid a total of $7,775 to the director in support of the director's trip to Latvia. First, the center paid $3,488.85 in credit card charges made by the director while he was traveling. Second, the center paid $3,705.48 when the director submitted a reimbursement request after the trip was completed. Third, the associated organization board reimbursed the director an additional $580.50 after the trip was completed. We could not identify in the board minutes any pre-authorization of the $7,775 actually spent on the Latvian trip. However, the minutes did indicate a limitation of $2,000 for the trip.

Board Appeared to Limit Spending to $2,000

The documentation identifying the Davis board's support of the director's Latvian trip is unclear. Prior to the trip, the board identified that the director would receive $2,000 for the business portion of his trip, but subsequent to the trip, the board chairperson signed the expense report approving a far greater participation on the part of Davis. The January, 1994, Davis Executive Committee Board minutes are the first mention of the trip and demonstrate the board's original intent. The director presented the trip to the board's executive committee and indicated that he should receive a reimbursement for expenses related to the portion of this trip from Frankfurt, Germany to Latvia. The following are minutes from this meeting six months before the trip:

> *"Dr. Williams also said he had been invited to present at the psychiatric convention in Latvia in June. Since this is at the time he will be over there getting his son from his mission, the cost to the Center would be from Germany to Latvia at a cost of approximately $2,000. Carlene and Steve agreed he should do this."*

It is clear from this discussion that the director's intent was to charge the center about $2,000. The two members of the executive committee agreed that the trip would commence from Germany, not Utah. This is the first mention of a $2,000 limit.

Board minutes from May 1994, the board's only prior reference to the trip, associated the trip with the director's annual executive bonus. At this meeting of the full board, the director received approval for his bonus plus an additional $2,000 which is tied to a number of things including the Latvia trip. The board minutes state in the related motion:

> "*To provide $5,000 with $2,000 added due to the rationale below as a bonus to the CEO for this year. Rationale: His work with the State Mental Health group on reform; plus his ongoing dedication and excellent work, he is probably the finest mental health director in the country; plus the Latvia trip.*"

As we understand the records, the director first agreed to limit the expenses for the trip from Germany to Latvia, and the executive committee agreed. Next the board seems to approve a $7,000 bonus, but $2,000 was for other things including the Latvian trip. It appears to us the board put a limit of $2,000 on the trip in the form of compensation as an addition to the director's bonus. We found no other minutes regarding the cost of the Latvia trip. We asked center officials to provide any other document/(s) with an agreement by the board or any of its officers superceding the above. None have been provided.

Given the bonus was the only authorized payment, all other center-related expenses should have been monitored and billed to the director. We do not believe the center should have paid any expenses beyond the addition to the bonus. The director and his assistant disagree with the board minutes and claim that there was far more discussion as to the nature and cost of the trip than relayed in the minutes. The assistant has said that she must not have been as thorough as needed in transcribing the minutes and, in her opinion, everything done by the director was board approved. It is our conclusion that the minutes, as the only written and approved legal record of board actions, supported by the documented executive committee discussion, stand as is and do not approve the large travel expenses charged to the Latvia trip.

We discussed the issue of board support of the Latvian trip with some board members active at the time of the trip and found that they all remembered the board's approval of the $2,000 set in the board minutes. They also, in retrospect, now support the full amount expended by the director believing the excess spending is either insignificant given the total budget of Davis or that the director acted appropriately. One board member stated that the board knew about the trip and that preparations were under way as the director had been planning for some time to go to Europe. This board member and others told us the director's original plan was to have a family vacation that was scheduled around meeting up with his son who was being released from a prior commitment. The board member also said that at least some of the board's members knew that the center's credit card was being used for some of the trip's expenses. It is his recollection that the $2,000 figure in the bonus was added for Latvia and was given with the stipulation that it be used to reimburse Davis for trip expenses paid by the center. There should not have been any other charges for Latvia. A few center staff have told us that the $2,000 mentioned in the minutes was for Latvia.

The director alleges that the $2,000 addition to the bonus was never earmarked for the trip or associated with his personal charges on the center's credit card related to the trip. During the course of this review, the director talked with the trustees and he said they support his position. He credits the above board member's statement to faulty memory and says that the board members we questioned now understand that all expenses were board approved. The director also claims that a great deal of the trip's cost was paid as part of his continued training budget, but we have been unable to find any other reference to this claim. We did not see any perceivable change in his training-related travel as a result of the trip.

Also disconcerting is the extravagance of this trip for an organization supported by taxpayer funds. We are concerned as to why the taxpayer's cost for this trip is so high given Davis and its director had another center's experience to build upon. The director of another Utah mental health center also received center support for a trip to Latvia one and one half years before the Davis trip. That director worked in Latvia for three weeks as a team leader of an international humanitarian effort and received $1,000 funding from his board. Prior to his trip, he requested permission to combine two years worth of staff development funds ($500 per year) dedicated to his position. The board granted his request after gaining approval from the county commissioners. He did not use any development funding for the next two years. The difference between these two similar trips is staggering.

The costs associated with the trip should have been limited to those between Germany and Latvia at a total cost not to exceed the $2,000 set by the board. For this reason we question the major portion of the amount paid out by Davis for this trip. If Davis's participation is limited to the costs of the trip between Germany and Latvia and not to exceed $2,000, then the director apparently over-billed the center by $5,775.

Latvia Trip Demonstrates Excessive and Inappropriate Business Expenses

It appears that the board was never made fully aware and thus never had a clear understanding as to the total cost for the Latvia trip. Our examination of the Latvia travel file indicates that nearly $6,000 of the $7,774 reimbursed costs should not be allowed because of double billing practices, lack of sufficient documentation, or questions regarding whether the billing is business related. Utilizing the information provided, we believe that the director's actual, allowable business expenses were $1,680. This expense analysis is summarized in Figure IV.

Figure IV

Expenses Paid By Davis and the Associated Organization for Latvia Trip

Expense Action		Amount Paid	Amount Justified by Documentation
Pre-Paid and Credit Card Expenses		$ 3,489.00	$ 419.00
Requested Reimbursement from Davis	$ 6,140		
Less Expenses Already Pd (as per Davis)	-2,435		
Total Reimbursement From Davis		3,705.00	1,261.00
Reimbursement by the Associated Organization		581.00	-0-
Total Expenses Paid for Latvia Trip		**$7,775.00**	**$1,680.00**

The analysis in Figure IV breaks down the trip's expense components into three groups: $3,489 in prepaid and credit card charges; $3,705 in requested reimbursements; and $580 in associated organization paid expenses. The analysis also identifies the center's attempt to reconcile the director's expense report with the $2,435 of pre-paid and credit card charges the center's staff could identify. Davis paid for trip-related expenses, either via the credit card or directly with center checks, prior to the actual travel. These trip-related expenses were not tracked or compiled building up to the trip and, as a result, there was no accounting of the amounts spent until after the director's return. Figure V lists items charged to the center credit card or paid by center check.

Figure V
Expenses Paid by Davis Mental Health
Frankfurt/St. Petersburg/Latvia - June 1994

Date	Expense Category	Amount Paid
5/09/94	Hotel Prepayment for Latvia	$ 570.00
5/06/94	International Driver's Permit; Photos; Maps; Book	42.88
5/13/94	Auto Rental Prepayment	478.12
5/25/94	Visas to enter Russia	315.00
5/28/94	Airfare Taxes for Director & 3 family members	55.80
6/05/94	Lodging & Phone Calls in St. Petersburg	851.04
6/09/94	Meals in Latvia	71.03
6/10/94	Lodging, Meals in St. Petersburg	427.00
6/14/94	Auto Rental in Frankfurt, Germany	677.98
	Total Paid	**$3,488.85**

By the end of the trip the center had paid out $3,489, in the form of credit card and center prepaid charges. A significant portion of these charges were not business-related. For example, $1,156 in prepaid auto rental appears to be for vacation purposes while the director's family was in Germany. We have also been told by other organizations who travel in and out of Latvia that they have been sending people in and out of Latvia since 1994 without going through Russia. Consequently, we have disallowed the $315 for Russian visas and the $1,278 lodging and meal charges declared by the director for his visit to St. Petersburg, Russia.

We believe the $42 billed for maps, drivers permit and books are a personal expense. We also did not accept the total $55 for air tax but would accept the director's portion of that cost. In addition, the $570 in hotel charges for Latvia were for two rooms to accommodate all four family members. We would accept half of that charge. Davis failed to track these expenses and, as a result, had a difficult time reconciling the expenses upon the director's return. As a result, we believe that only $419 of the center pre-paid and charge card billings should be considered as valid business expenses.

Upon returning, the director submitted two expense reports: one requesting an additional $1,559.30 for himself and $2,132 for his wife from Davis and another requesting $580.50 from the associated organization's board. These billings are summarized in Figure VI.

Figure VI
Reimbursement Requests
Frankfurt/St. Petersburg/Latvia - June 1994

Expense Category	Paid by Davis	Paid by Associated Organization	Total
Airfare for Director	$1,682.00	-0-	$ 1,682.00
Meal Per Diem for Director (11 days)	450.00	$ 100.00	550.00
Lodging (11 days)	1,260.00	300.00	1,560.00
Taxi	251.00	30.00	281.00
Tips	103.00	10.00	113.00
Russian Visas	186.00	-0-	186.00
Travel to Airport	14.50	14.50	29.00
Airport Parking	22.00	-0-	22.00
Cultural Event	40.00	38.00	78.00
Gas	-0-	88.00	88.00
Airfare for Spouse	1,682.00	-0-	1,682.00
Meal Per Diem for Spouse (9 days)	450.00	-0-	450.00
Total	**$6,140.50**	**$ 580.50**	**$6,721.00**

We believe a major portion of the expense submitted by the director was excessive and inappropriate. Little documentation supports the expenses turned in with the reimbursement request and, in fact, no information regarding the trip or conference was ever submitted to the board or the accounting office. A number of charges presented on this claim we do not believe to be appropriate. We do not accept:

- The $3,364 airfare claimed for both the director and his spouse because it does not represent the actual charge and lacks documentation.

- The $450 reported for per diem for the director’s spouse because she is not an employee of the center.

- The director’s charge of $360 for an overnight train to and from St. Petersburg to Latvia because there is no receipt, the side trip to St. Petersburg was unnecessary, and we cannot determine if the charge was for the director or his entire family.

- The director’s claim, without receipt, of $78 for two cultural events because reimbursement for events is outside center policy and one of the events, by the director’s accounting took place during his vacation in Germany.

We also do not accept the length of time declared by the director as necessary to travel to Latvia. The expenses reported by the director and paid by Davis and the associated organization accounted for 11 days, three of which were spent in Latvia. If the board had approved the entire trip as business, then according to our calculations the director should be allowed three days in Latvia and a maximum of two days travel on each end of the trip for a total of seven days. The remaining four days are not justified and, by our estimation, cost Davis and the associated organization $1,066 in overcharges. As a result we believe that only $1,261 of the charges stated in the expense report are valid and that, in total, the director’s allowable expenses were $1,680. Thus, the director has over-billed the center about $6,000.

The director defends the length of his trip stating that he intended to go directly to Latvia and found that the only flight into Riga, Latvia was on Lufthansa Airlines and that there was a safety problem with that connection. The only alternative he found was to fly into St. Petersburg, Russia, and then take an overnight train to Latvia. Our review of travel to Latvia in 1994 found the director’s explanation lacking. At that time, two different major airlines flew into Riga, Latvia and were used by another organization with great frequency. None had any problems. Also, train travel was available between Germany and Latvia that did not require travel through Russia. The train from Berlin, Germany is a 9-hour journey while the train from St. Petersburg, Russia is a 13-hour journey. We found nothing supporting the director’s claim that his side trip to St. Petersburg was necessary. In any event the duration should have been of no consequence given the $2,000 figure set by the board.

Board Confusion and Poor Controls Aided in Trip Cost Escalation

We believe the overcharges on the Latvia trip are directly attributable to the director's failure to follow the board's decision concerning his travel and his failure to fully account for his center-related spending. Compounding his failure is the board's failure to clearly identify the financial parameters of the trip and the center's lack of controls pertaining to the director's travel. Most disconcerting to us has been the apparent breakdown of board control and oversight which allowed such an expensive business trip in the first place and then continued to pay for it in apparent contradiction with the board's previous decisions.

The chairperson who signed or approved payment of the director's reimbursement, however, expressed surprise at the amount he approved. This payment-approval document identified a payment for the director and his spouse that totaled $3,700, not $7,775. The document contained a correction for an amount that had been paid previously and failed to account for other charges made by the director. He stated that he signed it assuming if problems existed with the appropriateness of the reimbursement either the center's financial staff or the auditors would have held up the request. However, the center's CFO did not prepare the document, see it, or see the supporting detail before the chairperson approved the payment. He asked what he could do when the board chairperson has already approved payment. The actual document was prepared by the director and his administrative assistant utilizing receipts maintained in the director's office and never turned over to the center's financial office. We have been told that much of the supporting documentation has been destroyed.

