

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Audit of the Big Island Pilot Project on Mental Health Services

Summary

The Hawaii State Legislature requested the Office of the Auditor to conduct a financial and management audit of the Big Island Pilot Project on Mental Health Services through House Concurrent Resolution 250, H.D. 1, 1997 Regular Session. The audit was requested because of concerns raised about the cost, quality, and availability of mental health services to 1500 children and youth under the Department of Health's contract with Kapi'olani HealthHawaii for the Big Island Pilot Project. Concerns were also raised about whether the project was meeting the requirements of the *Felix v. Waihee* consent decree. The pilot project entailed contracting with a nonprofit organization to authorize services and secure and pay service coordinators and providers.

We found that the Child and Adolescent Mental Health Division of the Department of Health failed to manage the \$8.8 million contract to ensure that services were provided professionally and cost effectively. Critical contract terms were not enforced and public funds were needlessly paid out of the state treasury. The division overpaid Kapi'olani HealthHawaii between \$2.3 and \$3.5 million for services not rendered. The \$3 million emergency appropriation was not necessary. The division has not ensured that Kapi'olani HealthHawaii's management controls over services are sufficient. As a result, there are no assurances that services are provided by qualified personnel or that the services are effective.

In addition, the division has disregarded its fiscal responsibilities by making payments without proper support. It has allowed Kapi'olani HealthHawaii to pay providers for services that had not been previously authorized and to pay providers \$385,000 without required documentation. Finally, coordination among entities responsible for determining eligibility and providing services to children has been lacking, but efforts to improve have begun.

Recommendations and Response

We recommend that the director of health ensure that the Child and Adolescent Mental Health Division is staffed appropriately to manage and enforce its contract with Kapi'olani HealthHawaii. The division should enforce the terms of its contract so that only authorized services are provided, the required quality assurance activities are performed, and payments are made only for services actually rendered. The division should stop advancing moneys without adequate



support. We also recommend that the governor, the superintendent of education, and the director of health continue efforts to work together on the pilot project. In addition, the director of health should consider utilizing Family Guidance Center staff to provide services.

The department feels that some of our recommendations merit consideration, but that our report does not acknowledge the “significant efforts” of its division and its contractor nor the many activities of its liaison and the 1997 quality assurance initiatives of its contractor.

The department attributes its overestimation of its budget needs to the limited start-up period of the project. But its discussion of the 71 percent ratio of services rendered to services authorized does not respond to the point we make—that, for FY1996-97, the department overpaid Kapi’olani HealthHawaii.

The department agrees that the division’s current organizational structure does not allow for optimum contract monitoring efforts. It has recently recruited a contracts supervisor but we believe that problems will persist if the department continues to view its role as that of a “contract monitor” instead of a “contract manager.” Public funds must be managed to ensure that desired results are achieved. Contractors entrusted with public funds should also be managed, not monitored, for the same reason.

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