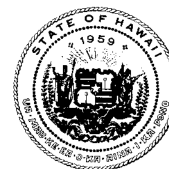
Audit of Kalaupapa Settlement Operations and Expenditures

A Report to the Governor and the Legislature of the State of Hawaii

Report No. 03-15
December 2003



THE AUDITOR
STATE OF HAWAII

The Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawaii State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, the office conducts the following types of examinations:

1. *Financial audits* attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.

2. *Management audits*, which are also referred to as *performance audits*, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called *program audits*, when they focus on whether programs are attaining the objectives and results expected of them, and *operations audits*, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.

3. *Sunset evaluations* evaluate new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with criteria established by statute.

4. *Sunrise analyses* are similar to sunset evaluations, but they apply to proposed rather than existing regulatory programs. Before a new professional and occupational licensing program can be enacted, the statutes require that the measure be analyzed by the Office of the Auditor as to its probable effects.

5. *Health insurance analyses* examine bills that propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Auditor for an assessment of the social and financial impact of the proposed measure.

6. *Analyses of proposed special funds* and existing *trust and revolving funds* determine if proposals to establish these funds are existing funds meet legislative criteria.

7. *Procurement compliance audits* and other *procurement-related monitoring* assist the Legislature in overseeing government procurement practices.

8. *Fiscal accountability reports* analyze expenditures by the state Department of Education in various areas.

9. *Special studies* respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

Hawaii's laws provide the Auditor with broad powers to examine all books, records, files, papers, and documents and all financial affairs of every agency. The Auditor also has the authority to summon persons to produce records and to question persons under oath. However, the Office of the Auditor exercises no control function, and its authority is limited to reviewing, evaluating, and reporting on its findings and recommendations to the Legislature and the Governor.

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OVERVIEW

Audit of Kalaupapa Settlement Operations and Expenditures

Report No. 03-15, December 2003

Summary

In 1865, Kalaupapa, in Kalawao County on the island of Moloka`i, was chosen as the site for the quarantine of Hansen's disease patients. Over the years, nearly 9,000 people have been quarantined. In 1969, the State repealed its mandatory isolation policy for Hansen's disease care as effective medical treatment for the disease had been discovered. Chapter 326, Hawai`i Revised Statues, however, was established to allow Hansen's disease sufferers to reside in Kalaupapa for the rest of their lives if they so chose, and committed the State to providing for their care. Today, there are 39 patients living under the Department of Health's charge in Kalaupapa. We found that while the department has met the medical needs of the patients, it has been remiss in addressing non-medical needs and has exercised poor oversight of the settlement's operations. Formal rulemaking has been limited and development of policies and procedures for non-medical needs were ignored, contributing to perceptions of abuse and unfair treatment in several administrative practices.

Patients' concerns were not taken seriously by the department or Kalaupapa administration, resulting in patient frustration. For example, the department relies on the Patients' Advisory Council to remedy complaints. However, the council's effectiveness and activity has waned over the years as patients became older and medical conditions prevented their active participation. Until shortly after the initiation of our audit in June 2003, the department admitted that it had not met with the council in over two years. The main source of frustration for patients has been the Kalaupapa administrator, whom patients characterize as abusive, rude, and lacking in compassion. Despite patient concerns, the administrator received consistently high marks from his superiors.

The department did not ensure the competency of the administrator or compliance with his job requirements. Although he met the class specifications for his position, he lacked the background and experience to work with the elderly and those with special needs. Nevertheless, the department has not provided him with any training in these important areas.

The department did not ensure that the administrator established adequate safeguards over state property. We tested 27 inventory items for compliance with state inventory requirements and found that 25 items were not reconcilable to the inventory list. Additionally, settlement employees were not affixing state identification tags to state property, making them subject to potential theft and loss. Moreover, federal employees were placed in charge of state property.

The administrator authorized excess compensation to settlement staff. Our review of employee trail pay disbursements and air travel reimbursements revealed that eight employees received excessive travel compensation. Excessive pay included

75 roundtrip airfare reimbursements to four employees in excess of collective bargaining agreements totaling over $6,500. One individual received over $3,000 in excess air travel reimbursement. Another four employees received 22 hours of excessive trail pay.

The department does not have written justification for its food credit program and cannot explain how it benefits settlement operations. This is a departmental program that allows certain individuals to make weekly food and other supply purchases from a commercial market outside the settlement, as opposed to taking meals in the dining facility like other employees. In 2002, the department spent over $12,600 for five participants without any formal written policies or procedures regarding eligibility requirements, spending limits, or limitations on the kinds of goods that can be purchased.

The department could not justify why it allows state employees to receive state-funded household supplies. Through past practice, the State provided employees with such household goods as laundry detergent, toilet paper and paper towels. In May 1999, the department attempted to cease providing such goods to employees, citing fiscal constraints. Grievances filed by two employee unions thwarted the department. Our review found no evidence documenting when, why, or how the household supplies were historically provided to employees or their cost.

Finally, we found that the department's poor oversight extends to its inability to distinguish between patient and non-patient costs. For example, the department was unable to determine how much it spent to provide employees with household supplies or to maintain employee housing. Likewise, purchases made at the Kalaupapa store are not tracked separately for patients and non-patients.

Recommendations and Response

We made several recommendations to the Department of Health to improve Kalaupapa operations. We suggest that the department draft formal policies and procedures and appropriate administrative rules, update position descriptions and provide necessary training, and track patient and non-patient costs separately. We also recommended that the Legislature take action to ensure that the department addresses problem areas.

The department appeared to generally agree with our findings, specifically expressing pleasure with our finding that it is in compliance with its statutory obligations regarding patients' medical and basic living needs. The department noted that in those instances where our report identified clear failure to adhere to state and department policies and procedures, corrective actions have already been initiated or will be implemented shortly. The department also provided additional background information for several issues raised in the report.

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Audit of Kalaupapa Settlement Operations and Expenditures

A Report to the Governor and the Legislature of the State of Hawaii

Submitted by

THE AUDITOR
STATE OF HAWAII

Report No. 03-15
December 2003

Foreword

This is a report of our operations and expenditures audit of Kalaupapa Settlement, which is operated by the Department of Health. The audit was conducted pursuant to House Concurrent Resolution 165 of the 2003 Regular Session.

We wish to express our appreciation for the cooperation and assistance extended to us by officials and staff of the department's Hansen's Disease Branch, Kalaupapa Settlement, and others whom we contacted during the course of this audit.

Marion M. Higa
State Auditor

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Chapter 1

Introduction

This audit was conducted pursuant to House Concurrent Resolution 165, House Draft 1 (HCR 165, HD1) of the 2003 Legislature. Kalaupapa Settlement is a quarantine community that was established in 1865 for Hansen's disease patients. The resolution requesting the Auditor to conduct an audit of operations and expenditures relating to the settlement was prompted by concerns expressed by its remaining residents. In public testimony on HCR 165, the chair of the Kalaupapa Patients' Advisory Council noted that individuals and groups have raised many issues with Department of Health administration both in Kalaupapa and Honolulu and received virtually no follow-up.

Residents of Kalaupapa alleged that skewed expenditures give civil service workers more benefits than a prudent policy would allow; inappropriate spending could harm future allocations for services in Kalaupapa; and various staff practices were contrary to civil service policy. Media reports also aired concerns about government workers receiving free goods while patients were forced to pay for the same type of goods with their own funds.

Specifically, HCR 165, HD1 asks the Auditor to:

1. Address concerns and issues raised in the resolution and any others that may arise during the course of the audit. They include:

    - Unwarranted trail pay for certain workers;
    - Purchase of appliances and other equipment for staff, while patients are required to pay for these items with their own funds;
    - Overtime abuse, including inappropriate application of flextime and stand-by time;
    - Reduction in the hours of operation of the only store in Kalaupapa;
    - Purchase of merchandise in excess of residents' needs and the disposing of the excess inventory; and
    - Preferential treatment and care received by workers over patients' needs.

2. Make recommendations on how moneys appropriated to care for Hansen's disease patients could be best allocated and expended to ensure the best care and treatment of patients.

The resolution further directed the Auditor to submit a report of findings and recommendations to the Legislature no later than twenty days prior to the 2004 Regular Session and directed the House Finance and Senate Ways and Means committees to hold public information briefings on the report.

Background

In 1865, Kalaupapa, in Kalawao County on the island of Moloka`i, was chosen as the site for the quarantine of Hansen's disease (also known as leprosy) patients based on its geographical characteristics. Surrounded by rough seas on two sides and 2,000-foot sea cliffs on the third, the peninsula is accessible only by flying into the small airstrip on propeller planes or by walking down the 2.4-mile cliff trail.

Over the years, nearly 9,000 people with Hansen's disease have been quarantined at Kalaupapa, which became their home and final resting place. Before effective treatment, life expectancy after arriving at the settlement was eight years. Death might have followed the progression of massive numbers of the organism, *Mycobacterium leprae*, into the upper respiratory airways, requiring tracheotomies and other supportive measures. But most commonly, death was caused by secondary *septicemia* to infected wounds occurring in desensitized hands and feet.

Medical breakthrough in Hansen's disease treatment

In 1946, medical researchers discovered the first effective treatment of Hansen's disease with the use of *sulfones*. Eventually, *prednisone, thalidomide* and the multi-drug therapy of *dapsone, rifampin,* and *clofazimine* revolutionized the treatment of Hansen's disease. It eliminated the fear of transmission to others and nearly eradicated the complications that led to disabilities and harsh disfigurement otherwise resulting from the disease.

