

March 24, 1999

President R. Lane Beattie, Co-chairman  
Speaker Martin R. Stephens, Co-chairman  
Members of the Audit Subcommittee  
State Capitol Building  
Salt Lake City, Utah 84114

**Subject: Follow-up Review of the Davis Mental Health Center  
Non-Client Activities** (Report # 99-02)

Dear Legislators:

As you requested, we have conducted a follow-up to **A Performance Audit of Davis Mental Health Center Non-Client Activities** (report #97-07) released in November 1997. Our follow-up work was done to assess what progress Davis Mental Health Center (Davis) has made since we issued the report. We are pleased to report that Davis has made substantial progress on our recommendations over the last year although some issues still need to be completed. We provide greater detail on these recommendations and the reported action taken by the center in this letter.

Our November 1997 audit report found a need for major improvements in certain administrative practices of the center. We reported significant concerns with poor center controls and insufficient oversight that allowed the director to abuse his business travel privileges and gain significantly from compensation and perquisites. We also reported on some significant concerns with the operation of a recreational therapy program that was not necessarily in the best interest of Davis clients. Finally, the report showed that the director used funding from a second board in a manner unacceptable to the funding donors.

Several important changes have occurred at Davis since we released our report. First, in December 1997, the director of the center resigned. His resignation came after the Davis Board of Trustees instituted disciplinary proceedings. Second, the board formed a search committee to recommend a new director and, after a national search, hired a new director. The new director began

President R. Lane Beattie  
Speaker Martin R. Stephens  
March 24, 1999  
Page 2

working in November 1998. Third, most Davis board members, responsible for oversight during the initial audit, have left as their terms expired, and new board members have been appointed. Finally, the Davis board was increased from nine to eleven members.

As a result of the audit, the Department of Human Services (DHS) requested a repayment of \$68,700 based on questioned costs identified in our report. The questioned costs included the 1995 and 1996 subsidies of recreational opportunities for private organizations and funds spent inappropriately in support of the center director and his family. DHS requested reimbursement for state funds and the federal funds that flow through DHS. Davis paid one-half of the \$68,700 in 1997 and the other half in 1998. The past director repaid Davis for some airfare and other overpayments.

## **Report Recommendations and Reported Action**

We listed all recommendations in Chapter VI of the original report. The recommendations were addressed to three separate groups: the Davis County Commission, the Attorney General of Utah, and the Board of Trustees of Davis Mental Health. We detail the individual recommendations and actions taken below.

### **Recommendations to the Davis County Commission:**

#### **Recommendation #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.*

#### **Reported Action: Implemented**

Since our report was issued describing administrative deficiencies at Davis, the Davis County Commission has been more involved with Davis Mental Health. As the mental health authority, the commission has the ultimate responsibility for state and federal funds. The commissioners have been involved in audit exit meetings and in choosing new board of trustee members. In addition, one commissioner is an ex-officio board member of Davis and has been actively involved in reviewing our audit and ensuring that Davis carries out the recommendations. To prevent future problems, the commissioners have placed the following additional oversight measures on Davis:

- Requiring the center to provide quarterly management reports to the commission beginning in December 1998.
- Requiring the center director to meet with the commissioners at least biannually.
- Requiring the Davis County internal auditors to conduct biannual in-depth administrative audits beginning in July 1999 and reporting their findings to the commission.

We reviewed the first quarterly management report and believe the report is informative. It details the challenges and needs in the various departments.

## **Recommendation #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.*

### **Reported Action: In Process**

Our initial audit found that an independent, nonprofit corporation was applying for private donations for Davis. Private donations, earmarked for Davis direct care services, were funneled through the associated organization creating an additional layer of management, cost, and confusion. The past director sat on the board of the associated organization and personally benefitted from some of these funds. The intent of this recommendation was to question the need for an associated organization and to eliminate this layer of overhead.

In November 1997, the Davis Board severed all ties with the associated private funding organization by board resolution. Specifically, the Davis Board stated that no employees or trustees of Davis should serve as board members or staff of the associated private funding organization; that Davis would no longer provide support services to the associated organization; and that Davis facilities would no longer be used by the associated organization. Finally, the Davis board instructed the center to pursue their own private donations.

In our follow-up we were told that all Davis employees resigned as board members of the associated private funding organization. Also, Davis is now doing their own fund raising. In 1998, Davis applied for and received the private donations that were previously funneled through the associated private funding organization.

Although the Davis board severed all ties with the associated organization, the associated

President R. Lane Beattie  
Speaker Martin R. Stephens  
March 24, 1999  
Page 4

organization still wants to be paid for four items they had previously donated to Davis i.e., two trailers originally purchased for \$4,300, a \$500 painting by the past director's spouse, and a \$2,700 sponsorship fee on two HUD homes. Davis plans to buy the trailers since they use them for client activities and return the painting. Davis also plans to pay for the sponsorship fee once they receive title to the HUD homes.

### **Recommendation #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.*

#### **Reported Action: Implemented**

Since the problems noted in the audit have been addressed by the Davis board, the commission has decided to continue the contract with Davis.