The chief financial officer told us that he tried to identify all Latvian-related expenses by reviewing the files maintained in the finance office that covered the period of time of the trip. He sees now that there were expenses he did not identify as they were outside the time frame of his review. We also found it difficult to identify all expenses because they appear on one or more credit card statements, in prepaid expenses and as undocumented expenses in the director's reimbursement requests. We are concerned that expenses have slipped through the center's control system and that staff was, at the time, reporting their inability to reconcile expenses but were over ridden by the director. The center did not require the director to follow the same travel policies required of all other staff.

We believe the expense report submitted by the director to the associated organization is inappropriate. This expense report was turned in without receipts and requested reimbursements for costs that are not business related or are duplicate of center reimbursements. When we discussed these problems with the CFO, he stated that the associated organization's reimbursements are never seen by him and, thus, cannot be part of any reconciliation of total business expenses. The CFO expressed a concern that neither board is aware of expenses paid by the other. Consequently, no control is exercised over these expenses. Separate checking accounts and separate boards overseeing funds essentially spent by the same organization creates an environment that lacks controls.

In conclusion, we believe the director has not acted in the best interest of the center or its clientele. The center has allowed improper payment for airfare, spouse travel payments, double billings for some expenses, and inappropriate payments for personal travel expenses. In most cases the director's travel was not reconciled as required by center policy. Since there is no board review of the center's charge cards, there is no board approval of any of the director's expenses that are charged to the credit cards. We believe a complete reconciliation of expenses would have identified many of the problems cited in this section.

Chapter III
Director's Compensation and Perquisites are High

Over the last three years, Davis Mental Health's director may have been overpaid as much as \$29,500 in salary, \$35,500 in inappropriate bonuses and on-call services, and \$22,500 in meals and mileage that lack documentation and appear overstated. In 1996 the director received about \$10,000 more in salary than directors in other major Utah centers. Additionally, for the same year, he received a generous bonus and on-call pay amounting to \$10,900 and, \$6,700 for mileage and meals that directors in comparable centers did not receive. As a result, in 1996 alone the Davis director received \$27,600 more than his peers in the form of compensation and perquisites (meals and mileage).

The following sections document how the director's compensation and perquisites are significantly higher than those offered by other centers and how the director's inefficient use of time also benefits him. The director's total compensation includes his base salary, bonuses, and on-call pay. His perquisites, discussed in this report, include all vehicle use and mileage payments and his use of meal expenses and per diems. The director's inefficient use of time is demonstrated in examples of adding business purposes to personal travel and business travel of little value to the center.

Director's Compensation is High

Davis Mental Health director's total annual compensation of \$111,876 is \$29,000 higher than that of the two most comparable mental health centers. In addition to the high base salary of \$100,000, the Davis director's compensation package includes three distinct bonuses, on-call payments and a sick leave conversion payment. Figure VII shows the compensation package for the Davis director compared with two comparable centers.

Figure VII Comparison of Total Compensation for Directors 1996			
Category	**Center A**	**Center B*FY**	**Davis**
Size of Budget	$8,600,000	$14,300,000	$7,900,000
Center FTEs (approx.)	169	322	107
Salary	$ 81,290	$ 82,724	$ 100,195
Bonus	1,566	-0-	8,321
On Call	-0-	-0-	3,360
Total	**$ 82,856**	**$ 82,724**	**$111,876**
**** Note: data is on a FY basis - all others are on a CY basis.***			

Figure VII shows that the base salary of the Davis director is much higher than the base salary of the two comparable centers. The figure also shows the differences in total compensation once bonuses and other forms of compensation are added into the equation. When we consider bonuses and on-call payments, the Davis director is paid significantly more than all other mental health center directors in the state, even Utah's largest center.

Base Salary is High

The director's board-approved base salary of $100,000 is high, given the size of the organization. The comparison with moderately sized mental health centers, shown in Figure VII, shows that Davis is the smallest yet the Davis director has an annual base salary $18,000 greater than those of his most comparable peers directing other centers. For our purposes we have also compared the Davis director's base salary with that of Utah's largest mental health center, which is six-times larger than Davis. Adding this center director's salary into the comparison shows the Davis director has a base salary that is, on average, $9,800 higher. We believe that the Davis director has received at least $29,500 more in base salary than a comparison with Utah market peers justifies. The board sets the director's salary. However, no documentation exists to show what analysis or comparable market the board used to set the director's salary or to provide annual increases.

Since the director is under contract to Davis County, we also compared his salary with that of executives of that county. The Davis director's salary appears high in comparison with salaries of his peers in Davis County. In fact, it is higher than all county department directors salaries. In 1996 county department head salaries ranged from $51,459 to $98,717. Most of the county directors earn far less. The only base salary comparable to that of the Davis director was that of the Davis County Health Director. His salary was $98,717 and is considerably higher than other department directors since this position is filled by a physician.

Local mental health directors' base salaries are roughly comparable with salaries paid to top executives in the State of Utah with the exceptions of Utah's largest mental health provider and Davis. The Davis directors' base salary is $5,000 higher than the highest ranking health official in the state and is, in fact, higher than all state department executive director salaries. In 1996, state department executive director salaries ranged from $62,097 to $94,795 with an average salary of $77,966. With a base salary of $100,195 the Davis director is paid more than all state department directors and considerably more than most directors.

Bonuses Appear Excessive

More disconcerting than the base salary is the fact that the director of Davis receives three different bonuses each year. For example, in 1996 the director received a $5,300 executive bonus, a $2,913 performance bonus, and a $108 general staff bonus. The three bonuses totaled $7,773 in 1994; $9,394 in 1995; and, $8,321 in 1996. As can be seen in Figure VII, one other director did not receive any bonus while the other received a single $1,600 bonus that was available to all employees of that center. No other center reviewed has a special executive bonus, and we question the concept behind the executive bonus.

Between 1993 and 1996, the center paid the director executive bonuses totaling $26,500. The executive bonus began in 1992 when the board paid the director $7,000 for the additional time he spent performing the duties of the center's clinical director while the clinical director was on active duty in Operation Desert Storm. Since that time, the director has continued to receive the executive bonus each year. The director was granted executive bonuses of $7,700 in 1993, $7,000 in 1994, $6,500 in 1995 and $5,300 in 1996. Unlike 1992, we could find little documentation for the following years' bonuses, and they do not appear to reflect any additional duties or tasks.

In February 1995, the Davis Board expanded the executive bonus system to include others in the organization's management team such as the assistant director, the administrative secretary, and the heads of each of the center's major divisions. None received executive bonuses approaching the size of the director's bonus. For example, in 1996 the management team members each received $1,000; the administrative secretary received $1,500 and the assistant director received $4,000. As with the director's executive bonuses, there is little documentation identifying the reason for the amounts given to each management team member.

In 1996, in addition to the executive bonus, the director also received a performance bonus of 3% of his salary totaling $2,913 for "outstanding" performance. All full-time employees are eligible to receive a performance bonus that ranges from .05% to 3%, based on the employee's performance appraisal. In addition to the above bonuses, the director received a third bonus of

$108 that the board paid to all full-time employees based on positive financial results for the center.

The Board of Trustees approved the executive bonus for the Davis director and they approved the performance and general staff bonuses for all employees. However, these actions appear to conflict with center policies which state there is a limit of only one performance bonus a year per employee unless approved by the board. It appears to us that the executive bonus plan is very much like the performance-based bonus given the limited language used to justify the executive award. It does not make sense to have two bonus programs that award selected individuals based on performance. We are not certain what the board's rationale was, but no documentation exists to show that the board approved the other two bonuses specifically for the director or if they intended the executive bonus to be the only bonus for the director. The end result, however, is that the director received more than an 8 percent bonus in 1996.

Bonuses in other mental health centers are uncommon. Only one other center reviewed gave employee bonuses. That center offered a one time bonus to all center employees in 1996 as part of that year's compensation. The center director received a bonus of 1.5% of his salary totaling $1,566. Davis County has a performance pay program that pays employees a 1.5% step increase and a lump sum payment that range from 0.5 to 3.0% of salary based on performance. In comparison, directors in the county are entitled to performance pay based on their performance. There are no executive bonuses paid to Davis County employees like those found at Davis.

On-call Payments are Undocumented

In addition to a higher salary and an excessive bonus, the Davis director receives $3,000 of on-call pay each year. The director claims $10 per day on-call payments for an annual average of 315 days (from 1994 to 1996). However, travel records show that the director was out of the county an average of 102 days each year making it physically impossible for him to fill his on-call duties for at least 170 days that he claimed. In addition, no other mental health director surveyed receives on-call pay and there is very little documentation showing the director provided the services.

The providing of on-call services is usually a structured and scheduled system used by agencies to handle after-hours emergencies. On-call assignments are scheduled so that all parties know who is on call and how to reach them in case of an emergency. On-call personnel need to be available and close to the work site. It is difficult to understand how the Davis director can be part of an on-call system when he has such an extensive travel schedule which makes it difficult to reach him and, at times, makes it impossible for him to respond.

Davis's director is the only center director of the four urban mental health centers in the state to receive on-call payments. Other directors see on-call duties for them as inappropriate and unnecessary given that qualified staff are both capable and scheduled to meet their centers' emergency needs. Five Davis County departments have emergency after hours and weekend on-call programs. Each program is structured so that one employee is scheduled to be on call at a time. That employee is required to wear a beeper and respond to all emergency, after hours calls. Employees are paid between $15 and $30 per day for being on-call. It appears, however, Davis pays a psychiatrist to be on-call and also pays the director to be on-call at the same time.

The director receives on-call pay each month, yet we could not find written approval for this practice. Center clinical personnel claim that they rarely, if ever, call on the center director. The center has a formal on-call system where one of four center psychiatrists is on call. The director's activity logs from 1994 to 1996 have a notation of two emergency; after hours therapy sessions in 1994; one emergency, after hours screening in 1995; and six emergency screening sessions in 1996, five of which were in December 1996.

A review of the director's in- and out-of-state travel shows that providing the on-call service would be very difficult for him. Figure VIII compares the number of days paid to the total number of days the director is available given his overnight travel schedule.

Figure VIII
On-Call Days Paid
Compared with Available* Days

Year	On Call Days Paid	Days Available for On Call	Difference
1994	289	257	32
1995	319	271	48
1996	336	244	92

**** Available Days = Total days in month less days spent overnight elsewhere.***

As Figure VIII shows, the director received on-call pay for 336 days in 1996. We calculated that he could only have been available for on-call services during 244 days because travel records show that he was traveling overnight out of the county for 121 days. Since the center paid the director for 336 days when he was only available for 244 days, it appears that Davis has over-compensated the director for at least 92 days of on-call. Since Davis pays the director $10 for each of the 92 days that he was unavailable, we calculate that they overpaid the director approximately $920 in 1996.

The reimbursement request voucher used to pay the director each month only showed the number of on-call days to pay the director. There was no listing for which days the director took any on-call. The lack of documentation was troubling because it appears the director received on-call pay even when he was traveling out-of-state and would be unable to provide on-call services. For example, in August 1996, the director traveled extensively but declared that he was on-call most of the month. The director made two trips into the Wyoming wilderness which totaled 13 nights away from the center. He also traveled out-of-state to a meeting for three days. In total the director was out of state for 16 of the 30 days that month. However, he still received on-call pay for 27 days. It is not clear why the center paid on-call to the director for being available to cover emergencies in Davis County when the center's own information demonstrates that the director was not available to respond.

Another problem with the poor documentation is that without sufficient documentation and controls, double payments are possible. In fact, the center paid the director twice for 25 days of on-call services in March 1996. The director received $250 on April 12, 1996 and another $250 on April 26, 1996, which paid for the March 1996 on-call days. We could not find any correction for this double payment.

The inaccuracies in the on-call days reported by the director, the poor controls over the date of reported calls and the fact that other directors are not reporting on-call service creates questions about how much of the more than $9,000 reported on-call income for the three years was earned. In fact, we question the concept behind paying the director for any on-call services.

Director's Perquisites are High and Poorly Documented

In addition to a high total compensation, we believe the director has received as much as $22,000 over a three-year period for perquisites which lack documentation and appear overstated. The director's mileage reimbursements, which are excessive and lack documentation, amount to as much as $15,000 for the same three-year period. In addition, the director's meal reimbursements which also lack documentation and are overstated amount to $7,800 for the same period. We have also noted numerous trips where we believe the director's time was not effectively used.

Mileage Payments Are Undocumented and Excessive

Davis Mental Health paid the director for an average of 31,000 miles per year or more than $28,000 over the last three years, and we estimate that $15,000 of this mileage reimbursement is overpaid. The reported miles appear excessive when compared to the other centers tested. Figure IX shows the total miles paid to the Davis director and to directors of the state's other three urban mental health centers.