Hawai`i's mandatory isolation policy is abolished

In 1969, Hawai`i repealed its mandatory isolation policy for Hansen's disease care; no new patients were sent to Kalaupapa. In recognition of the difficulties and injustices these patients endured, Chapter 326, Hawai`i Revised Statutes (HRS), Hansen's disease, was established to provide Hansen's disease sufferers with care and treatment for the rest of their lives. The law also allowed the remaining patient-residents of Kalaupapa to stay there as long as they chose, regardless of whether or not they had been successfully treated.

Section 326-40, HRS states:

> The legislature finds that Hawai`i's Hansen's disease victims have in many ways symbolized the plight of those afflicted with this disease throughout the world. Their sufferings and social deprivations helped eventually to bring the story of the disease and an understanding of its health ravages to people everywhere. Those patients who settled in Kalaupapa remain a living memorial to a long history of tragic separation, readjustment, and endurance.
>
> It is the policy of the State that the patient residents of Kalaupapa shall be accorded adequate health care and other services for the remainder of their lives. Furthermore, it is the policy of the State that any patient resident of Kalaupapa desiring to remain at the facility shall be permitted to do so for as long as that patient may choose, regardless of whether or not the patient has been successfully treated.

Kalaupapa Settlement operations in the 21st century

As of August 2003, Kalaupapa had 39 registered patients. Approximately 28 patients were full-time residents, living in state-owned homes within the settlement. The rest were divided between the Kalaupapa Care Home, Hale Mohalu Hospital in Honolulu, and residences outside the settlement. All patients are provided with meal rations and a modest stipend for clothing and other personal expenses. Some patients earn income by working in the settlement, while others rely on social security or pension benefits.

Population profile

Over the past 20 years, patient deaths have averaged about four per year. The average age of the patient population is 75 years; the youngest is 60 years old. As the population ages, the expectation would be an increase in deaths; however the opposite seems to be occurring. Patient deaths have shown a steady decline from seven in 1998 to only two in 2002 (four deaths in 1999, three in 2000, and three in 2001). An in-house study conducted by the Department of Health applied life insurance life expectancy tables to evaluate the surviving patients in 2000 and projected 15 surviving patients in 2018.

Kalaupapa is designated a National Historical Park

In December 1980, the U.S. National Park Service designated Kalaupapa a National Historical Park under Public Law 96-565. The law also charged the park service with the preservation and interpretation of Kalaupapa and its history. Similar to state law, the federal law also

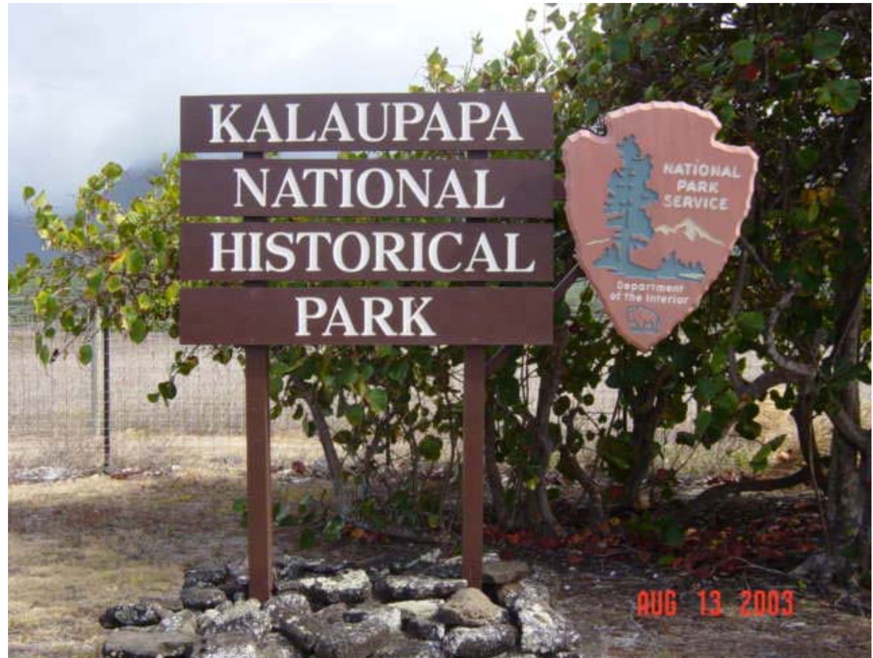
Photo 1.1

This sign, posted near the Kalaupapa Airport, gives residents and visitors timely census information regarding Kalaupapa Settlement.

stipulated that the remaining patients could live in Kalaupapa as long as they wished and provided some funding for community maintenance.

In 1984, the Department of Health and the park service entered into a 20-year cooperative agreement to carry out Public Law 96-565 and continue the State's obligations to the residents of Kalaupapa. This cooperative agreement, which was set to expire on March 30, 2004, was extended an additional 20 years in August 2002 for the period April 1, 2004 to March 30, 2024.

Photo 1.2



Kalaupapa National Historical Park was established in 1980 through Public Law 96-565. The Department of Health and the park service have a cooperative agreement to carry out the provisions of both state and federal law through March 2024.

Some of Kalaupapa's infrastructure needs are turned over to the park service

Since 1980, the department and the park service have shared infrastructure responsibilities within the settlement. In 2001, the park service assumed responsibility for the annual barge service, which entails the shipment of heavy freight, hospital supplies, nonperishable foods, and bulk paper goods to the settlement. Over those 20-plus years, and as funding became available to the park service, the department transitioned some of its major infrastructure responsibilities to the park service in anticipation of the State's eventual departure. For example, the federal government now operates the settlement's water source and distribution system. The park service will be requesting additional funds to make further improvements to the water system.

The settlement's electrical distribution system and all other electrical responsibilities have taken three years to transition and update, and should be completely transferred to the park service by the end of 2004. By 2005, the park service plans to upgrade the archaic electrical system at a cost of $3.7 million. The department and park service also plan to

utilize two electric vehicles to test their cost-effectiveness and reduce the settlement's dependence on fossil fuels.

A three-year schedule for transfer of the settlement's landfill responsibility and operations from the department to the park service has also been developed. The transfer will involve closing the department's existing landfill and construction of a new one by the park service. The park service is also planning to construct a sewage treatment plant for high volume areas in the settlement.

In order to meet its mandate of preserving, researching, and interpreting the Kalaupapa community and its history, the park service is conducting a preservation project to stabilize 39 settlement structures and will construct a curatorial building for the storage and preservation of artifacts. The curatorial building, the first new structure in the settlement since the early 1970s, will be completed by the end of 2004 at a cost of approximately $4.3 million.

Hansen's Disease Branch program objectives and funding

The Department of Health's Hansen's Disease Branch (HTH 111), overseen by the Communicable Disease Division, supports three major program areas:

1. Hansen's Disease Medical Section;

2. Kalaupapa Institution Facilities Section; and

3. Hansen's Disease Community Program Section.

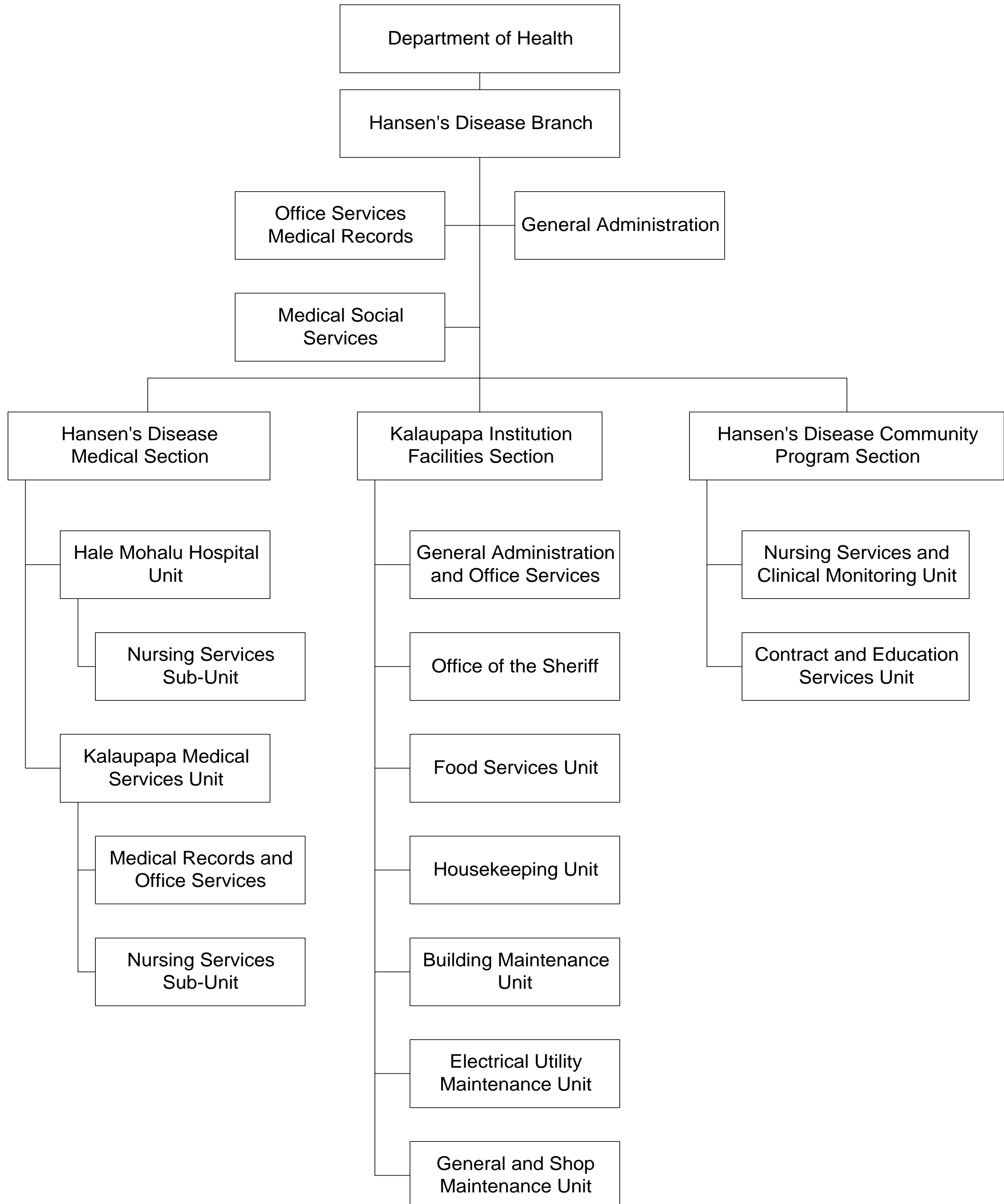
The Medical Section administers medical services for Kalaupapa patients while the Institution Facilities Section administers the settlement's operations. The Community Program section, which provides outpatient educational and evaluation services, does not affect Kalaupapa operations. Exhibit 1.1 presents an organization chart for the Hansen's Disease Branch programs.