### **Recommendation #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.*

#### **Reported Action: Implemented**

The intent of this recommendation was to address the center's recreational therapy program, Western Wilderness Institute, that was inappropriately subsidizing high impact recreational opportunities for private organizations, including church groups, Boy Scouts and private businesses. After the audit, the county commission and Davis board reviewed the practice of high impact recreational therapy and decided to discontinue the Western Wilderness Institute. Davis terminated the part-time employees, reassigned the full-time employee and locked up the equipment. Davis will only provide recreational activities for center clients.

President R. Lane Beattie  
Speaker Martin R. Stephens  
March 24, 1999  
Page 5

## **Recommendation to the Office of the Utah Attorney General:**

### **Recommendation #5**

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

#### **Reported Action: In Process**

The Utah Attorney General's office is continuing their criminal investigation of the activities of the past director. They have not finalized a decision on criminal charges.

## **Recommendations to the Davis Mental Health Center Board of Trustees:**

### **Recommendation # 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.*

#### **Reported Action: In Process**

The Davis board implemented new travel policies in November 1997 that require all director travel, other than non-overnight, to be reviewed and pre-approved by the Davis CFO and a member of the board's executive committee. During our follow-up review we saw pre-approval forms, signed by a board member, for the acting director to attend two overnight meetings in 1998. Approval to travel to a third meeting was given in an executive board meeting, yet no travel request form was completed. A fourth meeting was discussed in an executive board meeting. A travel request form was completed for this meeting, but it was not signed. There was no documented pre-approval for a fifth meeting. We did not see any pre-approvals by the Davis CFO. It appears that pre-approval for the acting director's travel was not consistent nor did it comply with Davis policy.

The new travel policy also requires employees to submit an approved reimbursement form to the business office within 30 days of travel. In our follow-up we found that the acting director did not submit timely reimbursement forms because he was too busy. Instead, in November 1998, the acting director submitted reimbursement forms for all the trips he took that year. We reviewed the forms and found that they were incomplete because they did not show all expenses associated with

the trips. Instead, the acting director only listed expenses for which he wanted to be reimbursed. The reimbursement form is intended to be a reconciliation for all expenses paid by the center for each trip. Incomplete reconciliation forms appear to be a problem for some board members as well.

We reviewed the travel records for the new director who started working in November 1998. We found receipts and timely reimbursement requests for her travel.

### **Recommendation #7**

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

#### **Reported Action: Implemented**

The Davis board implemented a new travel policy in November 1997, specifically stating that they do not reimburse travel expenses for a companion/spouse. During our follow-up review, we did not find any reimbursement for spouse expenses.

### **Recommendation #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.*

#### **Reported Action: In Process**

The Davis Board implemented new travel policies in November 1997 specifically stating that original receipts for all airfare, hotel, car rental, taxi, parking and meals in excess of allowed per diem were required for reimbursement. Our follow-up audit showed that most travelers submitted receipts for expenses for which they wanted to be reimbursed. However, if expenses were paid directly by Davis, some board members did not complete a travel reimbursement form or provide any receipts.

In our opinion, Davis should eliminate the practice of prepaying travel expenses for board members. Instead, we believe they should follow their policy that states that travelers should

charge their travel to credit cards, for which they are responsible, and receive reimbursement upon the submission of the required forms and receipts. Also, Davis policy should more clearly state that travelers must reconcile all travel expenses, especially advance per diem, and that all expenses related to a trip be included on the reconciliation form.

### **Recommendation #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.*

#### **Reported Action: Implemented**

The intent of this recommendation was to eliminate a practice of the past director who received reimbursements for airfare expenses based on false or misleading documents. The documents implied that the director had personally incurred relatively high airfare costs when, in fact, he had actually flown free or on less expensive tickets.

The Davis board implemented a new travel policy on November 1, 1997, specifically stating that the center will not reimburse an employee for the value of frequent flyer/damage coupons, even when used for center travel. Our follow-up audit did not show any reimbursement for frequent flyer passes or coupons.

### **Recommendation #10**

*We recommend the Davis Mental Health Board develop a 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 return time 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.*

#### **Reported Action: In Process**

The intent of this three-part recommendation was to eliminate the practices of the past director to receive meal per diem and reimbursement for the same meals, receive per diem for a full day even

though he was not traveling for a full day, and buying meals for people without adequate documentation.

No formal travel policy disallows a traveler from being reimbursed for both meal per diem and the actual cost of meals on the same trip. In our follow-up we did not identify any employee that received a meal per diem and a reimbursement for the cost of the meal.

However, we do have a concern with meal per diem. The travel policy, updated in September 1998, added a sentence stating that meal per diem does not need to be reconciled. In our follow-up, we found an instance where Davis paid an advance meal per diem to a board member. When the traveler was on the trip, another organization paid for the same meal. Since the traveler did not reconcile the meal per diem, the traveler received a double benefit for this meal. Travelers should reconcile all expenses including meal per diem at the end of a trip. A reconciliation of travel advances to actual expenses is necessary to determine if any money needs to be paid to the traveler or repaid to the center. A reconciliation is necessary because actual expenses may not necessarily be what was advanced before a trip.