Figure IX
Total Miles Paid to Directors

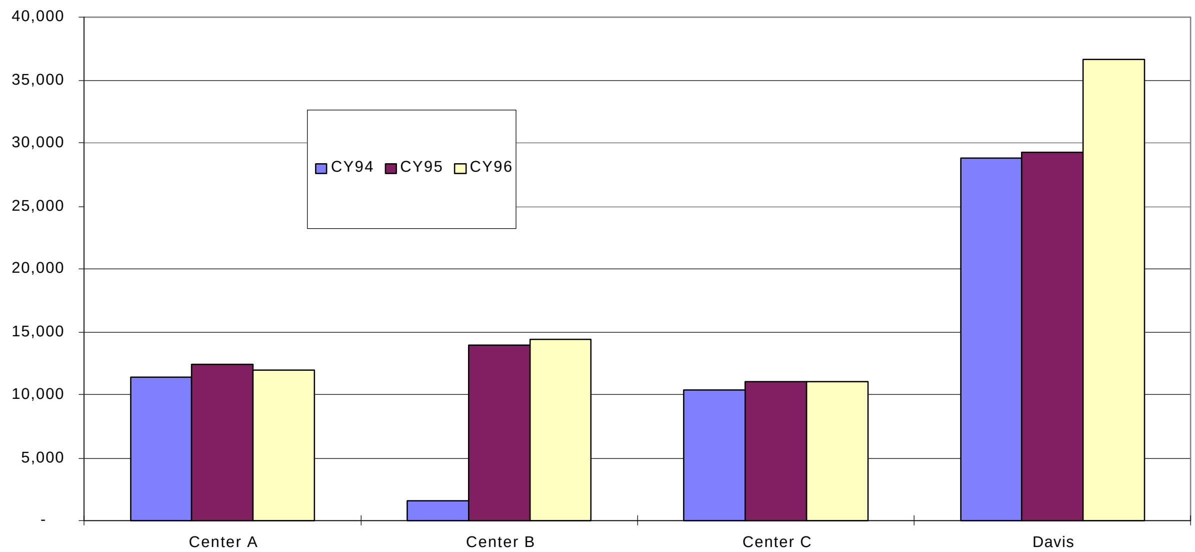

Figure IX shows that Davis' director is paid for more than twice the miles of the other three centers included in our test. The sheer number of miles paid raises concerns from the standpoint of employee effectiveness and efficiency. If the director traveled 500 miles per day in 8 to 10 hours, it would take him 74 working days to account for his 1996 mileage of 37,000 miles. This figure represents almost 30% of time and salary for a normal work year of 249 days. Mileage paid each month ranged from a low of 1,836 miles in January to a high of 4,338 miles in June.

The other center directors are given a standard, monthly mileage allowance. Although the allowances and limitations vary, the purpose is to reimburse them for the approximate number of miles necessary for business travel. The director of center A is given a $300 per month vehicle allowance to cover all his business vehicle miles. In 1996, he received a total of $3,600. At 30 cents per mile, he was paid for approximately 12,000 miles. There was no documentation maintained by the center to justify his allowance as a business expense because the allowance is reported as income. It is left to the director to reconcile the amount on his personal taxes. The monthly allowance includes all the director's in-state travel. The director receives no other mileage reimbursements other than that for actual cost of gas for out-of state travel.

The director of Center B is given an allowance of $450 per month which includes not only mileage, but in-state meals and lodging. He reported more than 14,000 miles in 1996 for a reimbursement of about $4,500. Consequently, $370 of the monthly allowance is for mileage.

This director maintains a detailed accounting of all actual mileage and twice a year reconciles the actual mileage with the allowance.

The director of Center C is given a $400 per month allowance which includes mileage, in-state meals and in-state lodging. He reported more than 11,000 miles in 1996 for a reimbursement of about $3,300. About $300 of his total monthly allowance is for mileage. None of his total allowance is reported as income. Since meals and lodging are included, center documentation shows the director spending more than the allowance. However, the center doesn't reimburse him for the overage. The director told us that his allowance is generally lower than his actual costs. The director of Center C is not given any other mileage reimbursement for out of the county miles.

In comparison, the Davis director receives a monthly mileage allowance of 1,154 miles, or $358, for travel within Davis County for a total or 13,848 miles or $4,293 annually. In 1996 the director also received another $2,296 for nearly 7,500 miles traveled along the Wasatch Front. Finally, the director was reimbursed another $2,592 for 8,362 miles traveled around the state. In total the Davis director was paid about $765 per month for mileage within the state. In addition to the in-state travel the director was reimbursed for approximately 7,000 miles or $2,178 for trips to Jackson Wyoming, Yellowstone National Park, the Wind Rivers and other locations in the inter-mountain west. The director received total payment for about 36,500 miles in 1996.

We identified three reasons why the Davis director may be reporting more miles than the other directors. First, we believe the Davis Director's monthly mileage allowance is far too high of a reimbursement for mileage within such a small county. Second, some of the directors reported miles to destinations appear overstated or poorly documented. Finally, the director has a lot of activities associated with the recreational therapy programs that takes him out of the county and out of state. This will not be discussed here but will be detailed in the last section of this chapter addressing the directors use of time.

The Director's Monthly Mileage Allowance is High for In-county Miles. The other directors get a monthly allowance for mileage that ranges from $300-$370 per month. The other directors generally limit their total monthly mileage to the amount given in the allowance. However, the Davis director receives an allowance of $358 per month (1,154 miles) for travel just within the immediate area of his county. For a county as small as Davis, this mileage allowance equates to traveling the length of the county approximately 50 times each month. In our opinion, this large mileage allowance for travel within the county is the major difference between the Davis director's high mileage cost and the lower costs of the other directors.

Currently, the director has no recognizable limit to what he can spend on travel and his reported mileage is a clear example of that concern. We have documented a large number of trips that the director personally made from the center to Salt Lake City and Ogden to buy equipment for the recreational program. In our opinion, this is not an efficient use of the directors time, it also circumvents the normal purchasing channels and has caused problems that are reported in chapter IV. We believe the director's monthly in-county allowance is greatly overstated and that the current $358 monthly mileage allowance should be for all of his in-state travel similar to the other centers. Consequently, we believe the Davis Director's travel should be significantly reduced by 17,000 miles per year amounting to a reduction of as much as $5,200 a year. This would reduce the director to a level similar with what other directors are allowed.

Davis County currently pays full-time employees a $35 per pay period travel allowance and reimburses for actual documented mileage. Davis County had a different system when the mental health organization was part of Davis County. At that time, management employees were paid travel allowances up to $300 per month but were not paid for any mileage. The $300 was reported as taxable income on the employee's W-2 forms. We believe the DMH director's payment of 1,154 miles is the travel allowance that the director used to receive from Davis County. We believe this same format was brought over when the center privatized and separated from the county. Yet for some reason Davis has changed the mileage allowance to be just for in-county miles which greatly benefits the director. The director and the center may have violated tax laws by failing to report this monthly allowance as taxable income.

Miles to Destinations Appear Overstated. Another reason the director is paid for so many miles per year is that the mileage to destinations is very poorly documented and frequently overstated. A number of the director's trips we reviewed include mileage claims that greatly exceed the actual mileage to and from his destination. Unlike Davis, other organizations address the issue of accurately reporting mileage. Other mental health centers have established mileages to common destinations and will only pay the established amount unless other destinations are reported. Davis County requires and reviews beginning and ending odometer readings on all trips and in some cases of frequent destinations, has instituted a county policy of only paying a set amount (for St. George travel the county pays for 650 miles) regardless of what the odometer reading is. The state of Utah pays state employees up to 110% of the established mileage to a destination thus allowing for incidental mileage. IRS regulations require detailed records showing dates and mileage driven.

The director's reported mileage lacks any of the detail or controls reported above; he simply reports a destination and claimed miles traveled. The lack of information and the overstatement of mileage is demonstrated in the following five examples:

1. In four instances, center documentation showed that the director drove to St. George and returned claiming more than 800 miles on each trip. Actual round trip mileage from Farmington to St. George is only 648. Consequently, the director either drove to other non-reported destinations, or the mileage for these four trips was overstated by 20%.

2. For a conference in Moab in 1995, the director claimed 756 miles. However, round trip mileage for a Farmington/Moab trip is only 526 miles. Again, either the director has not identified other destinations or purpose for the excess mileage or his mileage was overstated by 30 percent.

3. The director claimed 1,695 miles for touring the Grand Canyon, Mexican Hat, and Moab with two international visitors. No documentation exists showing the beginning and

ending mileage on the car and, therefore, verifying the accuracy of this number is impossible. Tracing this five-day trip on a map, however, resulted in a calculated mileage of approximately 1,200 miles. We believe the director may have traveled to other locations that went unreported on this trip but sufficient documentation is not available to justify the mileage reported. Consequently, the reported mileage for this trip appears to be overstated by 500 miles or 30%.

4. For a conference in Brian Head, Utah in 1996, the director claimed 849 miles for his reimbursement. Round trip mileage, however, is only 564 miles. Another center's director attending the same trip, but traveling a greater distance, claimed 657 miles and in doing so identified both beginning and ending odometer readings.

5. The director claimed 980 miles for travel to and from Blanding in 1994. Actual round trip mileage to Blanding is only 690 miles, which shows an overstatement of about 300 miles or 30% of the total. Again, there is no explanation for the excess mileage.

We cannot accept the director's reported mileage in any of these examples without better documentation. The center does have mileage reimbursement request forms that could include the appropriate information but has allowed the director to submit mileage without fully completing the form.

Mileage is Paid Even Though the Center has a Policy of Paying the Lower of Airfare or Mileage. In 1996 the director reported driving 1,000 miles to a conference in Breckenridge, Colorado, and billed the center $310 for mileage. Center policy states that personal vehicles may be used for out-of-state travel, but reimbursement will be at the current center rate and will not exceed the cost of tourist class airfare. A Davis board member flew to the same conference for only $95. Consequently, we believe the director over billed the center more than $200 for mileage. The CFO told us that he calculates mileage reimbursement and reviews airfare to a location and then pays the lower of airfare or mileage to other employees who choose to drive their own cars. However, the CFO does not make the calculation for the executive director.

In addition to the $200 over-billing, Davis paid the director two additional days of meal and lodging per diem and salary as he drove to the conference. We believe this is a needless expense since the director could have flown to the conference in less time and at less expense to the center. Paying the lower of airfare or mileage (airfare in lieu of mileage) is a policy found in the state and in many other organizations. For example, both Davis County and the state limit the traveler's mileage reimbursement to the lowest airfare available. In fact, a Davis County official stated the county uses the state travel coordinator to help determine the lowest airfare. This policy allows employees the freedom to drive their cars but controls the cost to the organization. Both organizations also limit the traveler to the actual time or expenses the organization would incur if the traveler flew.

Meal Payments Appear Excessive

The director's personal expense reports from 1994 to 1996 show that the director requested and received meal per diem and expense payments for about 900 meals, averaging 300 meals per year. This number does not include the meals reported as double payments in Chapter II. Of these meals we question the payment of about $7,500 for over 400 of his meals from 1993 to 1996, since the expenses lack documentation or appear to be multiple per diem billings. On average, the center paid the director $5,548 per year for meals. This number only includes those meals for which the director received a check or charged the meal to the center's credit cards. It does not include meals provided to him at meetings and conferences, center paid meals provided on therapeutic recreational trips or meals purchased by others at the center. In most meals charged on the center's credit cards, the director dined with others and the center paid for those meals as well. However, there was no documentation identifying who he purchased a meal for or the business purpose for the meal. Directors of larger mental health centers receive only a fraction of the meals claimed by the Davis director. Figure X compares the total number of personal business meals paid for the directors of comparable mental health centers.

Figure X
Number of Business Meals Consumed by Mental Health Directors

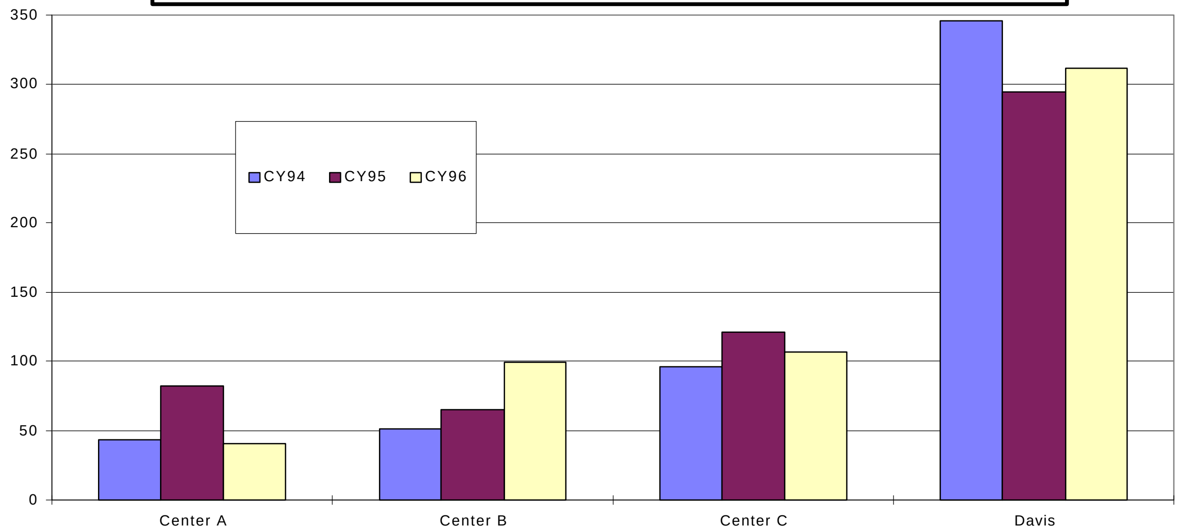

Figure X clearly shows that the director of Davis reported significantly more business meals than directors of comparable centers. Most payments were for meal per diem while others were actual expenses charged to the center credit cards and paid by the center. Other directors have a fixed monthly budget that includes mileage, meals and travel. Consequently, they must budget their expenses and allocate their expense account only for necessary expenses. Davis' director, on the other hand, has no established limit or budget and is able to freely charge meals on the company credit cards or receive reimbursement.