The objectives of the Hansen's Disease Branch are to:

1. Provide long-term care to Hansen's disease patients who have been disabled either directly from pathological effects of the disease or psychologically or socially from the effects of prolonged institutionalization; and

2. Reduce the incidence of Hansen's disease among outpatients in the State and minimize its debilitating effects by providing effective prevention, detection, treatment, and educational services.

Exhibit 1.1
Organization of the Hansen's Disease Branch



Source: Hansen's Disease Branch, Department of Health

In FY2002-03, the branch, which employed 74 full-time equivalent (FTE) positions, projected operating expenditures of approximately $5.2 million. The branch received general fund appropriations of almost $4.3 million and another $696,000 in federal funds. Exhibit 1.2 details the projected expenditures for the Hansen's Disease Branch programs for FY2002-03.

Exhibit 1.2
Projected Expenditures for Hansen's Disease Branch, FY2002-03

	Act 177, SLH 2002 FY2002-03 Appropriation	Collective Bargaining	Transfer In/(Out)	Net Allocation	Estimated Total Expenditure
No. positions	(74.00)			(74.00)	(74.00)
Salaries	$3,157,062	$285,132	$-33,105	$3,409,089	$3,409,089
Other current expenses	$1,835,084		$33,105	$1,868,189	$1,868,189
TOTALS	$4,992,146	$285,132		$5,277,278	$5,277,278
Less:					
Positions	(3.00)			(3.00)	(3.00)
N—Federal Funds	$695,669			$695,669	$695,669
NET STATE EXPENDITURE					
Positions	(71.00)			(71.00)	(71.00)
A—General Fund	$4,296,477	$285,132		$4,581,609	$4,581,609

Source: Department of Health

Note: Although this is primarily a general-funded program, the State is reimbursed by the federal government for care and treatment provided to Hansen's disease patients in the State's own facilities up to the extent of available appropriations. Current appropriations available for FY2002-03 were approximately $2 million. The federal receipt is deposited as reimbursement to the State's general fund.

One of the branch's programs is to operate the Kalaupapa facility as a medically administered residential community for long-term Hansen's disease patients. Specifically, the facility provides general and specialty medical care with a part-time physician and staff for the 14-bed medical facility. Home health care services are provided to those able to live semi-independently. The facility also provides all other services required to support a geographically isolated community, including administrative and managerial services, maintenance and repair services, transportation and communication services, and so on.

The program also provides care for Kalaupapa registry patients including specialized medical care, treatment that may not be available or sufficient for patients at Kalaupapa, and patient medical social services.

Kalaupapa Settlement funding

Kalaupapa Settlement operation's general fund appropriations have increased approximately 10.2 percent over the past five fiscal years. The most significant increase was in payroll, which rose nearly 14.2 percent between FY1998-99 and FY2002-03, despite a position count that remained at 49 during the same time period. General fund appropriations for FY1998-99 through FY2002-03 are detailed in Exhibit 1.3.

Exhibit 1.3
Kalaupapa Settlement Operating Budget (General Funds)
FY1998-99 to FY2002-03

	FY1998-99	FY1999-00	FY2000-01	FY2001-02	FY2002-03
No. positions	(49.00)	(49.00)	(49.00)	(49.00)	(49.00)
Salaries – staff	$1,451,315	$1,478,290	$1,478,290	$1,595,029	$1,540,589
Salaries – patients	$80,000	$80,000	$80,000	$80,000	$80,000
Collective bargaining total	$47,520	$116,739	$116,739	$92,765	$181,914
	----------------	----------------	----------------	----------------	----------------
	(49.00)	(49.00)	(49.00)	(49.00)	(49.00)
Sub-total	$1,578,835	$1,675,029	$1,675,029	$1,767,794	$1,802,503
Other current expenses (less restrictions)	$950,789	$950,789	$950,789	$1,001,390	$1,012,390
Pension base	$102,823	$102,823	$102,823	$102,823	$102,823
Pension bonus	$157,315	$157,315	$157,315	$157,315	$157,315
	----------------	----------------	----------------	----------------	----------------
Sub-total	$1,210,927	$1,210,927	$1,210,927	$1,261,528	$1,272,528
Equipment	0	0	0	0	0
Motor vehicles	0	0	0	$11,000	0
	----------------	----------------	----------------	----------------	----------------
TOTAL POSITIONS	(49.00)	(49.00)	(49.00)	(49.00)	(49.00)
TOTAL FUNDS	$2,789,762	$2,885,956	$2,885,956	$3,040,322	$3,075,031

Source: Department of Health

Patients' Advisory Council

The Patients' Advisory Council was organized in 1965 with the support of the then director of health. It was intended to serve as an advisory body to the department and was to consist entirely of Kalaupapa patients elected by their peers to various terms of office. According to the council's constitution, the council's purpose is to provide the patient body a forum to make known their individual and collective views on matters affecting their personal welfare and the general welfare of the institution.

The council consists of a chair and six members. Regular meetings are held in alternate months, beginning in January. Special meetings of the council may also be convened. The council requires a quorum to conduct its business.

Audit Objectives

The objectives of the audit were to:

1. Assess whether the Department of Health is fulfilling its responsibilities to the residents of Kalaupapa.

2. Make recommendations as appropriate.

Scope and Methodology

Our audit focused on determining whether the Department of Health is fulfilling its obligations to the patients residing in Kalaupapa in terms of meeting their medical and other basic needs. We also reviewed settlement operations, including program expenditures, management controls, and personnel costs.

We reviewed pertinent laws, rules, audits, reports, and studies relating to Kalaupapa. We obtained patient feedback through interviews and a questionnaire; we also interviewed the Hansen's Disease Branch administrator, Kalaupapa settlement administrator, and business services supervisor. We reviewed applicable policies and procedures, inventory controls, purchase orders and receipts, personnel files, collective bargaining agreements, employee benefits, and financial documents. Our fieldwork included reviewing documents and interviewing subjects in both the Hansen's Disease Branch office in Honolulu and Kalaupapa Settlement. We focused primarily on expenditures made by the settlement in CY2002.

The audit was conducted from May 2003 through September 2003 in accordance with generally accepted government auditing standards.

Chapter 2

The Department of Health's Inattention to Kalaupapa Patient Non-Medical Needs and Settlement Operations Has Resulted in Patient Dissatisfaction and Mismanagement of Settlement Resources

The Department of Health has been remiss in its oversight of Kalaupapa operations. The State has an obligation to the patient-residents of Kalaupapa as expressed in Section 326-40, HRS. We found that the patients residing in Kalaupapa were generally satisfied with how medical care was provided and other basic needs were met by the Department of Health. The department's failure to clarify vague statutory language has resulted, however, in patient dissatisfaction. Patients have experienced further frustration with the department and Kalaupapa administrator's minimal response to quality of life issues. If the department had provided Kalaupapa residents with a useful forum to discuss their concerns, the level of resentment against the department would not have escalated.

Summary of Findings

1. The Department of Health has provided for medical and basic living needs, but has not addressed other patient needs or promoted a positive living environment.

2. The Department of Health's poor oversight of Kalaupapa operations resulted in mismanagement of state resources and some undue benefit to employees.

The Department of Health Has Provided for Medical and Basic Living Needs, But Has Not Addressed Other Patient Needs or Promoted a Positive Living Environment

The Department of Health has provided adequate medical care to Kalaupapa patients as prescribed in Chapter 326, HRS. However, the department has failed to uphold the spirit of the statute in meeting the non-medical and more intangible needs of patients. As a result, patients are discontented with settlement operations, frustrated with the administrator, and unhappy with the department's lack of responsiveness to their concerns.