A written policy was established implementing the second part of the recommendation. Specifically, Davis set the meal per diem by the time of day the employee leaves and the time of day he returns to ensure that reimbursements are for meals consumed during the travel period.

Davis did not establish written policy for the third portion of the recommendation that requires detailed information (i.e., names, a business purpose) for actual meals charged by employees while on Davis business. In our follow-up, we found a reimbursement request by a manager without any detailed information showing the names of the people at the meal or the business purpose for the meal. Davis should establish policies in this area. The business office should also return items unpaid that do not have the required documentation.

## **Recommendation #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, scouts, business, and family).*

**Reported Action: Implemented**

In November 1997, the Davis board discontinued the Western Wilderness Institute. Consequently, Davis did not provide any recreational trips for non-client groups.

### **Recommendation #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.*

#### **Reported Action: In Process**

The intent of this recommendation was to address the lack of management controls over recreational equipment resulting in lost inventory. In the previous audit we found no master inventory list, no guidelines for checking equipment in and out, and no physical security over inventory. In addition, the equipment was stored in various locations, including the past director's home. After our audit, Davis employees secured all the recreational equipment they could find in a center storage shed, limited access to the shed, and created a master inventory list. Since there was no inventory list before this time, there is no way of knowing if any equipment was missing.

During our follow-up we found that the center had made a lot of progress to organize and secure the recreational equipment. However, some of the equipment was not labeled or identified as Davis property. Davis also started a system that allows center program directors to check out the equipment for recreational trips with clients. Water equipment, originally used by the Western Wilderness Institute, is not available for check out and will be sold in the future.

### **Recommendation #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.*

#### **Reported Action: In Process**

The intent of this recommendation was to address the problems we encountered with the past director and others purchasing recreational equipment without any management control. During our follow-up audit, we found very limited recreational equipment purchases in 1998. The new director is establishing new center purchasing policies that will centralize all purchases (except emergency items) under one purchasing agent and a purchasing committee.

#### **Recommendation #14**

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

#### **Reported Action: In Process**

The intent of this recommendation was to clear up discrepancies between office policies and executive board minutes regarding the personal use of equipment. Office policies did not allow the personal use of office equipment; however, executive committee minutes stated that staff could use equipment such as trailers, camping gear, boats, copy machines, phone, etc. for personal use.

In November 1997, the Davis board reaffirmed the policy that center equipment and facilities—specifically, staff lunches, long distance telephone calls, and copiers—are only to be used in performance of center business. The resolution did not address recreational equipment. Since the personal use of recreational equipment was such a problem, as mentioned in our original report, we recommend that Davis policies specifically prohibit personal use of recreational equipment.

#### **Recommendation #15**

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

#### **Reported Action: In Process**

The intent of this recommendation was to review all travel policies and procedures beyond those specifically mentioned in recommendations number six to ten. Examples of abuses discovered in our previous audit, but not specifically mentioned in the recommendations, were the past director charging the center for personal expenses incurred when he extended business trips for personal reasons and requesting reimbursement for lunch per diem whenever he left the county. The travel policy does not currently address these concerns; however, the center plans to clarify their policies in these areas.

## **Recommendation #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.*

### **Reported Action: Implemented**

The intent of this recommendation was to address the problems we discovered that related to the past director using center credit cards to charge airfare for personal trips, airfare for his spouse, and recreational equipment purchases. Because Davis paid the bills directly, these purchases bypassed all controls.

After our report was issued, Davis canceled the center credit cards and issued new credit cards to some Davis employees to be used for travel. The new cards are issued in both the name of the employee and the center. Billing, however, is directed to the employee and not the center. Davis also opened a separate business travel account for charging airfare.

In our follow-up review, we found confusion regarding when to use the business travel account. The travel coordinator tried to pay hotel expenses using the business travel account. Since the business travel account is a restricted account for airfare only, the expenses could not be paid. Additional steps were created for the business office, and the hotel assessed late payment fees. With the help of state travel personnel, Davis now can issue individual credit cards to all travelers. To streamline the travel reimbursement process, we recommend that center policies are followed which state that travelers should charge all travel expenses (except airfare and registration fees) to their own cards and receive reimbursement upon the submission of the required forms and receipts.

We also found that the center has another center credit card they use to charge items they order by phone and to pay for monthly computer fees. We recommend this credit card be used infrequently and that Davis should only pay charges with receipts.

## **Recommendation #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.*

President R. Lane Beattie  
Speaker Martin R. Stephens  
March 24, 1999  
Page 12

**Reported Action: Implemented**

The board completed a comprehensive review and decided to eliminate the Western Wilderness Institute both as a name and a function.

**Recommendation #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.*

**Reported Action: Implemented**

Davis discontinued Western Wilderness, both as a name and a function. No high impact recreational activities were provided to Davis clients in 1998. In the future, if high impact therapeutic recreation is to be provided to Davis clients, it will be provided using established outside providers.

We hope this letter gives you the information you need. A response from the Davis Mental Health Board of Trustees is attached. If you would like additional information or further clarification of any point, please feel free to contact our office.

Sincerely,

Wayne L. Welsh  
Auditor General

WLW:MGS/lm