We are concerned with the significant disparity between the number of meals taken by the Davis director in comparison to the number of meals taken by other center directors. The Davis director has established a pattern of meal allowances or charges that differ from the accepted practices of other center and government operations. Chapter II of this report discussed double charges, many of which were the director's charging of a meal on his credit card while also receiving, for the same meal, a meal per diem. Although most of these meal charges were documented by a receipt, they lacked information or names that would justify them as business expenses. In this section we are concerned with the director's method of claiming per diem, for both in- and out-of-state travel, which is inconsistent with accepted practice. In addition, this section identifies our concerns with the lack of documentation for local-area business meals.

Per Diem Payment not Consistent With Accepted Practice. The Davis director requests and receives full day per diem regardless of how late he leaves or when he returns from trips. In our opinion this is a misuse of the meal per diem concept. Meal per diem is no more than a method of simplifying travel accounting by allowing the traveler a fair and reasonable method to account for meals without the time-consuming process of documenting every meal. The meal per diem is divided into three segments (breakfast, lunch and dinner) with each meal being allotted a basic cost and time frame. This way the traveler can easily determine what he or she is allowed. Consequently, if a business traveler departs late in the day they would not be entitled to the breakfast and lunch meals. The meal per diem is intended to begin when the traveler departs and ends when the traveler returns thereby only reimbursing the traveler for the cost of meals actually taken.

The Davis director generally reports a full day per diem no matter when he leaves or when he returns from trips, thus charging the center for meals even though he is in the county and not traveling. For example, on one day the director received a reimbursement for a lunch while in Ogden and, in addition, was reimbursed for a full day per diem because he was traveling to Rock Springs, Wyoming. The full day per diem includes breakfast, lunch, and dinner. There is no documentation available showing when the director left for Rock Springs, but it appears he left after lunch if he was reimbursed for a lunch in Ogden. In total he received payment for four per diem meals for this day. However, he may have only been entitled to one (dinner) since the file lacks documentation for the breakfast and lunch meals.

This abuse of the per diem concept is more obvious in the director's out-of-state travel because there is a clear airline departure and return time associated with these trips. There are out-of-state trips where the director leaves after breakfast, or even lunch, and still claims a full day's per diem when he actually incurred no meal cost. In other instances he charges a full day's per diem upon returning when no lunch or dinner occurred. As an example, on a 1996 trip to Washington D. C., travel records indicate the director departed from Salt Lake on a 10:30 am. flight and returned four days later at 10:20 am. The director charged four full days of per diem when only three days, given his departure and arrival, should have been claimed.

The lack of documentation makes it difficult to determine how much the director has over-charged the center. The director generally fails to identify his departure and return times when traveling by vehicle. Without this information it is difficult for the center staff to accurately determine which meals are justified as business-related. In our opinion, it is the director's obligation to report accurately his meals. We believe that this per diem practice may be used by other center employees and center board members and should not be allowed.

The Lack of Documentation for Local Meals is Concerning. The lack of documentation has made it difficult to determine if the large number of meals charged by the director are business-related. The director's practice has been to write "staff lunch" on his monthly expense report. There is generally no documentation for center credit card charges at local restaurants. For example, in the last four years, the director has charged about $6,100 for meals in the Layton area. We disagree with this practice because it does not identify the business justification for the meal or who, besides the director, attended the meal. For a short period in 1992 and 1993, the director listed the names or titles of his meal guests. There were, however, no names listed on his meals from 1994 to 1996. From 1993 to 1996 there were 61 cases when the director claimed multiple two to four per diem lunches on the same day. There is no documentation for most of these meals.

We have also noted other meals for members of the management team also purchased in the local area surrounding the center's campus. In our opinion, it is not generally appropriate for the director or his staff to charge business meals in the local area. Very few of these meals identified the purpose or the participants. We are concerned that the members of the management team believe it is acceptable to do business over a center-paid lunch. We do not agree with this practice, especially for a tax-supported organization.

Good business practices and proper control dictate that the documentation be maintained consisting of a listing of the names and title of people receiving a business meal, plus a written statement of the purpose justifying the expense. A county official stated that the county does not allow any employee to purchase business meals for a client or another official. This official stated their policy allows meals when the job assignment takes the employee outside the county but they are told to go "dutch treat" where each employee buys their own meal. State policy requires that a receipt be attached with documentation showing the names of all the people at the meal and the business purpose. The lack of documentation appears to be a continuing problem for Davis because outside CPA auditors and Medicaid auditors have criticized Davis in the past for this lack of documentation.

Poor Use of Business Time Is Concerning

Davis paid for expenses in excess of $6,200 and uncounted hours of the director's time between 1993 and 1996 in support of the director's local area travel that has limited benefit for the center. This intermountain area travel, which is in addition to the travel discussed in Chapter II, resulted in over night trips that represent what we believe to represent poor use of the director's time and thus center funds. For this class of travel the director spent 50 days out of Davis County. There is little documentation demonstrating the business purpose of the trips. Center-maintained expense reports only show the name of the city where the director traveled and contain little else. The records and subsequent meeting to determine the reason for this travel show practices that are contrary to both center policy and appropriate business practices and indicate a lack of judgement on the part of the director. Center records did not show that any of these trips were approved in advance yet the center paid mileage, meals, meal per diem, lodging, lodging per diem and other miscellaneous expenses for the director without question. This practice is unlike other centers which rely on systems of preapproval for travel in conjunction with expense documentation at the conclusion of the travel.

We approached Davis' director to give him an opportunity to explain the business need for a number of trips taken and to provide any additional documentation he may have to support his stated business need. He provided some information on several trips, but his personal recollection and limited documentation did not appear consistent with the information on file with the center. It appears, in some cases, that the director has added a business purpose to a personal trip, thus having the center pay for a portion of the trip. For other travel, the director has been grossly inefficient in his use of time. In a final case, the director exceeded the board approved spending limit and benefitted with travel in southern Utah and Wyoming.

Stated Business Purpose Demonstrates Poor use of Time

The Davis director has an important position and as such should be as effective as possible in his use of time. We find that the director does not always use his travel for the best of purposes or the greatest efficiency. The following are four examples of some of the director's trips that did not make sense from an effectiveness standpoint.

1. Davis paid more than $520 for mileage, per diem and hotel expenses for two of the director's trips to Wyoming in 1993 and 1994. The signed reimbursement request did not identify a business purpose for these trips. However, the administrative assistant's calendar did identify a personal reason for each trip. In 1993, the appointment calender stated that the director was fishing, and in 1994 the calender stated the director was elk hunting. We have reviewed the files regarding these reimbursements and find no indication of the business purpose and concluded that Davis should not have paid the expenses without adequate documentation.

   The director explains both trips as necessary business trips. In each case he states that equipment was left in Wyoming following the annual, center-sponsored Wind River camping trip. He claims that it was necessary for him to travel to the Wind River range to retrieve equipment left behind and scout for other possible recreation sites that could be used the next year. That equipment is left behind regularly by the Western Wilderness Institute staff is a concern but that the center chief executive officer is on an errand to pick up that equipment is of greater concern. The Western Wilderness program has a number of staff who are capable of driving to Wyoming to retrieve the equipment in a single day. The director took three days for each of his trips.

   The center did not have any immediate need for the equipment and the equipment, according to the outfitter, was not in any danger. The outfitter used by Davis says that there was no need to leave equipment behind unless one of the many pack horses he uses went lame which is very rare. Even then he would never have left the equipment behind for more than a day. The outfitter also told us that Davis has always used Poison Lake for its campsite which seems to contradict the director's claim that he needed to look for new sites. In addition to the expenses paid by Davis we found that the director claimed 18 hours of work time for traveling to pick up this equipment in 1994.

2. Davis paid $575.28 in mileage, per diem, and lodging for a three-day trip for the director to travel to Jackson and Yellowstone, Wyoming in 1996. The center had no documentation stating the business purpose of this trip but did have documentation showing that the Western Wilderness Institute supervisor accompanied the director. Without center information we had to rely on the director's recollection of why he need to travel to Jackson and Yellowstone. The director reported to us that he met with two people in two hotels to look at possible Rocky Mountain Regional conference and board meeting sites and possible retreat sites for Davis.

   It is unclear why the director needed to spend 29 hours of his regular work time arranging for a meeting in a resort community. We question the need for the trip since the conference was not held in either hotel approached by the director and the center has never held a retreat in either location. The director has made frequent center paid trips to the same area and is familiar with the area and possible accommodations. In total, the center paid in excess of $2,000 in expenses and salary for this trip.

3. The center paid mileage, lodging, meals, and meal per diem totaling $456.83 and 20 hours of the director's regular time for the director to travel to the Sweetwater Gap Ranch in Wyoming in August 1996. The director responded that he transported equipment for a river trip and then went on to the Sweetwater Gap Ranch to work on the details of an upcoming Western Wilderness Institute trip. We believe that utilizing the director to transport equipment for a river trip is a poor use of his time and shows poor judgement. Further the trip in question was for a private group, not a group of Davis clients. We also find it to be a poor use of the director's time to travel to the ranch to work out trip details as the trip is an annual event given the outfitter used by Davis takes the small group to the same location each year. In total, Davis spent approximately $1,400 for the director's activities.

4. In September and October 1995, the director traveled with the Western Wilderness Institute supervisor to Idaho twice and was paid mileage, lodging, meals, and meal per diem. Again, the documentation on the expense report does not designate the business purpose of the trip. When we asked about the purpose, we were told the director went to look at a used school bus for the Western Wilderness Program on the first trip and then to pick up the bus on the second trip. The center, without proper documentation or board approval of the trips, paid the director almost $700 in expenses and he reported 24 hours of regular work time expended for the two trips. (The director also reported earning 14 hours of compensatory time.) In total, the director's presence on these trips cost the center over $2,500. In reality it was only necessary to have two people go on one trip, not two trips. The need for the second person was simply to drive one vehicle back from Idaho. We question the need for the director, a highly paid individual in the center, to make two trips to purchase and then to pick up a used $4,000 bus.

Visit by Latvians Exceeded the Board's Approved Spending

The director took two trips in 1993 to escort Latvian visitors wishing to see Utah's mental health system. We believe that the cost of these trips was unnecessarily high and far greater than the amount approved by the Davis board. Davis, through the director's expense account, paid more than $3,000 supporting the Latvian visit to Utah, yet the board agreed to only spend $750. In addition, the center lost the use of its director while he traveled with the Latvians but still paid for his regular work hours while providing the escort service. The cost of the director's time for the 12 days is in excess of $4,000, for a total cost to the center greater than $7,000.

Davis's connection with Latvia began through the efforts of another state mental health director who had previously worked in Latvia and wanted to help a Latvian couple, both psychiatrists, come to Utah to observe Utah's mental health system. The original contact set up a low-cost trip for the Latvian visitors and paid for their airfare with $500 in donations from many of Utah's mental health centers and helped with lodging and meals from private donations and center directors opening their homes to the visitors.

Davis, without accounting for the director's time, spent nearly six times the amount paid out by any other center to entertain these visitors. This level of spending was primarily caused by the fact that, unlike the host director or the other directors in the state, the Davis director elected to treat the visit as center business. As a result the center paid for the expenses of the director and his spouse and some of the visitors' expenses. The Davis director and his wife elected to travel with the Latvian visitors to southern Utah for seven days and later to Wyoming for five days. In southern Utah, the Latvians' expenses were paid for with donations from other centers while the Davis director and his wife, as co-hosts, had Davis pay for their expenses. The director of the original sponsoring center and his wife also co-hosted the Latvians on this trip, doing so at their own expense.