Patients were generally satisfied with medical care and provisions for other basic needs

Patients indicated that they are generally satisfied with the medical care provided by the department, particularly the care given by the part-time physician currently assigned to Kalaupapa. In addition, patients are satisfied with provisions for their basic living needs such as a home, social activities, grounds upkeep, and infrastructure. However, concerns regarding certain non-medical issues remain.

As part of our fieldwork, we distributed a questionnaire to 34 of the 40 patients permanently residing in Kalaupapa who agreed to participate in our survey. The questionnaire was intended to better understand patients' perspectives and concerns regarding such issues as medical services, repair and maintenance services, Kalaupapa staff, communication, and the Patients' Advisory Council. We received 27 completed questionnaires, for a response rate of approximately 80 percent.

For medical services, questionnaire results showed that patients were generally satisfied with quality of care and access to medical services. The adequacy of medical care had the highest score of all questionnaire topics. Ranked at the bottom of the list was the question of whether Kalaupapa staff place patient needs above self-interest. Exhibit 2.1 displays these results.

We also conducted personal interviews with ten patients and all agreed that the State provided for both medical and basic needs. Comments made in both interviews and questionnaires praised the medical staff for their work:

Exhibit 2.1 – Kalaupapa Patient Survey Results

We sent surveys to 34 Kalaupapa patients and received 27 completed surveys, for a response rate of approximately 80 percent.

The mean survey scores were calculated as follows: **1** = Strongly Disagree; **2** = Disagree; **3** = Agree; and **4** = Strongly Agree.

		Mean Score
	Medical Services	
1.	The Department of Health provides adequate medical care.	3.48
2.	I have access to all medical services I need.	3.41
3.	Most of the medical services I need are provided in Kalaupapa.	2.81
	Repair & Maintenance	
4.	The Department of Health provides adequate in-home repair and maintenance services.	2.19
5.	Kalaupapa maintenance staff responds to requests for home maintenance and repair services in a timely manner.	2.00
6.	Kalaupapa maintenance staff does a good job of maintaining or repairing in-home structures.	2.56
7.	Kalaupapa maintenance staff does a good job of maintaining the overall appearance.	2.12
8.	Kalaupapa maintenance staff does a good job of maintaining or repairing community structures in a timely manner.	2.07
	Kalaupapa Staff	
9.	Kalaupapa staff conduct themselves in a professional manner.	2.20
10.	Kalaupapa staff treat patient residents with respect.	2.46
11.	Kalaupapa staff are responsive to patient resident needs.	2.36
12.	Kalaupapa staff place patient resident needs above any self-interest.	1.70
	Communication	
13.	The Department of Health provides patient residents with timely and adequate information about changes in services, policies, and operations.	1.81
14.	The Department of Health asks patient residents for their input before making any changes in services, policies, or operations.	1.72
15.	Patient residents have access to written policies and procedures regarding operations and services provided in Kalaupapa.	2.04
16.	The Department of Health adequately responds to patient residents' complaints and inquiries.	1.77
	Patients' Advisory Council	
17.	The Patients' Advisory Council solicits input from all patient residents.	2.48
18.	The Patients' Advisory Council has a good working relationship with the Department of Health.	2.14
19.	The Patients' Advisory Council is an effective organization.	2.30

"Good doctors and nurses. The doctor really listens to patients and doesn't take costs into consideration when recommending needed treatment."

"We don't have a resident physician but one comes in twice a week; he is a very good doctor."

"[The part-time physician] is a wonderful, wonderful doctor. We love him; he is so kind."

We also spoke with Kalaupapa's part-time physician about medical care at Kalaupapa, and he affirmed his belief that patients are receiving adequate medical care. He also acknowledged that the department has always stressed that medical services should never be compromised and further commented that the department has never challenged or denied his requests for patient medical services.

The department did not make an effort to clearly define non-medical needs

According to the Hansen's disease branch administrator, the department uses Chapter 326, HRS, as its guide in providing services to Kalaupapa patients. The branch administrator acknowledged that the statute is vague regarding non-medical needs and that its interpretation has changed from administrator to administrator. The administrator also commented that the department ensures patients' basic medical needs are met, but desires for other "fringe" type goods and services are not always accommodated. Given the department's stance, we conclude that as long as the department chooses not to clarify the statutory language regarding non-medical needs, patients will continue to view any "unfavorable" decision as arbitrary.

Administrative rule-making has been a low priority to the department

Administrative rules are statements adopted by an agency to implement, interpret, or prescribe laws or policies administered by the agency. Section 326-24, HRS, permits the director of health to adopt administrative rules necessary for the conduct of all matters pertaining to Hansen's disease, including treatment, care, and other services provided to affected persons; and the full and complete governance of the county of Kalawao. Despite the importance of developing rules to clarify vague statutory language regarding non-medical needs, so far the department has issued rules governing only the medical care and treatment of persons afflicted with Hansen's disease and the registration and operation of motor vehicles in Kalawao County.

The department has attempted to draft rules regarding patient housing. The state attorney general's review noted some concerns about the draft

language and offered to work with the department, to make changes. Despite the attorney general's offer, the department opted to use the draft version of the patient housing rules as an "internal guideline" for patient housing. The branch administrator could not explain why the department had not pursued formal rule adoption.

Development of policies and procedures for non-medical needs has also been ignored by the department

The department has not developed a comprehensive, well organized, or readily accessible policies and procedures manual for Kalaupapa settlement's institutional operations. Rather, its policies and procedures consist of an assortment of policy documents in various formats, attorney general advisories, internal memoranda, and other documents. Some documents were issued in the 1980s and early 1990s; there is no indication they are still valid or whether they have subsequently been amended. By contrast, the Kalaupapa Care Home has a comprehensive policies and procedures manual that specifies its purpose, the types of services it does and does not provide, and what patients can expect from staff, among others.

Lack of a policies and procedures manual for non-medical issues is of concern to patients. This concern, however, is not shared by the Kalaupapa administrator, who stated that not all policies are put in writing and there cannot possibly be a manual that would cover every possible situation. While this statement may be true, we note that the Kalaupapa Care Home has made an attempt to address as many issues as practicable to ensure that stakeholders are knowledgeable about its operations and what they can and cannot expect.

Lack of formal procedures contributed to perceptions of abuse of Kalaupapa Store goods

One of the concerns raised by a patient was the possible abuse of the Kalaupapa Store, with alleged instances of excess merchandise purchases and wasted inventory. We reviewed the store's operations and found that there are no written policies or procedures for the disposal of excess inventory, which allows department staff wide discretion on when and how merchandise is disposed. Furthermore, the lack of procedures contributes to an appearance of potential abuse.

As a matter of "practice," the business services supervisor, who is in charge of the store, does not use a specific formula or model for forecasting inventory. Rather, the supervisor takes into account the number of patients in the settlement and their ration allowance to determine inventory. Non-consumable perishables and non-perishable items are sent to the landfill for disposal if they exceed their perishable

date. Fruits and vegetables are sold for half-price if they are nearing their expiration date.

The absence of written procedures for inventory suggests that the supervisor can arbitrarily discount or dispose of merchandise. The Kalaupapa Store has disposed of a variety of perishable and non-perishable items as of August 2003. Disposed items include nine cases of shoestring beets that were placed on store shelves in 1998, eight boxes of moldy mashed potatoes, and approximately 50 pounds of beef stew purchased in 2000. Although the supervisor maintains a list of merchandise, the dollar value of the disposed merchandise is not always recorded. As such, the value of disposed merchandise cannot be determined.

Patients perceived unfair treatment regarding appliance purchases

Another issue for patients is the fact that they must pay for home appliances, while employees living in settlement homes receive the same items from the State free-of-charge. According to the Kalaupapa administrator, historical precedent for not supplying appliances to patient houses goes back at least fifty years. Despite the importance of this issue, the department has not developed a formal policy to settle the matter of whether patients should receive household appliances.

The department has always justified supplying appliances to employee homes because Kalaupapa represents a temporary duty assignment for employees. Appliances stay in employee houses after employees leave Kalaupapa to be used by future employees. The department also uses furnished homes and utilities as incentives to counteract the difficulty of recruiting employees to work in such a remote area.

The Kalaupapa administrator attempted to address the issue of household appliances with the department on three separate occasions in 1997, 2000, and 2002. Under confidential memoranda to the department, the administrator noted that while supplying patients with home appliances was a noble idea, he had several concerns for the department to address before implementing any program to supply patients with household appliances. He even completed a cost-analysis and offered program alternatives. The department has yet to address this issue.

Patient concerns were not taken seriously by the department

Not all patient concerns or complaints may be valid. Nevertheless, the department should have at least allowed patients an opportunity to voice their concerns and provided them with some type of timely resolution, even if not all decisions were in the patients' favor. Such an approach would have eased the growing frustration among patients that their non-medical needs have been ignored.

Patient questionnaire results reveal their dissatisfaction with the Kalaupapa administrator's, and ultimately the department's, handling of their complaints. Even if a complaint is heard, neither the administrator nor the department log or document the complaint. The Kalaupapa administrator does not maintain a complaint file in his office nor does he follow up on every complaint filed—only the complaints he deems as "bona fide." Although we found three letters of complaint on file at the branch with appended responses from the department, the branch does not log complaint letters or maintain a formal complaint file.

