

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Management and Fiscal Audit of the Hawaii State Hospital

Summary

The Hawaii State Legislature directed the Office of the Auditor to conduct a management, fiscal, and staffing audit of the Hawaii State Hospital through Section 31 of Act 218, 1995 Regular Session. The impetus of the audit stemmed from years of negative media attention on the hospital's poor condition and poor patient care, the U.S. Department of Justice's settlement agreement with the hospital, and most recently, the federal court's decision holding the hospital in contempt for not fulfilling the settlement agreement.

We reviewed whether the hospital is managed to reflect its mission, functions, and responsibilities. We contracted with the certified public accounting firm of KPMG Peat Marwick LLP to conduct a fiscal review of the state hospital to determine whether the hospital's fiscal activities are appropriate and reasonable and provide useful financial information.

We found that past administrations failed to properly manage the Hawaii State Hospital. Personnel management has been allowed to deteriorate to the point that employee absenteeism is rampant and discipline unenforceable. Stewardship of state property and funds has been non-existent, and repeated warning flags went unheeded or ignored. Detrimental practices are so ingrained in the fabric of hospital operations as to put the new hospital superintendent at a severe disadvantage in making changes. The new superintendent has made some improvements in personnel management and other areas, but many problems remain.

We found that the hospital lacked sufficient personnel policies and procedures. Chronic absenteeism has contributed to excessive overtime costs. The lack of personnel policies and procedures has made it impossible to discipline employees. We also found that the state hospital's financial management is weak. Hospital management does not administer and thus is not accountable for its purchasing and payroll functions. The hospital's business and personnel staff are underutilized.

Additionally, the state hospital has not exercised prudence in its heavily subsidized employee meals program which costs the State \$300,000 a year. Hospital employees have enjoyed 40 cent meals while meal service costs have risen to more than \$5 per meal.



Inventory controls are lacking for gasoline, janitorial, and food services and supplies. Gasoline use is self-service on an honor system. Patient clothing and linen supplies are not monitored or verified for inventory control levels. There are no inventory records for supplies which allow for determination of unjustifiable and unexplainable inventory shortages. Finally, the hospital needs to address problems associated with its forensic (court-ordered) population.

Recommendations and Response

We recommend that the Department of Health and the Hawaii State Hospital strengthen their personnel policies and procedures to reduce absenteeism and grievances and to better guide hospital employees in their work. Employees' pay should be discontinued when leave is unauthorized and forms are unsigned.

The department and the hospital should evaluate the current purchasing and payroll processes for inefficiencies and make improvements. Purchased professional services from the University of Hawaii should be negotiated by the hospital superintendent for better results. We also recommend that the hospital better utilize its business and personnel office staff and improve the supervisory and record-keeping controls of the industrial therapy program.

We recommend that the department and the hospital reconsider the perquisite practice of subsidized meals for hospital employees. Additionally, the hospital should strengthen its inventory controls by controlling access to the hospital's gasoline pump and requiring appropriate inventory recordkeeping at the housekeeping and dietary units. Finally, the hospital should continue its efforts in addressing the problems associated with its forensic patient population.

The Department of Health responded that, overall, it agrees with the report's summary and findings, as well as its recommendations. The department commented that the report seems objective and fairly presented. It also added comments and clarified information provided in the draft, some of which we incorporated in the report.

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