The cost to Davis rose considerably with a trip to Wyoming which was only hosted by Davis. On this trip Davis paid for both the Latvian couple and the center's director and his wife's visit to Yellowstone and Jackson, Wyoming. We have been told the director had a short meeting in Wyoming and volunteered to take the Latvians along. Additionally, the director purchased gifts for the Latvians and charged the center $214. The center also paid $250 to the host center director for unknown costs related to the Latvian visit. We found no records to indicate the board was aware of these expenditures.

Davis board minutes state that the director requested $750 as the Davis share for the Latvian visitors. The board minutes show that the board noted the questionable appearance created by the funding. The Davis Mental Health Board Minutes read:

> "*(The director) said we have been asked to help sponsor psychiatrists (husband and wife) from Latvia. He said he had been invited to go to Russia last year, but was unable to because of the Rocky Mountain Council of Community Mental Health Centers (RMCCMHC) conference in Salt Lake. (The director) said he and his wife, ..., will host*

them while they are in Davis County and provide them with a place to stay. They will visit our programs. We as a Center have been asked to pay $750 as our share. It was felt by the Board that this was a good idea and that any press releases should be worded very carefully: e.g., that this is a training, teaching, sharing experience. The Board will have an opportunity to meet them."

We interviewed several board members and found a great deal of confusion in their minds, four years after the fact, about why the Latvians came to Utah in the first place. None of the board members recalled the connection through another center. Their collective memory is of a national request for Davis's help, stating that the national mental health association wanted the foreign visitors to see a top notch organization. They had no recollection of the visit being a state effort. Rather, it was an effort made by Davis alone.

Some board members also claim they knew of the trips taken by the director escorting the Latvians to southern Utah and then to Wyoming and that Davis paid for all expenses. They did not know why the additional expenses seemed to differ from the formally approved board spending limit. They did say it was their obligation to aid Latvia because Davis has so much and Latvia so little. Upon further questioning as to why they believed a national organization had asked Davis to host the Latvians, board members stated that Davis is nationally recognized as one of the best mental health organizations in the nation, if not the best. One board member stated that *"Davis is like the Mayo clinic of mental health"* and that anyone wanting to see the best would need to come to Davis County. The implication was that, as the best, Davis was obligated to help the world.

Chapter IV
Some Recreational Therapy Program Operations are Inappropriate

The Davis Mental Health (Davis) prevention-based recreational therapy program has activities that, in some cases, are inappropriate for a publically funded program and appear to benefit the director. A large part of the center's recreational program is dedicated to providing services to private groups such as church youth organizations, boy scouts, family reunions, and private businesses. Some of the private group activities have centered on the director's family. In providing services, such as river running and hiking trips, Davis's operations are comparable to those of a commercial river running company or a private wilderness outfitter. However, the rates Davis charges these private groups are significantly lower than those of other commercial companies because Davis uses state and federal funds to subsidize the cost of most of its private trips. The purpose for a number of these trips is unclear but they appear to be for the benefit of selected groups of individuals both inside and outside the county, again at the expense of the taxpayer. The center also has an expensive inventory of equipment and supplies which it uses in support of its recreational activities but lacks the necessary management controls to safeguard the equipment.

Davis' prevention-based recreational activities are organized under the name Western Wilderness Institute (the institute). This organization has a director, several staff, and equipment to provide services to center clients and private groups year-round. We have not attempted to evaluate the strength of this program relative to the therapy offered to a small number of the center's clientele and have limited our examination to the questionable practices regarding the services provided to private groups. We note in this report that the extent of this recreational program is unique because no other center in the state offers such an extensive recreational program to small groups of its clients nor do they provide recreational activity opportunities to private organizations. Instead, other centers use broad, community-based prevention programs that address much larger groups.

Institute Activities are Often Inappropriate

Western Wilderness Institute inappropriately subsidizes private groups with recreation/ prevention therapy activities and is operating as a commercial business. In doing so, it has also created problems with western river authorities who claim that the institute is a commercial river running organization that has undercut the prices charged by other commercial river running operators. The institute is primarily the river running/outfitter arm of Davis, responsible for scheduling and conducting high impact recreational therapy. For the purposes of this report, high impact recreational therapy includes activities such as river running, hiking and camping, mountain biking, snow skiing, and horseback riding.

Davis management does not deny that it provides river running services for a number of private concerns. In fact, it views private groups as a component of its drug and alcohol abuse prevention program. The Western Wilderness Institute, so named to prevent others from knowing the activity group is related to a mental health organization, has, according to Davis management, been designed to address three types of groups: first, are the center-based programs with registered center clients; second, are the joint groups consisting of individuals currently receiving help from other related organizations such as the State Division of Family Services; and, third, are the private groups interested in a recreational activity with a drug and alcohol abuse prevention program theme as an added benefit.

It is the taxpayer funding of this third group with which we are most concerned. Our concerns are two-fold. We question the appropriateness of subsidizing any private group activity with taxpayer funding, and we question the specific use of the program by Davis' director and his family for what appears to be personal use and gain. A number of the director's children have worked for the institute as full- or part-time employees and some of the trips appear to directly benefit the director and his family at the expense of Davis and its clientele.

Davis Subsidizes Private Group Activities

Overall, the institute activities provided for private groups have been subsidized by Davis at a cost of at least $27,800 in 1995 and $26,100 in 1996. Davis officials have consistently stated that revenues collected from private groups cover the cost of their trips even though their own accounting proves otherwise. In effect, Davis has subsidized river running, recreational experiences for private groups in the name of prevention therapy. This subsidy consists of federal and state funding given to Davis and could be better utilized if spent on groups with greater need or in programming that addresses a greater number of people. We are concerned that funding, within this program, is going to groups that have less need for financial support and have high family and community support rather than those with the greatest need.

In 1995 there were 34 major activities conducted by the institute. The majority were river running trips of which 26 percent were private parties subsidized by Davis client funds. Most of these trips for private parties required the payment of some fees, but none were sufficient to cover the cost of the trips. In addition, one trip sponsored by Davis required no participant fees. The institute's 1995 private group trips are listed in Figure XII along with the revenue collected and the associated costs.

Figure XII
Western Wilderness Institute Private Group Trips
1995

Type Of Group	Trip Location	Total Expense	Revenue	Net Gain/(Loss)
Church Group #1	Colorado River	$ 4,452.55	$ 3,000.00	$ (1,452.55)
Church Group #2	Colorado River	3,970.99	3,300.00	(670.99)
Church Group #3	Colorado River	2,485.74	1,261.00	(1,224.74)
Church Group #4	Snake River	4,226.17	2,100.00	(2,126.17)
Church Group #5	Snake River	3,954.16	1,757.00	(2,197.16)
Church Group #6	Snake River	3,973.86	2,790.00	(1,183.86)
Scout Troop	Snake River	2,871.57	965.00	(1,906.57)
Board Trip	Salmon River	10,959.11	500.00	(10,459.11)
Davis Staff	Snake River	6,621.97	-0-	(6,621.97)
Total		**$43,516.12**	**$15,673.00**	**$(27,843.12)**

Further examination of these private trips raises more concerns with Davis' recreational program. For example, one trip in Figure XII, identified by Davis records as the "board" trip was, in fact, an all expense paid, 5-day trip on the Salmon River in Idaho, for the corporate counsel of Davis's liability insurance provider (MHRRG). Accompanying the counsel on the trip were his family, a Davis Trustee and two daughters, one guest, the Davis director and five Davis employees. The director of Davis is a member of the insurance provider's board. The total cost of the trip was in excess of $10,959, most of which were the salaries of the Davis trip participants. Because only minimal fees were collected from any of the participants, this trip was subsidized by public funds.

It is unclear what purpose this trip served other than a purely recreational one for those attending. Davis' Executive Committee minutes note that the trip where the director suggested that Davis sponsor the MHRRG river trip. The two trustees present at the meeting agreed with Davis sponsorship, but the minutes do not clarify the reason nor do they relay the projected cost of the trip. No mention of the trip ever being represented to or approved by the entire board exists in any minutes. In our opinion, this trip is an inappropriate use of state and federal funds.

The number of private trips increased in 1996. In 1996, the institute conducted 40 major trips of which 16 (40 percent) were private group trips. All but one of the private trips in 1996 received a Davis subsidy. These trips are shown in Figure XIII

Figure XIII
Western Wilderness Institute Private Group Trips
1996

Type Of Group	Trip Location	Total Expense	Revenue	Net Gain/(Loss)
High School*	Colorado River	$ 3,609.07	$ 2,000.00	$ (1,609.07)
Church Group #1	Colorado River	4,635.44	2,800.00	(1,835.44)
Medical Students*	Cataract	5,123.62	3,225.00	(1,898.62)
Church Group #2*	Cataract	5,757.31	3,800.00	(1,957.31)
Church Group #3*	Snake River	2,789.51	1,456.00	(1,333.51)
Church Group #4	Snake River	3,997.29	2,110.00	(1,887.29)
Family Groups*	Snake River	2,414.59	420.00	(1,994.59)
Private Business*	Snake River	1,771.26	3,325.00	1,553.74
Seattle Scout Troop*	Colorado River	2,264.34	855.00	(1,409.34)
Church Group #5*	Snake River	3,832.61	2,400.00	(1,432.61)
Church Group #6	Snake River	2,631.25	1,710.00	(921.25)
Church Group #7*	Snake River	3,722.44	1,840.00	(1,882.44)
Church Group #8	Green River	4,399.11	3,965.00	(434.11)
Church Group #9*	Colorado River	2,995.90	1,650.00	(1,345.90)
Evanston 4-H*	Snake River	2,315.16	775.00	(1,540.16)
Davis Staff	Snake River	6,103.58	-0-	(6,103.58)
Total		**$58,362.46**	**$32,331.00**	**$(26,031.46)**

**** Denotes out of county groups***

Figures XII and XIII identify private trips for the Davis office summer parties in 1995 and 1996, both raise the same types of concerns. Each year, Davis sponsors a two-day river trip for employees and their families. In an executive committee meeting held on April 10, 1996, the executive director of Davis reported the following to the board:

> *"In the past, the center has sponsored a river run for staff which is on their own time and at their own expense. (institute) staff have volunteered their time to run the boats."*

He continued saying staff would like to do it again this year and that the trip has grown more than anticipated. He said the cost would be approximately $1,000. However, Davis records show that the trip was not taken at the institute staff's expense and that the institute workers did not volunteer their time. We found that Davis picked-up the cost of transportation, meals, boats, and guide service for employees and non-employees. The total cost of the 1995 trip was $6,621, and the total cost of the 1996 trip was $6,103. Records show that seven institute staff (including the director of Davis) were paid for the 1995 trip. Records also show that six institute staff (including the director of Davis) were paid for the 1996 trip.

Another disconcerting facet surrounding the annual Davis staff river trips is that the director of Davis did not report taking annual leave for the outings. In 1995 and 1996, the trips occurred over a Friday and Saturday. Davis employees were required to take annual leave on Friday. However, instead of taking leave on Friday, as the other employees were required to do, the director of Davis reported working 12 hours on the Friday of the 1995 trip and 10 hours on the Friday of the 1996 trip. The director also reported working 18 hours on Saturday and Sunday of the 1995 trip and 20 hours on Saturday and Sunday of the 1996 trip. It should be noted that extra hours reported on Saturdays and Sundays are accrued as compensatory time and can be used by the director for annual leave. Records also indicate that the director did not camp with the other Davis employees during the trips. Instead he stayed at a resort motel in Jackson, Wyoming. Records show charges made by the director for motel accommodations and meals at restaurants on Friday and Saturday each year during the annual Davis staff trips.

Other Organizations See Private Group Activities as Inappropriate Use of Public Funds

According to officials at the Department of Human Services, it is inappropriate for state funds to be used to subsidize non-center related activities. The department's official position for all activities involving non-clients or non-employees is that the full cost of the activity is to be reimbursed by the non-client or non-employee participating in the activity. Officials in other centers emphasized that tax dollars are not to be used to off-set the cost of activities involving private citizens, church groups, or business. The intended use of the state funds allocated to Davis is to provide services to clients residing within Davis County. Department officials noted that clients are defined as individuals receiving regular treatment or enrolled in on-going programs of Davis or Davis Alcohol and Drug Prevention. Department officials also noted that if Davis funds are being used to subsidize non-client activities, it is doubly wrong because the funds should be used to provide expanded coverage for legitimate clients.

Other center directors believe it is inappropriate to use federal and state dollars to subsidize non-client activities like river running or hiking. One director questioned the value of recreational therapy for non-client groups not involved in regular on-going treatment, indicating that one-time encounters rarely result in a life changing experience. The activity becomes a reward or diversion, not therapy. Other centers use different methods to address alcohol and drug abuse prevention that cost far less than the method selected by Davis. Thus Davis uses a larger share of its funding for institute activities and, as a result, has less funding available for other traditional programs.

With the exception of one other center, none of the state's other mental health or drug and alcohol abuse prevention centers sponsor recreational therapy programs for non-client groups. However, it should be noted that the center that sponsors trips involving non-clients operates a program quite different from that of Davis' institute. This center permits outstanding high school students selected by school officials to attend trips as volunteers to provide assistance and positive role models to clients enrolled in ongoing treatment programs.