The department has not addressed the diminishing effectiveness of the Patients' Advisory Council or the administrator's infrequent meetings with patients

According to the branch administrator, the branch relies mostly on the Patients' Advisory Council to remedy complaints. However, the branch administrator also commented that the council does not meet on a regular basis and the branch has not formally met with the council in nearly two years. The council currently meets every three months or as needed. Attendance at the meetings has also waned due to medical conditions that prevent patients' attendance or require their absence from the settlement. As a result, patients do not have a strong voice in making their concerns known.

A 1991 attorney general opinion found there is no statutory authority empowering the council to promulgate rules that have the force and effect of law, nor the authority to enact enforceable rules. This means that neither the department nor the Kalaupapa administrator is required to adopt the council's recommendations.

The Kalaupapa administrator has not helped the situation, since he does not meet routinely with patients. According to his position description, one of the administrator's duties is to conduct community meetings for patients and staff to disseminate information and solve problems. The administrator, however, confirmed he does not hold formal meetings with patients, and instead relies on informal discussions with the Patients' Advisory Council.

Unilateral decision-making regarding reduction of store hours typifies the problem

One example of the consequences of not communicating with patients is the issue of changing the Kalaupapa Store hours. Prior to March 5, 2002, store hours were 7:00 a.m. to 11:00 a.m. and 11:45 a.m. to 3:45 p.m., Monday through Friday. On March 5, 2002, the store hours were reduced, and a further reduction was implemented in January 2003. In April 2003, the store hours were again amended to 8:00 a.m. to 11:00

a.m. and 12:00 p.m. to 3:30 p.m. on Mondays, Wednesdays, and Fridays and 7:00 a.m. to 11:00 a.m. on Tuesdays and Thursdays. The initial reduction in store hours was made without patient consultation.

Photo 2.1

The Kalaupapa Store sells merchandise to both patients and non-patients. Store hours were reduced last year without consulting patients.

According to the Kalaupapa administrator, the store hours were reduced because: (1) the death of an employee resulted in a position vacancy that could not be filled immediately and (2) only 17 patients regularly shop at the store (the rest are in the care home and take all meals from there). On an average day, the store takes in only $30 to $40 in transactions. Currently, one civil service employee and one part-time patient employee work in the store.

When we asked the administrator if he consulted the patients before implementing the change, he acknowledged that he did not because he felt it was a policy decision. However, he did inform the Patients' Advisory Council before the change was implemented.

The reduction in store hours created a hardship for many patients. According to one patient, the reduced hours were particularly problematic for patients returning to the settlement on a Friday from medical treatment in Honolulu. If the patient returned on an afternoon

flight, the store would be closed and merchandise could not be obtained until the following Monday. If the administrator had consulted with the patients, he would have known about this problem.

The administrator was the main source of frustration for patients

Most complaints presented to us centered on the negative behavior of the Kalaupapa administrator. Patients commented that the administrator walks out of meetings when upset, uses profanity, and is perceived as being abusive, rude, and lacking in compassion and respect for patients. A major concern is his arbitrary enforcement of rules. Some questionnaire responses provided examples:

> *Rules state that patients must put down a deposit for their visitors. However, sometimes the administration office doesn't collect.*
>
> *Visitors are not allowed to shop at the Kalaupapa store; however, the administrator sent a group of about 15 visitors to shop at the store.*
>
> *Rules for non-patients are more favorable than those for patients.*

When asked if he had the discretion to override rules, the administrator responded that rules can be waived and that waivers are determined on a case-by-case basis. There is no printed policy requiring written justification for an override.

Another example of the administrator's lack of concern for patients is the fact that he violates the state's non-smoking policy. According to Executive Memorandum No. 97-14, Policy and Procedure Regarding Smoking and Tobacco Use in State Buildings under the Executive Branch, the Kalaupapa administrator should not be smoking in his office.

A patient noted that when this violation was brought to his attention, the administrator dismissed the concern, noting that it was "his office."

The administrator fails to realize that his open-air office is accessible to patients, employees, and visitors, and that smoke can easily drift outside the office, creating a potential health hazard to patients and others.

The department did not ensure the administrator's competency or compliance with job duties

The Kalaupapa administrator plays a critical role in the settlement's operations. However, the department did not ensure that the administrator possessed the necessary background, work experience, or skills to effectively manage the settlement. Moreover, the department's failure to oversee the administrator's fulfillment of job responsibilities has served as the crux of patients' complaints and resulted in patient dissatisfaction and a lack of control over resources.

The administrator did not possess the background to be effective

The administrator met the class specifications for his position, which focused on physical plant operation and administrative housekeeping functions, but lacked the necessary background, work experience, and skills to meet the varied aspects of the job. For example, he lacks any experience working with a self-sufficient community, the elderly, or those with special medical needs. The department failed to recognize these shortcomings and has not provided the administrator with any specialized training since he became the settlement's administrator ten years ago. As a result, patients have serious concerns about the administrator's ability to effectively run the settlement.

The administrator is in charge of the Institution Facilities Section of Kalaupapa Settlement and is responsible for planning, coordinating, and directing all non-medical operations of the settlement, including a facility for the care and treatment of Hansen's disease patients. Furthermore, due to its geographic isolation, Kalaupapa is a community unto itself that is largely self-sufficient and of necessity must provide for most of its own needs. As a result, the administrator is somewhat akin to a mayor of a small town. Thus, in addition to the usual institutional services, the administrator has responsibility for providing a host of services required to sustain everyday living in a small rural community.

The department's positive evaluation of the administrator is incongruent with patient views

Despite patients' poor evaluation of the Kalaupapa administrator, the Hansen's disease branch administrator has given the Kalaupapa administrator generally high marks in annual performance evaluations, ranging from "satisfactory" to "exceptional" in all review categories. However, the branch administrator's assessment is incomplete because it excluded a review of the administrator's interpersonal skills.

According to his position description, one of the Kalaupapa administrator's responsibilities is to conduct community meetings. The position description also requires the administrator to maintain good

relations with residents of the settlement, establish a rapport with patients, earn their respect and acceptance, and render decisions impartially and objectively. According to patients, however, the administrator does not hold patient community meetings as required, has not established a positive rapport with patients, earned their respect, or rendered decisions impartially.

The section of the performance evaluation that would address the administrator's interactions with patients and people skills in general was left blank in both FY2002-03 and FY2001-02. The categories he would have been evaluated on were:

- Cooperation with others in working on departmental goals;
- Demeanor and respect for others;
- Sensitivity to the feelings and concerns of others; and
- Skill in resolving disputes and bringing conflicts into the open and working collaboratively.

The branch administrator's reason for not evaluating the Kalaupapa administrator's interpersonal skills was the advice from the department's personnel office that such skills were implicit in other evaluation categories and that filling that section out would be redundant. Consequently, the category was left blank. However, the department's personnel officer informed us that while an evaluator has the discretion to omit evaluation criteria, the department does not advise omission of specific categories. In fact, the personnel officer believes interpersonal skills are important criteria to evaluate.

The lack of evaluation on interpersonal skills is odd, considering the Kalaupapa administrator's job specifically involves interacting with patients, employees, visitors, and others, and the fact that he received an "exceptional" rating for customer service. We question the branch administrator's judgment in omitting the evaluation of the Kalaupapa administrator's interpersonal skills and believe that the evaluation form correctly identifies interpersonal skills as a unique and important evaluation criterion.

The Department's Poor Oversight of Kalaupapa Operations Resulted in Mismanagement of State Resources and Undue Benefit for Some Employees

"Out of sight, out of mind" typifies the Department of Health's oversight of Kalaupapa operations. From the beginning, the department should have ensured that the administrator was adequately qualified and prepared to operate the settlement efficiently. Furthermore, the department's inattention has resulted in the Kalaupapa administrator's mismanagement of state property and allowed some employees to receive undue benefit from the State. Finally, the department's failure to track patient versus non-patient costs makes it more difficult to identify exactly how funds are spent.

The department did not ensure the administrator established adequate safeguards over state property

Accountability involves keeping continuous records, periodically reporting the location and condition of property, ensuring its proper usage, and safekeeping and maintaining all property. The Kalaupapa administrator and business services supervisor have failed to maintain accurate inventory records, calling into question the disposition of state property and equipment. The business services supervisor failed to comply with state guidelines on affixing identification tags to state property and the administrator allowed non-state personnel to manage state property.

Inventory items were missing or not properly identified

State property is purchased with public money; therefore, state employees have an obligation to the public to account for all property. Property custodians are mandated by Section 103D-1206, HRS, to prepare and file an accurate Annual Inventory Report of State Property.

The Kalaupapa administrator endorsed the FY2003 – Annual Physical Inventory Certification of property located in Kalaupapa on April 28, 2003. By signing this document, the administrator attested that a physical inventory of all state property had been conducted and that property records were updated to reflect changes to Kalaupapa's inventory account.

The annual inventory report for the fiscal year ending June 30, 2002 recorded that the settlement had inventoried personal equipment (vehicle, equipment, group items) valued at $359,094. The report also noted there were no rejections, posting errors, or deletions to the inventory list.

We judgmentally selected 27 items, focusing on those with the greatest potential of being lost or stolen, from Kalaupapa's inventory run dated

February 13, 2003. We sought verification that the items were at the location noted on the inventory list and had state identification numbers affixed. Of the 27 items in our sample, only two were reconcilable to the inventory list certified by the Kalaupapa administrator.