Director's Family Appears to Gain From Institute Operations

Most disconcerting of the private trips are those where the director's family appears to be the impetus of the trip and appears to gain at the expense of the tax payer. Figure XIII identifies a trip which raises these concerns. The trip, identified by Davis records as the Seattle "Medical Students" trip, was conducted for a group outside the state of Utah that are clearly not Davis clientele and certainly do not appear to be an "at-risk" group. This trip revolved around the son and daughter-in-law of the Davis director and some of his medical school associates. The son and his wife, who arranged the trip for their friends, were paid a total of $696 by Davis for attending and helping out on the trip. It is unclear whether they were paid to act as guides or whether they were paid for some other service.

Davis also paid the director's other son, who resides in Utah, and the director's daughter for working on this trip. The son living in Utah is routinely employed as a guide on institute trips. We found two other trips where the daughter was employed during 1995 and 1996. The director's son is a full-time employee of the center in addition to his river guide work. In the two-week pay period involving this river trip, the director's son reported working 226 hours and took 6 hours of vacation for a total of 232 hours of pay. On one day alone, the son reported working 13 hours on his regular job, 6 hours of vacation, and 16 hours on his river job for a total of 35 hours of pay for that one day. For this period the son reported working an average of 16.5 hours a day for 14 straight days.

We question the judgement of the director in allowing his son to take leave from his regular position to help on this specific river trip. Center leave policy states in Paragraph 6:

"An employee cannot take vacation and work on a part-time position or in a position

charged against a Professional Overtime Agreement without prior approval of the President/CEO."

Clearly, taking vacation from his regular assignment to work as a river guide would need this approval. It does not appear appropriate to take a staff person from his regular assignment to work on a river trip that may be more personal than business.

Costs associated with the medical students trip exceed fees collected by $1,898. It is difficult to understand why Davis would sponsor a recreational therapy trip for a group of medical students from Seattle, Washington. It is even more difficult to understand why Utah tax dollars were used to off-set the cost of this trip which has the appearance of being more for pleasure than business.

In another example, it appears that the director had Davis pay for personal expenses for a portion of the center's Wind River trip. Each year from 1994 to 1996, the institute has used an outfitter with pack horses to take two groups into the Wind River Mountain Range of Wyoming. The center's cost for the excursion is calculated beforehand, processed through the center's accounts payable system, and paid in advance. In addition, the director requests and receives payment after the trip for additional costs ($550 in 1994, $603 in 1995, and $808 in 1996) that have never been questioned or documented. Rather than being included in the cost of the trip, the director claims he paid personally and reports the amount on his personal expense report. This expense report has been signed by a board member each year.

We contacted the outfitter and questioned as to why the center did not pay the entire amount. We were told by the ranch manager that Davis's institute only pays for the items that relate to institute clients. The outfitter's representative continued that the director pays for personal items, such as horses for the director and his family, with his own check. Center records show that a large number of each annual trip's participants for the second half of the trip are members of the director's family. The outfitter clearly believes that the last part of the trip was of a personal nature, yet the director submitted and received payments for these apparent personal expenses. We believe that the director has inappropriately submitted a personal expense as a business expense.

Subsidizing Private Groups Creates Competition With Commercial Operators

Another concern with Davis's recreational therapy program is the likelihood that the institute unfairly competes with private business. Because the institute subsidizes the cost of non-client trips, they are able to charge lower fees than commercial operators. We interviewed a number of participants from Davis institute trips during 1995 and 1996. In nearly every instance they indicated that the institute's rates were lower than those charged by commercial operators and that the lower rates played a part in their decision to use the institute. Some also cited the alcohol and drug abuse prevention training as a reason to use the institute, but most indicated they would have probably used a commercial river running operator if they had not used Davis. Commercial operators we talked to confirmed that scout troops and church youth groups make-up a large percentage of their business.

In order to determine whether the institute's rates are lower than those charged by commercial operators, we surveyed a number of private river running companies and obtained their rate schedules. Figure XIV compares the rates charged by commercial operators with the rates charged by the institute on some of the most frequent trips sponsored by the institute in 1995 and 1996.

Figure XIV
Comparison of Western Wilderness Institute (WWI) Rates vs Commercial Rates

	Trip Duration (Days)		Total Meals Provided		Transportation		Rate per Person	
Trips	Private	WWI	Private	WWI	Private	WWI	Private	WWI
Colorado River	2	2	4	3	No	No	$125	$60
Snake River	2	3	3	7	No	Yes	113	75

Figure XIV shows that the institute's rates are significantly lower than rates charged by commercial operators for these two trips. The Colorado River trip example shows a trip in which similar services are provided by the institute and a commercial operator. Both offer a two-day trip down the river, Davis' institute provides one less meal, and neither provides transportation. However, the institute's rate is less than half the rate charged by the commercial operator. The Snake River trip example shows a trip in which the institute provides an extra day on the river, 4 additional meals, plus transportation to Jackson, Wyoming, but still charges 34 percent less than the commercial operator. As stated earlier, the institute also provides prevention training in addition to charging less. Based on this analysis, we concluded that there is a strong likelihood that Davis, through its institute, is unfairly competing with private river running companies by using state and federal funds to subsidize the cost to host private groups.

Davis appears to be operating a commercial river running service because they seek out and provide, for a fee, approximately 40 percent of their services to groups outside their normally targeted population. The desire to develop business outside their service area is further supported by their own brochure which advertises the institute program. The conclusion that the institute is a commercial operation has also been reached by the western river authorities who have sanctioned Davis operations on some of the higher use rivers.

The U.S. Forest Service has elected to limit Davis access to the Snake River because they have determined that Davis operates a commercial river running business and has done so without the proper permits. The same is true with the Bureau of Land Management's experience with Davis on the Colorado River. Both agencies have cited Davis operators for violating regulations and operating without or outside their permits.

Davis Recreational Therapy Program Cost is High

The Davis recreational therapy program is the most costly recreational program in the state. No other Utah mental health organization, regardless of size, approaches the size and theme of Davis' institute. The size and cost of the institute program is a concern because much of the program's cost is a result of the subsidy of private groups or the cost of the questionable trips authorized by Davis management. Other centers, throughout the state, do not operate programs similar to that of Davis because of high costs, legal implications, and low funding efficiency. It is our opinion that the Davis organization lacks the necessary management controls to adequately identify the institute's costs.

Other Utah Centers Choose Not to Have High-impact Programs

Other Utah mental health centers have elected not to develop high-impact recreational programs like the institute. They reason that such programs are costly and, in their opinions, less effective in the delivery of prevention therapy. It is evident from Davis records that the institute, as a function of its size, requires more administrative support and greater effort than other programs. Other centers believe that prevention funding can and should address larger, targeted populations and should rarely be used for private groups that do not show a need for the services. Davis has not studied the effectiveness of its program but claims that the institute is a success, citing staff and client attitudes toward the program. The director empirically cites personal observation of changes in clients and claims he is reaching clients with problems.

Davis Spends More for Recreational Programs. We compared the cost and size of Davis's recreational therapy program with those recreational therapy programs at other Utah mental health and drug and alcohol abuse prevention centers. Overall, Davis spends more on recreational therapy than any other center in the state. In 1995, the institute sponsored 34 high-impact recreational therapy activities for its clients and for private groups. In 1996, the number of institute sponsored activities for client, quasi, and private groups increased to 40. Expenditures associated with these activities totaled $130,822 in 1995 and $163,766 in 1996. Revenues collected from participants totaled $24,168 in 1995 and $48,879 in 1996. Figure XV compares selected centers' recreational program costs net of revenues.

Figure XV
Comparison of Total Annual Expenditures for Recreational Therapy Programs 1996

Mental Health Center	Program Costs
Center A	$ 6,753
Center B	3,450
Center C	19,100
Davis	114,887

As shown above, Davis's high-impact program and subsidy of private groups resulted in Davis spending over six times more on its recreational therapy program than the next highest center, Center C, which has an operating budget six times greater than Davis. If Center C maintained a recreational program equivalent to that of Davis, the program would cost in excess of $700,000. In fact, Davis's annual Wind River Wyoming backpacking/camping trip for fewer than 15 clients at a cost of approximately $18,600 nearly equals Center C's total expenditures for recreational therapy for the entire year even though it is only a two-week outing for selected clients and outpatients.

None of the other mental health or drug and alcohol abuse prevention centers in the state operates an extensive, on-going, high impact recreational therapy program like Davis because high-impact activities address few people at a high relative cost. Some centers offer clients one or two high impact activities during the year; however, these activities are usually provided through a licensed commercial operator. No other center operates a river running/outfitter service similar to that of the institute with its associated costs for equipment, staffing, and supplies. A number of directors we talked to questioned the cost efficiency of operating a full-time recreational therapy program.

An example of one of the costs associated with operating a program like Davis's institute involves annual training trips for the institute staff and the director of Davis. Each year, the director of Davis and the institute staff take a river trip for training purposes. No clients or private groups attend this trip. Records show that the cost of training trips in 1995 and 1996 have a combined cost exceeding $11,500. Because of these and other expenses associated with operating an extensive recreational therapy program, most centers only offer clients low impact recreational activities such as bowling, basketball, or outdoor games. Several directors indicated that these activities are just as effective in treating clients as river running.

Concerns were also expressed by some directors over the increased liability associated with operating a river running guide service. One director indicated he was cautioned by the center's attorney not to participate in activities like river running or snow skiing because they are risky and create potential liability for the center. The director also noted that their insurance representative told them that the cost of liability insurance to cover these activities would be prohibitive. Another director stated that most of his clients are high risk individuals who do not always exercise sound judgment, which makes activities like river running even more difficult and risky. As a result, his center does not sponsor many recreational activities and recently discontinued snow skiing because of injuries that have occurred in the past.

High-impact Recreational Programs may be Less Efficient than Other Types of Prevention-based Programs. The Utah centers we contacted use their alcohol and drug abuse prevention funding to address large groups of targeted populations. This system is primarily operated through the school system and is directed at risk groups. Some indicated that they may occasionally have a staff member give a motivational speech to a private group, but emphasized that they would not use center funds to off-set the cost of providing recreational services to private groups like scout troops, church youth groups, or businesses. Another director indicated that their drug and alcohol abuse prevention efforts mainly are focused on the higher risk populations rather than populations that already have positive influences in their lives like scout troops and church organizations.

Davis's Prevention Program, as Operated by the Institute, is Quite Different in its Approach. The institute, via its river running operation, can only address small groups for a very high cost. As stated, the private groups served by the institute are primarily Boy Scouts and church organizations that better fit the limited size format. These groups generally have good support systems and are not considered high-risk. In effect, Davis is addressing people with less prevention need with a system that requires greater funding. The director of Davis justifies institute expenditures as Davis' selected method of using federal drug and alcohol prevention dollars. He and his therapists support the program stating its positive effect on the clients who, they say, get a great deal from being outside their normal environment in different activities.

It should be noted that over 70 percent of the recreational therapy trips sponsored by Davis during 1995 and 1996 were river running expeditions. According to Davis officials, these activities provide participants with opportunities for character building, self-esteem development, self-accomplishment, and social communication skills building. The overall goal of the program is to foster an alcohol and drug free learning experience where youth can develop self esteem and decision making skills uninhibited by outside influences. The institute's staff consists of a director with a master's degree in therapeutic recreation with over 10 years of experience in youth therapeutic recreation; an assistant director with a master's degree in therapeutic recreation and 10 years experience in youth counseling; plus a number of recreation workers trained in white water river running.

Poor Institute Accounting has Been Costly to the Center

Besides the question of the target groups on the trips, a major concern with the institute's operation is the inadequate control that has been exercised over the program. This lack of control appears to have been a factor in both the institute's subsidizing private groups and its failure to identify its direct and indirect costs. These failures, in combination, created a situation where charging private groups low fees for their trips did not appear to be a problem to the institute staff, center director, or center board. Subsidizing private groups and failing to identify expenditures is a problem, however, because it represents inefficiencies in the program's operation. Since there is no tracking or identification of these funds, it is impossible to develop any realistic method of determining where or how the funds would be best utilized.

We could find no evidence that the subsidy of private groups by the institute has ever been reported to Davis' Board or to any funding source. A primary reason for this reporting omission is that the costs associated with Davis's recreational therapy program have never been fully developed. Development of the program's costs have not occurred for a number of reasons: foremost is the fact that the institute is a nebulous idea that has never received program status by Davis management control system. It has its own staff, its own director, and its own budget but has never been treated as a stand alone program within the center's accounting system. It is, in effect, a non-program "program" that has some of its own funding and draws other funding from the client programs to which it provides services.

In drawing from program funding, Davis has failed to identify the recreation program's direct and indirect costs. This failure to fully account for program costs is a major breach of the center's management control system and may contribute to continuation of the program's inappropriate activities. Institute trip expenditures can be broken down into either direct or indirect expenses. Direct expenses include food for meals, gas used by Davis vans to transport staff and participants, petty cash for treats and supplies, credit card purchases for motels and other items, the salary expense of recreational therapists and other institute workers assigned to each trip, and depreciation expense on the Davis vans. Indirect expenses include purchases during the year for equipment and supplies used on more than one trip such as sleeping bags, wet suits, tents, water purifiers, back packs and so on. Davis spent over $63,000 for indirect expenses in 1995 and 1996. During the same time period, the Davis director contributed to indirect costs by making 72 shopping trips to outdoor recreation retailers in Salt Lake and Weber counties to purchase recreation supplies for the institute. We estimate the administrative overhead expense associated with these trips to be over $8,100.

Our breakdown of direct and indirect costs is by no means a complete listing of all the institute expenses. In addition to the above costs, other expenses associated with operating the institute are not included in our analysis. These expenses include: the cost of building a garage and storage shed for institute equipment and supplies; the cost to pour a concrete drive strip to provide access to the garage and storage shed; the cost of three trailers used to haul recreational equipment and supplies; the cost of additional vans needed to transport non-client participants on institute trips; the administrative overhead expense of Davis staff to process institute accounts and transactions; and, additional administrative overhead expenses incurred by the director of Davis for supervision of the institute.

For example, in 1995 and 1996 the director of Davis made several administrative trips, in behalf of the institute. These trips included a trip to Jackson, Wyoming to acquire recreation permits, a trip to Moab, Utah to appear before a judge regarding permit violations, two trips to Jerome, Idaho to purchase a bus for the institute, another trip to Moab to meet with forest service officials, and another trip to Jackson to meet with forest service officials. The administrative overhead expense associated with these trips is estimated to be over $12,000.

Management Controls Need to be Strengthened

Western Wilderness Institute, as a result of not being treated as a program by the Davis administrative offices, is lacking a number of necessary management controls. Overall, we found deficiencies in standard management control areas that can result in lost inventory and inappropriate purchases. There is a lack of normal inventory controls that should include a current master inventory list, guidelines for checking equipment in and out, and adequate physical security over inventory. Also, there is a lack of formal purchasing procedures.

Institute Inventory Controls are Lacking

The institute's inventory controls are insufficient and lack the ability to insure equipment and supplies are protected. Our review of the program inventory list maintained by the institute found that the list has not been updated for at least three years and does not identify many items purchased in recent years. For this reason, not even the institute director knew about a water purifier being broken on one of the trips, nor was he sure of the exact count of many inventory items. In addition, we found that inventory items were stored in a number of locations without any controls and that many inventory items were not marked or otherwise identified as institute property. For example, several sleeping bags were in the storage shed, but because they were not marked or identified, we could not be certain whether they were the same sleeping bags listed on the invoices.

In order to test Davis's inventory control system, we sampled 110 items purchased for the institute between 1995 and 1997. The items were identified from invoices and then matched by serial number or product description with items stored in the institute's garage and shed and even some items stored by Davis' director at his home. Eighty-eight percent of the items selected for review were accounted for leaving 12 percent of the items as either missing or reported lost. Some of the missing items include a $256 camp stove, a $100 water purifier, and three $50 wetsuits.

Institute staff mentioned that a number of times trip participants would keep sleeping bags and other institute items provided to them for the trip. The lack of proper inventory labeling and identification, together with the lack of a master inventory list, appears to contribute to this problem. We also found that guidelines for employees checking institute equipment in and out are not followed. The institute has a check-out system that was developed a number of years ago but is no longer used. Instead, when employees gather equipment and supplies for river or camping trips, items are simply taken as needed. Thus, employees rely on their memories and verbal communication in order to track the continual whereabouts of the inventory. To insure that the necessary equipment is available, items such as wet suits, life jackets, and wet shoes, are sometimes kept in the possession of individual employees yet this equipment is not checked out to them. As a result, no one could tell us the exact location or who had three wet suits.

The lack of control over equipment inventories is further compromised by a Davis internal policy which allows center staff to borrow and use equipment at will for personal use. In October 1994 the center formalized this policy with the Board of Trustees Executive Committee. In this meeting the Davis director explained to the committee that staff is asked to do a number of things outside of center time and for that outside work receive certain perquisites. The executive committee minutes read:

> *"Examples of perks available to staff are: ... 3) With the Program Director's approval, staff can use Center equipment; such as trailers, camping gear, boats, copy machines, phones (personal long distance calls should be kept to a minimum), etc. Staff will be responsible for any loss or damage incurred."*

The two trustees present at the meeting felt that the perquisites were appropriate and approved their continuation. We, however, strongly disagree with the trustees' conclusion since these perks are without precedent. They allow complete and free use of center equipment that does indeed have a useful life diminished with each use. It is also evident from the high loss rate realized by the institute that there is a cost to the center. Further, we believe that the director's explanation is not consistent with Davis's office procedures policies, Section C 2 and 3 which state:

> *"...Personal telephone calls are permitted if they are very short, infrequent, and limited to local areas. Employees are not allowed to make personal long-distance calls at Center expense..."*

> *"Employees may use Center equipment such as typewriters, film projectors, printing machines, etc., provided that the employee obtains permission from the Unit Administrator*

before using the equipment and that use of equipment does not interfere with the Center operations and is not used while on duty. Employees may be charged an amount to cover the costs, at the discretion of the President/CEO. Employees shall be responsible for damage to Center equipment..."

These office policies clearly do not allow long distance calls or imply that center equipment should be used without any expense to the user. The director's statement to the board and the board members' subsequent approval are in obvious conflict with the original intent of the center's policies. We are concerned that the board would approve the use as stated by the director given the use is contrary to both standard business practices and prior board-set policy without any review or discussion.

Finally, physical security over the institute's inventory is inadequate. Because items are kept at several locations storage sheds, employees' homes, the director's home, etc., it is difficult, if not impossible, for the director of the institute to exercise adequate physical control over inventory. We also noted that a number of employees had keys or access to keys to the storage sheds where most of the equipment is kept. One institute employee told us that anyone can gain access to the storage shed or garage by borrowing a key from one of the maintenance employees.

Formal Purchasing Procedures are Lacking

During our test of inventory control procedures, the director of the institute and two different institute staff members indicated that they were not aware of a number of purchases of recreational equipment made by the director of Davis. When shown the invoices for certain items purchased, they reported that they had never seen several of the items. The director of the institute suggested that the director of Davis may have purchased the items and stored them at his home. When we contacted the Davis director, he explained that he kept many equipment items at his home for trips he personally attended. Fortunately, he was able to locate most of the items in question. However, because purchases were made by more than one person, the director and employees of the institute were unaware of equipment charged to the institute's account, and the equipment was not readily available for client use. In addition, the equipment was not entered on the institute's master inventory list and could not properly be tracked. In general, a lack of formal purchasing procedures opens the door for personal items to be purchased on the institute's account. In fiscal year 1995, Davis spent over $12,000 for recreational supplies and equipment. In fiscal year 1996 that figure rose to over $23,000. In the first six months of fiscal year 1997, Davis spent over $20,000 on recreational items.

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Chapter V
Director Inappropriately Used Private Funds

It is our opinion that private funds entrusted to the organization associated with Davis and meant to support Davis Mental Health programs are not necessarily used in the best interest of Davis clients. Further, given the associated organization's funding of questionable Davis director activities and support of programs that do not appear to comply with the wishes of the associated organization's funding source, we believe that the existence of the board is redundant and may actually inhibit Davis policies and directives. The associated organization, in its relationship to Davis, has no programs or staff but does command a small portion of Davis funding. There does not appear to be any valid reason for the funding to flow through the associated organization which causes a duplication of administration expenses. Some say that the only reason for the associated organization's continued existence is the historic separation of mental health and substance abuse programs.

Davis Mental Health is somewhat unique in that private donations are not given directly to the center but are directed to a second organization. The associated organization receives between $40,000 and $50,000 in donations each year and distributes the funds to Davis throughout the year and in a single, larger payment. We are concerned with Davis' connection with the associated organization in that some of the associated organization's activities do not appear appropriate and, at times, appear to benefit the Davis director who sits on the board of the associated organization. Foremost of these questionable actions has been the associated organization's involvement in a property dispute where we believe both Davis' and the associated organization's funds were not put to the best use, and the ultimate settlement did not appear to benefit the people of Davis County but rather the Davis director.

In addition to funding the above case, the associated organization has used its donated funding for a number of questionable activities that include: the Davis director's travel (as shown in Chapter II of this report), equipment purchases, an annual party, golf tournaments, and administrative expenses that unnecessarily duplicate Davis expenses.

Use of Donations for Property Dispute Benefitted the Davis Director

The associated organization's pursuit of property through a legal process was inappropriately paid for with $20,100 of donations intended for direct client care. The associated organization is funded almost wholly with private donations which, by contract, are to be primarily used for client care by Davis Mental Health. However, the associated organization has used these funds to support a legal action against a landowner in an attempt to force the sale of 2 ½ acres of land to the associated organization and they assert, in so doing, defend the rights of the mentally disabled. In this particular case, the associated organization was seeking to participate with the Davis director in the purchase of horse property bordering the director's residential property. The property, in its entirety, would be deeded to Davis and would then be used as pasture for horses not yet purchased by Davis. The horses would be used in Davis' recreational therapy programs.

Litigation Was of Questionable Value

In total, $33,300 was spent by Davis and the associated organization for this litigation. The lawsuit was filed by the associated organization claiming that the owners' refusal to sell the land constituted discrimination under the federal American's with Disabilities Act (ADA). Ultimately, a suit was filed naming the associated organization and Dr. Williams as the injured parties. The suit was supported by the associated organization's board as well as the Davis Board. We do not condone or oppose the suit but question the use of private donations as one of the funding sources of the suit. Figure XVI identifies the funds spent by both Davis and the associated organization for this litigation.

Figure XVI
Legal Expenses Paid for With Davis Public Funds and the Associated Organization's Private Funds

	1993	1994	1995	1996	Total
Davis Mental Health	$1,562	$1,229	$9,669	$ 644	**$13,104**
Associated Organization	-0-	-0-	5,631	12,616	**18,247**
Other Associated Org. Expenses	-0-	-0-	800	1,164	**1,964**
Total by Year	**$1,562**	**$1,229**	**$16,100**	**$14,424**	**$33,315**

As a result of reviewing the funding of this case, the use of donations to fund capital improvements and property purchases also becomes suspect as such spending does not meet the requirement of the donation's source. We discussed the use of private donations with a representative of the funding provider and found that he and his organization strongly oppose the use of donations directed through their office for anything other than direct client care. In his opinion, donated funds from this organization which are used by the associated organization should not have been involved with the purchase of property or litigation to gain property. Since the associated organization has no other funding source sufficient to make major purchases, both litigation and property purchases are inappropriate expenses for the organization. We find this use of funds also of concern as it implies that the associated organization funds are reported as being used in Davis programs, when they are, in fact, being used outside the client-based programs and outside the control of the Davis board.

This inappropriate use of funds has also created some confusion as to who is responsible for and who is knowledgeable of actions taken within the Davis County mental health delivery system. For example, Davis was not a party to this litigation yet it agreed to pay the legal fees for both the associated organization and for Dr. Williams. Davis financial backing continued throughout the case, but we do not understand why. Davis board members believe that the case revolved around discrimination of disabled people under their immediate care yet participated only in the cost of the suit rather than as active participants. We have asked why Davis was not named and have been told that the associated organization was named as they were the entity trying to purchase the land and Dr. Williams was named as his reputation was injured as a representative of the disabled.

Further, we do not understand why the associated organization has had continuing board discussions on the use of horses for recreational therapy and the need for horse property dating from 1989 while Davis board minutes do not indicate any similar discussions during that same period. Not only do the associated organization board minutes refer to the use of horses, they also refer to the use of horses in Davis-operated programs, not the associated organization's operations. Given the limited nature and allowable use of associated organization funds, it would not make sense to purchase horse property without the clear support of the Davis Board. We have not seen such support in the Davis Board minutes. However, the most disconcerting aspect of the legal battle for recreational horse property is the final settlement.

Final Settlement Favored Director at Davis Expense

In this settlement, property was transferred from the defendants directly to the Davis director and his wife. In addition, a fence, paid for by the associated organization, was constructed as a boundary to identify the property. We are concerned with this settlement as it does not appear to benefit the associated organization, Davis, or the population of Davis County in any way. Further, we can find nothing that indicates the settlement was announced to the Davis board.

The settlement agreement contains two components. First, is the property itself which is approximately one-tenth of an acre not the 2 ½ acres originally sought. This small piece of property is contiguous with the director's residence and appears to have been used for a number of years as an access road by the director and his neighbors. The size of the settlement is insufficient for pasture land and does not appear to have value to anyone other than the director. Second, is a stipulation for a fence that would separate this piece of property from other property owned by the defendants.