State property identification tags were not always affixed to state property

According to state policy, all state equipment must be affixed with a decal tag or other identification showing state ownership. The tags assist in identification of stolen property, discourage theft, and simplify physical inventory.

Our testing found that of the 25 items not reconciled to the inventory list, nine matched the description on the inventory list but lacked a state identification number decal. According to one employee, identification tags had not been affixed to state property for the past ten years. The employee said that a former supervisor used to affix identification tags, but the practice stopped when he vacated the position.

We asked the business services supervisor, who is responsible for maintaining Kalaupapa's inventory, why some equipment did not have state identification tags. The supervisor told us the tags always fall off in Kalaupapa's humidity. She also confirmed that she does not replace the tags, reiterating that they would only fall off again.

The business services supervisor's justification for not affixing proper identification tags on state property does not absolve Kalaupapa from this requirement. According to state guidelines, items incapable of receiving a physical decal are still to be assigned a decal number for control purposes. The decal number should be written with permanent marker, painted, or engraved onto the equipment.

Non-state employees were left in charge of state property

During our inventory testing, we also found that state resources have not been properly managed and have fallen under the responsibility of non-state employees. According to a national park service employee, the park service took over the Kalaupapa electrical shop in January 2003. We observed numerous items of equipment with state identification tags in the electrical shop.

Included in the inventory were water heaters purchased by the State. The park service employee explained that when a water heater is requested, he takes one out of inventory and installs it. We asked if he affixes a state identification tag to the item or records which heater he takes. He said he does not affix any tags. We also asked whether employees sign

out equipment used for their work; he told us there is no such requirement. Because state identification tags were not affixed to the water heathers he installed, we were unable to verify whether the nine water heaters purchased by the State in 2000 were still in inventory or were purchased at some other time.

Approval of excess travel compensation by the Kalaupapa administrator was not monitored by the department

Our review of employee trail pay disbursements and air travel reimbursements revealed that eight employees received excessive travel compensation. The Kalaupapa administrator authorized four employees to take approximately 75 round trips that were reimbursed by the State; another four employees received 22 hours of excessive trail pay, in direct violation of collective bargaining agreement provisions and internal rules. It appears that the Department of Health did not monitor these reimbursements.

The administrator inappropriately approved employee air travel requests

In 2002, the Kalaupapa administrator wasted state dollars by authorizing over 75 round trip airfare reimbursements to four employees, in excess of collective bargaining agreements. According to union agreements, an employee whose permanent residence is on the main portion of the island, or topside of Moloka`i, and who is provided quarters in Kalaupapa as a matter of convenience will be granted either three roundtrips by air per month, or two hours of travel pay for trekking up and down the trail once a week to topside. Employees whose permanent residence is in Kalaupapa will be granted one roundtrip by air to topside each month.

Our review of eight employees' trail pay and airfare reimbursement records revealed that four received excessive airfare reimbursements, totaling $6,557. The extra allowances include reimbursement for 67 roundtrips between Kalaupapa and Honolulu; 16 inter-island coupons for travel to other neighbor island destinations; two one-way trips between Kalaupapa and Honolulu; four unknown travel activities; and one reimbursement without a receipt. In one instance, the department reimbursed an employee over $3,000 for air travel to Honolulu and another neighbor island. The Kalaupapa administrator authorized these trips to Honolulu and beyond in direct conflict with the collective bargaining agreements, resulting in added costs to the settlement's operations and a waste of taxpayer dollars.

The administrator approved undocumented trail pay

Kalaupapa Settlement guidelines require employees to sign a logbook, certifying they took the trail and affirming their eligibility to receive trail

Photo 2.2

Civil service employees are given a monthly option to receive trail pay for hiking the steep cliffs into and out of the settlement or three roundtrip airfare reimbursements to the topside of Moloka`i. Some employees received unauthorized trail pay and airfare reimbursement to Honolulu and beyond.

pay. Our review of trail pay logs for 2002 revealed that the Kalaupapa administrator authorized the payment of 22 hours of undocumented trail pay benefits to four employees in our sample, totaling $254. One employee was paid over $89 in January 2003 for eight hours of trail pay without signing the logbook to certify he had actually taken the trail.

The Kalaupapa administrator overrode management controls in authorizing payment for these undocumented benefits and allowed workers to take undue advantage of the State.

The department did not ensure adequate controls were implemented for the food credit program

The food credit program, which allows select staff and volunteers to have groceries flown in to the settlement, hints at the appearance of impropriety. The program spent over $12,600 in 2002 without any formal written policies, procedures, or other controls which should have been implemented by the department.

Select staff and volunteers were granted special privileges under the food credit program

The department maintains a food credit program for Kalaupapa administrators that allows them to make food and other supply purchases

from a commercial market in topside Moloka`i. These items are flown into the settlement every Friday afternoon. Participants can have their groceries flown in or may opt to take meals at the main dining facility for $3.50 per meal. By contrast, all other Kalaupapa employees can take their meals at the dining facility free of charge or pay for their own groceries.

Each quarter, the department opens up a purchase order valued at $3,700 or an allocation of $14,800 for the year. In 2002, the department spent over $12,600 for food credit participants.

Currently, there are five participants in the program: the Kalaupapa administrator and his wife (also an employee), a pastor and his wife, and a minister. The pastor, his wife, and the minister are not state employees, but are volunteers in the settlement.

The food credit program lacks polices regarding eligibility or spending controls

The food credit program has no formal, written policies or procedures regarding eligibility requirements, spending limits, or limitations on the kinds of goods that can be purchased. The one set of loose guidelines we found, addressed to the Kalaupapa administrator, are not followed by him. Other practices in this program also lead to questionable uses of state funds.

We found a memorandum dated July 14, 1993 addressed to the Kalaupapa administrator from the communicable disease division establishing loose "guidelines" as spending controls for the program:

- Food purchases for meat are to be "gauged" at about $95 per employee per month and vegetables at about $47 per employee per month;

- Milk, juice, bread and eggs are to be provided by the program; and

- "Other" supplies and repairs are also to be provided by the program.

When we questioned the administrator about program guidelines, he was unaware of the guidelines specifically addressed to him in the July 14, 1993 memorandum. Instead, the Kalaupapa administrator commented that although there are no written policies, participants spend only up to the $73.50 per week that equals what other employees receive as rations in the settlement. He also stated that they never go over the monthly equivalent each month.

If each of the five participants spent $73.50 per person per week, the yearly cost to the State would be $17,640. This contrasts with the current allocation of the $14,800 purchase order value and the $12,600 actually spent in 2002. While actual practice costs the State less than the administrator's own guideline would permit, the point remains that the five participants could spend more than the department allows.

We also found that the Kalaupapa administration office does not keep a file of orders placed by participants. It is unclear to us how office staff can be sure that all items received from the vendor are actually delivered to participants. For instance, the administrator retains his grocery list after it is faxed to the vendor and disposes of it after goods are received. According to our review, office staff merely acknowledges that items on the receipts were actually delivered, but does not reconcile the goods to what was actually ordered by the participants.

We reviewed the purchases made by the food credit program during 2002. While we did not find any significant instances of abuse, we found that this "program" is a potential target for fraud and abuse. We question how the department would allow Kalaupapa employees and volunteers to spend over $12,600 in 2002 without any controls on who can participate in the program, how much they can spend, and the types of goods that can be purchased. More importantly, the department does not have written justification for providing this perk and how it benefits settlement operations.

We note that in 1999, as a cost-cutting measure, the department attempted to terminate this program, along with the practice of providing Kalaupapa employees with free household supplies. However, one of the unions representing Kalaupapa employees filed a grievance against the department, claiming that the program was a long-established and binding past practice, and accepted as a condition of employment by both the employer and employee. The department and the union agreed to a modified list of household supplies and the practice continues today. We note, however, that the final agreement is silent on the food credit program, but the department continues to fund it anyway.

The department could not provide justification for allowing state employees to receive state-funded household supplies

The department has attempted to reduce operational costs by eliminating the practice of supplying Kalaupapa state employees with household goods. In past practice, the State paid for and provided employees with such goods, despite not having any written policies and procedures.

In May 1999, the department attempted to cease providing household products to employees, citing fiscal constraints. The department anticipated saving $10,000 through this initiative. At the time, employees living in staff quarters or dorms were provided with a variety

of household goods each month including: detergent, soap, toilet paper, paper towels, bleach, and dishwashing liquid. The department justified the reduction by noting that there is nothing in statute, bargaining unit contracts, administrative rules, or program policies requiring the State to subsidize and supply employees with household products.

In response, two Kalaupapa employee unions each filed a grievance with the department claiming that no longer providing household goods constituted a change in working conditions and should be negotiated through a memorandum of agreement. As a result of the union grievances, the department worked out an agreement to continue providing employees with household supplies.

We reviewed the file on this matter and found no evidence documenting when, why, or how the household supplies were historically provided to employees or the cost of those supplies. Perhaps if the department had maintained proper documentation regarding the implementation or cost of these items, it might have had a stronger argument for discontinuing the practice and saving taxpayer dollars.

The department's poor oversight extends to its inability to distinguish between patient and non-patient costs

The request for this audit included a request that we make recommendations for allocations and expenditures on patients' behalf. Before we could even contemplate a methodology to do so, however, we first had to determine exactly how much the Department of Health spent on patients at Kalaupapa Settlement. This was virtually impossible. The department does not differentiate between patient and non-patient costs. The department was unable to determine how much it spent to provide employees with household supplies or to maintain employee housing. Furthermore, patient versus non-patient sales at the Kalaupapa store were also indistinguishable.

In the case of household supplies, the department does not track employee costs. It could only identify the quantities ordered for the barge shipment, which serves all of Kalaupapa's needs. Similarly, household maintenance costs are not tracked by user, but are calculated for the entire settlement. For example, costs for such things as lumber, roofing material, and electricity usage are lumped together for the entire settlement and include patients' homes, other state buildings and structures, and even areas occupied by the national park service.

Additionally, sales at the Kalaupapa store are not separated between patients and non-patients. Such information used to be tracked when employees were not allowed to shop there except in an emergency. Since workers are now allowed to shop at the store, the information is no longer tracked.

As a result of its failure to separate patient versus non-patient costs, we find that the department is unable to identify cost centers that may be problem areas. For instance, excessive expenditures relating to employee expenditures may have occurred. However, failure by the department to separate patient versus non-patient costs leaves little assurance that such expenditures can be identified. Furthermore, we believe that lumping costs together may adversely impact patient programs if budget cuts need to be made.

Conclusion

The Department of Health has provided Kalaupapa patients with adequate health care and has met other basic needs. Kalaupapa's physical isolation, however, has allowed settlement staff to escape departmental scrutiny and oversight. The fiscal practice of lumping expenditures together rather than separating patient versus non-patient costs obscures potentially inappropriate expenditures at the expense of patient programs.

As a result, the department has failed to fulfill all of its responsibilities to the patients of Kalaupapa and to the taxpayers who support settlement operations. Patients' concerns go unanswered, state dollars are wasted, and workers have gained undue benefit from the State. Finally, budget increases are granted under the guise of funding patient programs, when in fact many of the increased operating expenses can be traced to improper management of resources or unauthorized expenditures for employees.

Although the number of patients living in Kalaupapa grows smaller each year, their concerns should be treated with dignity and respect. The department needs to be shaken out of its apparent "out of sight, out of mind" approach to the poorly supervised administration of the settlement.

Recommendations

1. The director of health should ensure that the department develops appropriate Hawai`i Administrative Rules that specifically address patients' non-medical needs and other appropriate concerns.

2. The department should draft a formal policies and procedures manual for Kalaupapa Settlement, which should include, but not be limited to, settlement rules, inventory controls, food credit program limitations, and employee benefits allotted beyond those required by collective bargaining agreements.

3. The department should hold the Kalaupapa administrator accountable by updating his position description, providing him with training, and evaluating him thoroughly.

4. The department should hold both the branch administrator and the Kalaupapa administrator accountable to a timetable for improving non-medical conditions.

5. The Legislature should ensure that the department tracks patient and non-patient costs separately to accurately determine budget allocations.

6. The Legislature should require the department to submit an annual report that addresses the findings in this report and initiatives taken to make needed improvements.

Response of the Affected Agency

Comments on Agency Response

We submitted a draft copy of this report to the Department of Health on November 24, 2003. A copy of the transmittal letter to the department is included as Attachment 1. The department's response is included as Attachment 2.

The department appears in general agreement with our findings. Specifically, the department stated that it was pleased that it met its statutory obligations to provide for Kalaupapa patients' medical and basic living needs. The department noted that in those instances where our report identified clear failure to adhere to state and department policies and procedures, corrective actions have already been initiated or will be implemented shortly. The department further stated that it has initiated quarterly meetings with the Patients' Advisory Council effective June 2003 and advised that a new patient advocacy group, Ohana O` Kalaupapa, was established to provide an additional voice for Kalaupapa patients. The department also provided additional background information for several issues raised in the report.

As part of its response, the department addressed the issue of providing patients with household appliances. Specifically, the department provided a copy of a funding request to the 2000 Legislature for the purchase of patient appliances. The funding request, however, shows that a "governor's decision" deleted that budget request item. The department also noted that a former branch administrator proposed that the Kalaupapa Patient Donation Fund be used to purchase patient appliances, but that consensus could not be reached on the matter. While we acknowledge the department's attempt at identifying funding sources for patient household appliances, the fact remains that the department lacks a fundamental policy on whether or not patients are entitled to such goods.

The department also clarified that the Kalaupapa administrator was referred by the Department of Human Resources Development and was qualified for the position. We do not argue that the administrator met the class specifications for the position as it was established at the time. However, as noted in our report, the class specifications did not align with the actual position description in terms of planning, coordinating, and directing all non-medical operations of the settlement, and working with elderly individuals with unique medical needs. The department should have recognized the administrator's shortcomings in these areas and provided him with appropriate training.

Additionally, the department commented that basing an evaluation solely on an employee's interpersonal skills or perceived lack thereof is unfair. We did not suggest that the entire evaluation be based on the administrator's interpersonal skills exclusively. Rather, we note that leaving out this category did not give a complete picture of the administrator's performance, which the department acknowledged in its response.

Furthermore, the department attempted to defend its food credit policy by stating that it is consistent with the expectation that the Kalaupapa administrator host numerous (many uninvited) dignitaries and other individuals visiting the settlement as part of his job duties. We find this justification difficult to believe. The department's implication is that the administrator would provide meals for these "guests" in his own home. Based on the food credit records we reviewed, this would mean that the administrator was hosting guests at his home on a near weekly basis. In fact, we note that on one particular dignitary's visit, a lunch was prepared by dining hall staff and not the administrator.

Finally, the department states in its response that we found no instances of abuse within this program. Although we did not find any "significant" evidence of abuse, we note that we could not always verify information because records were not consistently available. Therefore, we appreciate the fact that the department is planning to take steps to examine and formalize the food credit benefit.

ATTACHMENT 1

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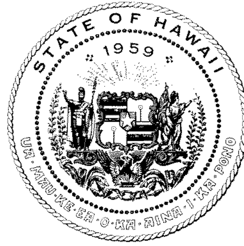

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November 24, 2003

COPY

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Department of Health
Kinau Hale
1250 Punchbowl Street
Honolulu, Hawaii 96813

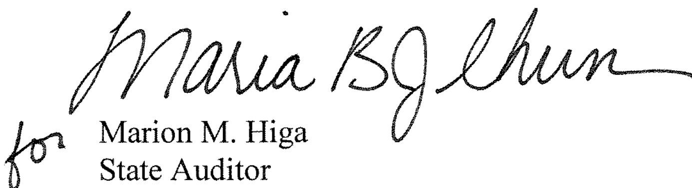
Dear Dr. Fukino:

Enclosed for your information are three copies, numbered 6 to 8 of our confidential draft report, *Audit of Kalaupapa Settlement Operations and Expenditures*. We ask that you telephone us by Wednesday, November 26, 2003, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Wednesday, December 3, 2003.

The Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this confidential draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

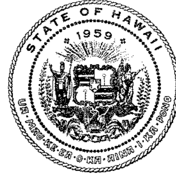


Marion M. Higa
State Auditor

Enclosures

ATTACHMENT 2

LINDA LINGLE
GOVERNOR OF HAWAII



CHIYOME L. FUKINO, M.D.
DIRECTOR OF HEALTH

STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

December 8, 2003

RECEIVED
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OFC. OF THE AUDITOR
STATE OF HAWAII

Ms. Marion M. Higa
State Auditor
Office of the Auditor
465 S. King Street, Room 500
Honolulu, Hawaii 96813

Dear Ms. Higa:

Thank you for the opportunity to comment on the Audit of Kalaupapa Settlement Operations and Expenditures. We are pleased with your findings indicating that the Department of Health (DOH) has met its mandated obligations as set forth in Chapter 326-40, Hawaii Revised Statutes to provide for the patients' medical and basic living needs. That the medical care provided by the DOH is felt by the patients to be excellent is also a significant positive finding.

In response to those instances where the report identifies clear failure to adhere to State and Department policies and procedures, corrective actions have already been initiated or will be implemented shortly.

Many of the findings of the report relate to patient dissatisfaction with non-medical issues. In general, clear communication and optimal involvement of the patients in deciding issues that greatly affect them has not been achieved at Kalaupapa. This was recognized by the DOH prior to the Auditor's findings. Quarterly meetings with the branch administrator and the Patients' Advisory Council, as well as the community at large, were instituted in June of 2003. The new Deputy Director of Health met with patients and actively investigated some of their concerns.

A new patient advocacy group, Ohana O' Kalaupapa, has established itself as an additional "voice" for the patients and the DOH is actively working with this group to establish dialysis capability at Kalaupapa and improve communication and the patients' satisfaction with the DOH and the National Park Service. In support of this effort, at a recent meeting attended by the Deputy Director, the Kalaupapa administrator, and the National Park Service Superintendent both agreed to conduct monthly informational community meetings for the patients to regularly

inform them and receive questions and suggestions. Suggestions by patients for improvement will be actively pursued by DOH wherever possible.

We would also like to provide some additional background and respond specifically to some of the findings of the report.

Finding: **Development of policies and procedures for non-medical needs has also been ignored by the department.** Policy development in Kalaupapa is a difficult process and is not ignored by the department. On the contrary, there has been much time spent by DOH in dealing with issues of lifestyle within the community. It must be recognized that development of policies, often affecting very personal matters, present many challenges. Years of discussion may take place and still, as might be expected in any community, patients may disagree strongly with each other on some issues. If consensus cannot be reached, the DOH cannot simply dictate a policy. Your report points out that there is only "vague statutory language" guiding non-medical needs.