From an outside perspective, the transfer of land from the defendants to the director and his wife does not make sense as it does not appear to address the primary purpose of the lawsuit. A great deal of discussion is relayed in the board minutes of both Davis and the associated organization concerning the rights of the disabled and the need to send a message that those rights will be defended. A strong desire to get the property for recreational therapy uses is also clear in the minutes. The settlement does not address either of these goals. The result was of no benefit to the disabled as there is no horse property for the use of the disabled nor has the case's settlement been widely publicized to demonstrate the rights of the disabled will be defended. In fact, the associated organization discussed asking that the case settlement be sealed.

We asked why the director and his spouse were the only beneficiaries of the case in that they were given the title to the property. We were told by the director's attorney that the land transfer described in the settlement was incidental to the lawsuit and was nothing more than clarification of property boundaries between the director and the defendants. We were also told by the director that the property transfer is in the settlement because he was listed in the case as an injured party. As a representative of the mentally disabled, his reputation was injured by the defendants refusal to sell property to the associated organization. He also characterized the property settlement as insignificant.

We were also told that the director objected to the stipulation that a fence be constructed, at the expense of the associated organization, between the two properties. The defendants claim this stipulation was made by them to insure that there would be no further problems with establishing the property boundary. If the settlement is nothing more than settling a boundary dispute, it does not make sense that the associated organization should pay $1,103 for the construction of the fence on what is now the director's private property.

Further, we are concerned with the reluctance on the part of the director and the associated organization board to share this information with the audit team. The associated organization board originally denied that a transfer of property was made and that any payment was made for fencing. When we pressed the associated organization and one of its directors employed by Davis for details, the audit relationship broke down. Much of the contact in the later stages of the audit has been through the associated organization's attorney. We had to rely on the associated organization's information because the Davis Board, although paying for a major share of the lawsuit's expenses, seemed to be unaware of many of the facts surrounding the case and were completely unaware of the settlement. No notation of the settlement is in the Davis board minutes and our discussions with some board members also found they did not know that the director and spouse had been given the title to property as the settlement.

Other Associated Organization Funding is Questionable

The associated organization's funding has been used for a variety of other non-direct, client care purposes. As evidenced in the earlier chapters of this report, associated organization funds have been used to supplement the Davis director's travel and, in some instances, has been used to subsidize his wife's travel. Neither is related to direct client care. In total, the records indicate that about 70 percent of the $277,700 donations received by the associated organization since 1991 have actually been transferred to Davis. The remaining 30 percent of the associated organization's funding has been used for the above noted legal dispute, savings, administrative costs, the Davis director, and minor expenses. We cannot effectively determine how much of the 70 percent received by Davis was directed to client care, but we do know that Davis documents identify a significant amount has gone into capital expenditures.

The 30 percent of funds remaining with the associated organization seems high as that organization does not have any direct client care programs of its own and relies on Davis programs for service delivery. Further, the associated organization is a volunteer program with its business functions being carried out either by Davis staff or by the volunteer board members. In effect, private donations, earmarked for Davis direct care services, are funneled through the associated organization creating an additional layer of management, cost, and confusion. It does not make sense to add a layer of overhead that costs 30 percent of the funds coming in without producing any apparent benefit. Figure XVII identifies the use of the associated organization's funds.

Figure XVII
Use of Associated Organization Funds
1991 to 1996

Fund Use	Amount	Percent of Total
Transferred to Davis	$145,400	52.3%
Transferred to Davis Petty Cash:		
Alcohol and Drug Program	47,500	17.0
Director & Family	8,600	3.1
Property Dispute	2,300	.8
Maintained in Savings	23,900	8.6
Administration	17,300	6.2
Legal Fees for Property Dispute	17,300	6.2
Miscellaneous	8,900	3.2
Davis Director	6,500	2.3
Total	**$277,700**	**100.0%**

The fact that 52 percent of the funding transferred to Davis' general accounts does not necessarily mean that the funds were used in direct client care. Davis and associated organization documents appear to identify that much of this funding has been used in the construction of facilities. The additional 21 percent transferred to a Davis petty cash account for the use of alcohol and drug abuse prevention programs also appears to have a portion going to non-direct care purposes. This account is used in violation of Davis petty cash account policies that do not allow petty cash purchases greater than $10. This violation allows the account to be used without the oversight of the center's purchasing system. The associated organization petty cash account has been used for a variety of purposes including a number of Davis director and spouse travel charges and payments to the director for a number of miscellaneous transactions. Further, the association asserts that the petty cash account, although controlled by a Davis employee, on Davis time, paying for items relating to Davis personnel and programs, is not a Davis petty cash account and is therefore not accountable to Davis controls.

We are concerned with the associated organization's dealings with the Davis director and his family as noted in Figure XVII. The associated organization's spending for the director has been primarily for travel with some additional spending for miscellaneous items; many of the expenses do not appear to directly benefit clients, as required by the donor. In addition to the inappropriate travel expenditures funded from the associated organization and already mentioned in Chapter II of this report, we are concerned with other associated organization expenses.

As an example, the associated organization has paid for the director's National Rifle Association (NRA) dues since 1992. The reason given is that membership in the NRA is a means of saving money on certain purchases. A review of both Davis and associated organization purchases over the period of membership identifies few, if any, purchases that would be discounted for NRA members. If a 10 percent discount had been given to the director, then he would have needed to purchase over $1,300 of merchandise to cover the cost of membership. This level of purchases does not appear in the records provided.

The director also rents or sells equipment to the associated organization that is then donated by that organization to Davis. We are uncomfortable with these transactions as the director is closely tied to each organization. Since no documentation is provided, he is also the only person involved who knows the reason for the transactions. It does not make sense for the director to rent vehicles, trailers, rafts, and boat motors to the associated organization for Davis use instead of doing so directly with Davis. In dealing with the associated organization rather than dealing directly with Davis, the director avoids the controls in place at Davis and creates unnecessary confusion. In fact, records show that the director has rented some of this same equipment directly to Davis. Since 1992 the director has received over $1,900 from both organizations for these equipment rentals.

In another transaction, the director sold five tents to the associated organization for $500 and added other items he valued at $200 which he classified as contributions. For this he received a total payment of $700. It has never been made clear to us why he would itemize and sell equipment to the associated organization and receive a receipt for the sale calling the transaction a contribution. We were told that the tents and other equipment were then donated to Davis' Western Wilderness Institute. Again, we question why this transaction was processed through the associated organization and why, if the institute was in need of tents, the purchase of new tents was made through the associated organization. A similar transaction occurred in the exchange of used maintenance equipment sold to the associated organization by the director and transferred to Davis' maintenance shop.

A final concern with the associated organization's support of the Davis director relates to personal insurance coverage. The associated organization board agreed in 1996 to pay for personal insurance "umbrella" coverage for each board member. The associated organization has directly paid the director about $1,440, from petty cash since 1991 for additional automobile insurance coverage. The documentation for this charge is a letter from an insurance agent stating each years' additional charge if the director wanted "umbrella" coverage. These letters are not valid receipts. No other board member acted upon this benefit prior to 1996. Finally, we believe the director already has insurance coverage from a director/officer policy held by Davis. We are concerned because many of the above transactions which appear to personally benefit the director are financed through the associated organization's petty cash account managed by a Davis employee under the immediate supervision of the Davis director.

In addition to the above, the associated organization board has used its funding in support of other non-client care activities. The associated organization board has sponsored golf tournaments for themselves and selected Davis employees at a cost of $1,400. They have also purchased equipment for Davis maintenance and the Western Wilderness Institute at a cost of $7,000 which does not appear to be directly related to client care. The associated organization board also purchased art work for Davis. This art was painted by the Davis director's wife and was purchased for $500 but was assigned an indicated value of $970 allowing a $470 donation credited to the director's spouse. The associated organization board also spent funds in support of the volunteer board that would not be necessary if the funding were given directly to Davis. These expenses include $3,000 for board liability insurance and $12,000 for annual audits.

In conclusion, we believe that many associated organization charges are inappropriate and possibly in violation of the donation provider's wishes. We also believe that much of the funding is spent in ways that do not benefit Davis or its clients. The level of funding, although small, does not receive Davis board or financial office oversight, yet is viewed by the community as part of Davis and thus has an effect on Davis.

Chapter VI
Recommendations

The preceding chapters have identified a number of problems with the operations of the Davis Mental Health Center that directly relate to poor financial controls and insufficient oversight. These deficiencies are the theme running through the entire audit. Poor controls and insufficient oversight have allowed the executive director to abuse his business travel privileges, gain significantly from compensation and perquisites that are far above reasonable levels, operate a recreational program that is not necessarily in the best interest of Davis clients, and utilize funding from a second board in a manner unacceptable to the funding donors. Correction of these problems is not a simple fix that can be achieved by just altering organizational policies and procedures. The problems are pervasive and deeply embedded in the organizational structure and may need to be addressed by organizations beyond Davis management and the Davis Board.

Perhaps the most important issue to surface from this report is that of oversight. Mental health organizations are funded with federal flow-through monies entrusted to the state and state monies dedicated to mental health by the Utah State Legislature which are supplemented by county funds. Accompanying these funds is the expectation that they will be used efficiently and effectively when they are transferred to the custody of the state-approved mental health authority. The mental health authority (Davis County Commission), as in the case of Davis Mental Health, has elected to add another layer by entrusting the operation and funds to the board-controlled private corporation and that corporation's management. In effect, the commission has removed itself from some oversight functions. In adding layers to the system, if diligence isn't exercised, oversight may be reduced thus also weakening financial controls. We believe that the oversight and financial control of Davis Mental Health operations have, indeed, been compromised in this process, and that other mental health centers could have similar problems in the future if steps are not taken to prevent them.

The following are our recommendations to correct the problems identified in this report. The recommendations are addressed to a variety of organizations.

To the Davis County Commission:

1. We recommend that the Davis County Commission review this audit report and ensure the recommendations directed to the Davis Mental Health Board and Center are implemented and also take any other action they deem necessary.

2. We recommend that the Davis County Commission place all the fund raising, financial and other responsibilities of alcohol, drugs and mental health services under the Davis Mental Health Board and terminate its connection with the associated private funding organization.

3. We recommend the Davis County Commission review the actions taken by the Davis Mental Health Board and determine if it is in the best interest of Davis County to continue its current role as the county's mental health provider.

4. We recommend the Davis County Commission and Davis Mental Health Board review the organization's goals and objectives to determine if continuing a recreational therapy program is in the best interest of Davis County residents.

To the Office of the Utah Attorney General:

5. We recommend the Utah Attorney General review this audit report and take whatever action they deem necessary.

To the Davis Mental Health Center Board of Trustees:

6. We recommend the Davis Mental Health Board put in place procedures that allow a preapproval, review and reconciliation of all travel by the Davis Mental Health director.

7. We recommend the Davis Mental Health Board no longer approve employee spouse travel unless a written request is received that justifies such travel as being in the best interest of the center.

8. We recommend the Davis Mental Health Board ensure that the center improves the review process over executive travel and requires that airfare, hotel, and car rental charges are properly documented with receipts and only reimbursed at the actual cost on the receipt.

9. We recommend the Davis Mental Health Board develop a policy regarding the business use of frequent flyer passes and other coupons that does not allow an employee to receive income from their use.

10. We recommend the Davis Mental Health Board develop policy that does not allow any traveler to be reimbursed for both meal per diem and the actual cost of meals on the same trip. This policy should also require each traveler to report the time of departure and arrival back from a trip so the center is reimbursing the traveler only for meals consumed during the travel period. Finally, actual meals charged to the center should be well documented with names and purposes and other justification as may be necessary.

11. We recommend the Davis Mental Health Board develop a policy that no longer allows the center to authorize or subsidize recreational trips for non-client groups (such as church, scout, business, and family) .

12. We recommend the Davis Mental Health Board develop a policy requiring that all recreational equipment be stored at the center and be inventoried and properly controlled.

13. We recommend the Davis Mental Health Board ensure that recreational equipment be purchased through normal center purchasing channels and the director or other staff do not directly buy equipment except in case of an emergency.

14. We recommend the Davis Mental Health Board make clear it's policy regarding the personal use of both recreational equipment and telephones for long-distance calls.

15. We recommend that the Davis Mental Health Board review its policies and procedures over employee travel in an effort to eliminate past abuses.

16. We recommend the Davis Mental Health Board review the use of credit cards for all business purposes and set in place policies and procedures to insure that the use of cards is adequately controlled, documented, and reported.

17. We recommend, should the Western Wilderness program continue, that the program's business functions operate in compliance with Davis policies and be fully answerable to the Davis Mental Health Board.

18. We recommend, should the Western Wilderness program continue, that all activities be based on cost-effective service delivery that allows for the use of established outside providers.

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Agency Responses

REPORT TO

UTAH STATE LEGISLATURE

Report No. 97-07

A Performance Audit
of
Davis Mental Health Center Non-client Activities

November 1997

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