An example of the difficulty of policy development for non-medical needs is the history of a policy regulating potential visits by minor children to Kalaupapa. Numerous meetings with the patients in the early 1980s were held but no consensus could be reached among the patients. An outside mediator was brought in by the DOH to assist in the process. Only then could a child visitation policy be crafted.

In the late 1990's a patient challenged the policy and actually had the ACLU sue the DOH. The suit was later dropped by the patient, but not before a year-and-a-half's worth of hard work and continued dialogue. In the spring of 2003, questions concerning the interpretation of the policy were raised. Five community meetings were required before an acceptable modification could be agreed upon. The policy change required the signatures of the Director of Health, the branch chief, the administrator of Kalaupapa and the members of the Kalaupapa Patients' Advisory Council.

Some of the patients' dissatisfaction with policies may occur when a policy does not appear to be in place or is not followed. This problem will be addressed by working with patients to determine the best way to have all the Kalaupapa policies documented and accessible and to jointly establish recourses for breaches of policies and procedures.

Finding: **Patients perceived unfair treatment regarding appliance purchase**. The branch recognized and acted on the patients' request that the state purchase home appliances for them. In 1999, the branch initiated a funding request to the 2000 legislature to purchase patient appliances. Funding was not approved (budget sheet, attachment A). The administration shared this information with the Patients' Advisory Council. A few months later, at an open community

meeting, the issue of purchasing home appliances was raised by the patients. It was suggested by the then branch administrative officer that appliances for the patients could be purchased with funds that were available in the Kalaupapa Patient Donation funds. Approximately $83,645 (quarterly donation fund report, attachment B) was available at that time. These are donated funds that are available for patient use, under their control, and have been utilized in the past to bring cable TV into the settlement, pay patient cable TV bills and to provide annual Christmas cash for all the patients. No patient consensus could be reached at that time and the matter was tabled until the audit.

Finding: **The administrator did not possess the background to be effective**. The administrator met the minimum qualifications requirements as identified on the class specifications for the institutional manager. When the Kalaupapa administrator was hired by the Department of Health ten years ago, his name was referred by the Department of Human Resource Development to the department along with a list of other qualified candidates. He was selected as the most qualified of those candidates.

Finding: **The department's positive evaluation of the administrator is incongruent with patient views.** In retrospect, interpersonal skills should have been part of the administrator's evaluation and will be included in the future along with a similar assessment for other DOH employees at Kalaupapa. However, the past performance evaluation of the administrator by the branch chief was fair for the criteria specified in the review. Although the patients' views play an important part in judging the administrator's skills, basing the evaluation solely on an employee's interpersonal skills or perceived lack there of, is unfair.

The department will work with the administrator to improve the image the patients have of him. We will provide opportunities for professional development including additional knowledge and skills in communication and issues pertinent to managing a community of aging adults. We will also ensure that he complies with the state's no smoking policy.

Finding: **Select staff and volunteers were granted special privileges under the food credit program**. There are many "historical" artifacts that the Kalaupapa program does or provides without any written justification. It is not known when the food credit program was established, but it has been in existence for at least the last 25 years. It is consistent with the expectation that the Kalaupapa administrator host numerous (many uninvited) dignitaries and other individuals visiting the settlement as part of his job duties. This additional cost is above and beyond what he can receive as an employee of Kalaupapa. This year alone, there were visits by the Director of Health Resources Services Administration (HRSA) and three of its Bureau Chiefs, the Assistant Surgeon General for the Centers for Disease Control, the Oahu Regional CEO for Hawaii Health Systems Corporation and seven other community health care

administrators, as well as various members of the congressional delegation and state legislators. The food credit is used by the Kalaupapa administrator to help subsidize some of these costs.

The inclusion of the clergy in the food credit program may go as far back as Father Damien's time when the church was responsible for the administration of the settlement. As in the case of the Kalaupapa administrator, the clergy also frequently host a number of visitors. Their visitors are often volunteer church groups who provide a wide range of services to the Kalaupapa community. Just in the recent past, these groups have painted the women's staff quarters and McVeigh apartments, cleaned and cleared cemeteries, cleaned the library and worked on the yards of patients' homes.

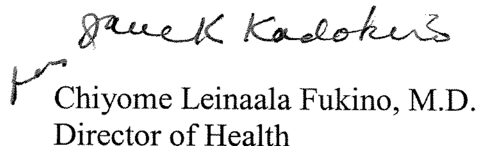
The audit found no instances of abuse within this program; however, the program will take steps to examine and formalize this benefit.

Finding: **The department could not provide justification for allowing state employees to receive state-funded household supplies.** In the case of the state-funded household supplies for employees, the program tried to eliminate this "unwritten" benefit because it is not required under statute, bargaining unit contract, administrative rules or program policies. The unions filed grievances forcing the program to continue this past practice as terms of original employment.

This example and others cited show that the remoteness and long history of the settlement of Kalaupapa is unique. In many areas, long-term "unwritten, common knowledge" policies exist but are unclear in their origin, are not easily made into clear procedures, and are difficult to delete or modify.

Thank you again for the opportunity to provide input into the Kalaupapa audit.

Sincerely,



Chiyome Leinaala Fukino, M.D.
Director of Health

Attachments

Attachment A
Financial Status FY 2001-0[illegible]

HANSEN'S DISEASE TRUST/DONATION FUNDS

NAME	Receipts/(Dispursements)						Description receipts/disbursements
	Beginning Bal 7/1/01	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Ending Bal	
TRUST FUND-FOR NON-DISEASED CHILDREN OF H.D. PATIENTS, CHARLES A. BROWN TRUST: Application & use of fund have been for education. T 908 H 000000-00201	60,728.01	no activity				60,728.01	
GIFT FROM CHING HAI: Gift from Ching Hai was made on 12/21/93 to Kalaupapa Settlement. T 901 H 000000-00270	52,566.71	no activity				52,566.71	
ESTATE OF JOHN J. PAVON: Beneficiary receives 1/12 of income annually after death of Alice Pavon, 1/2/89. Int. income deposited into Hansen's Disease Donation Fund.	account closed 9/21/98						**9/12/98- close account - transfer $12,382.58 to Hansen's Disease Program Donation Fund Account.
HANSEN'S DISEASE PROGRAM DONATION FUND: Various small donations to H.D. program. 1st Hawaiian Bank (Checking) Bank of America (Savings)	24,700.01	24.49 a				24,724.50	a) income
KALAUPAPA MEMORIAL HOSP. FUND: Various small donations to Kalaupapa medical facility, funds use for patients benefit.	7,324.27	34.92 a				6,353.10	a) income
		1236.04 b					b) expense - cable
American Savings Bank T-00-986-H (Hansen's disease donation)	229.58	0.37 a					

FB 02 - 03 EXECUTIVE BUDGET
DEPARTMENT OF HEALTH
(Operating)

J:Data\Shared\FB 02-03 Exec Budget - Operating\DOH_Final

#	Title & Description	MOF	FY 02 Request Posn	FY 02 Request $	FY 02 Gov Decision Posn	FY 02 Gov Decision $	FY 03 Request Posn	FY 03 Request $	FY 03 Gov Decision Posn	FY 03 Gov Decision $
	Tuberculosis Control HTH 101									
6	Tuberculosis Control-Increase funds for drugs	A	0.00	101,000	0.00	101,000	0.00	102,616	0.00	102,616
41	Tuberculosis Control-Program relocation costs	A	0.00	52,000	IT	IT	0.00	12,000	IT	IT
7	Tuberculosis Control-Targeted testing supplies	A	0.00	97,000	0.00	97,000	0.00	97,000	0.00	97,000
	Tuberculosis Control-DNA fingerprinting	A	0.00	100,000	0.00	0	0.00	10,000	0.00	0
	Tuberculosis Control-Upgrade telephone system	A	0.00	28,000	0.00	0	0.00	0	0.00	0
	Tuberculosis Control-Increase ceiling for targeted testing	N	2.00	110,938	2.00	110,938	2.00	110,938	2.00	110,938
	Hansen's Disease HTH 111									
	Hansen's Disease Svcs-Patient's appliances	A	0.00	9,723	0.00	0	0.00	9,723	0.00	0
	Hansen's Disease Svcs-Alternative energy vehicle for Kalaupapa	A	0.00	36,000	0.00	0	0.00	0	0.00	0
8	Hansen's Disease Svcs-Kalaupapa-Increase funds for air freight contract, electricity, and barge service	A	0.00	89,250	0.00	61,601	0.00	89,250	0.00	61,601
	Child & Adolescent Mental Health Division (CAMHD)									
	CAMHD-Increase ceiling for the Community Mental Health Block Grant HTH 460	N	0.00	103,597	0.00	103,597	0.00	103,597	0.00	103,597
	Behavioral Health Admin (BHA) - Reduce ceiling due to termination of FDA grant HTH 495/HD	N	0.00	(254,716)	0.00	(254,716)	0.00	(254,716)	0.00	(254,716)
	BHA-Reduce ceiling due to completion of the State Reform Grant. HTH 495/HB	N	0.00	(208,013)	0.00	(208,013)	0.00	(208,013)	0.00	(208,013)