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**Management Audit of the  
Department of Mental Health  
And Substance Abuse**

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A Report to the  
Governor, the  
Judiciary and  
the Legislature  
of the Government  
of Guam



**THE PUBLIC AUDITOR  
GOVERNMENT OF GUAM**

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# OVERVIEW

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## Management Audit of the Department of Mental Health and Substance Abuse

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### SUMMARY

The Department of Mental Health and Substance Abuse (DMHSA) is responsible for the comprehensive inpatient and community-based outpatient mental health, alcohol and drug programs and services for the people of Guam. The DMHSA continues to improve, enhance and promote the physical well-being of those who are experiencing the life disrupting effects of mental illness, alcoholism, and drug abuse.

We found that the DMHSA Advisory Council was unable to review and approve the department's plans and programs, thus it has not provided the counseling and oversight to direct the department in accomplishing its programs

We found that although funds were limited the department was able to provide clients with comprehensive health, alcohol and drug abuse programs and services in spite of the growing number of clients annually.

The DMHSA has not implemented established policies and procedures to realize effective internal controls over the Auxiliary Fund (AF). The department also has inadequate internal controls over its fixed assets.

The DMHSA has not adopted and implemented regulations concerning service fees. If the department had implemented the proposed fees it could have collected over \$3.0 million in 1994 - 1996.

## RECOMMENDATIONS AND RESPONSE

We recommend that the Advisory Council assume its responsibilities by a) establishing administrative rules relating to advisory authority of the Council; b) establishing a committee structure to address important policy issue facing DMHSA; c) creating an executive committee to work with the Chairperson in improving Council operations and approving agenda for Council meetings; d) requiring the Director to regularly submit management information to the Council, and particularly, information on the budget, department plans and programs, and Federal grants application; e) requiring the Chairperson to compile the Council policy decisions and a manual for members on their functions and responsibilities.

We recommend that the Director hire additional qualified personnel to fill the vacant positions to meet the growing demand for clinical services.

We recommend that the Director strictly enforce the established policies and procedures to realize an effective internal control over the Auxiliary Funds.

We recommend that the Director implement a fixed asset control for DMHSA properties by: a) designating a property manager; b) tagging all the fixed assets with the assigned DOA FA numbers, and c) establishing a fixed asset custody card.

We recommend that the Director immediately adopt and implement the regulations concerning "Service Fees".

The Director responded that there are only (3) Advisory Council members of the (7) required because of the members' busy schedules. The TQM Consultant commented on the activation of the Council with stipend for every meeting. The Director commented that the director can only hire additional qualified personnel within limited financial and human resources to meet the demands of growing clientele.

The Director cites remedies to address concerns in our report. This includes the hiring of an Administrative Officer who shall enforce the policies and procedures for compliance to realize an effective control over the Auxiliary Funds, and shall enforce the established procurement rules and regulations. The Director commented she made directions to adopt and implement policies and procedures for a fixed asset control for DMHSA properties. The Director did not comment on the date when the "Service Fees" will be implemented but only says that recommendation to go ahead and implement the fees has been made.

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## Foreword

The Department of Mental Health and Substance Abuse is the agency providing inpatient and community based outpatient mental health, alcohol and drug abuse treatment and prevention programs and services for the people of Guam. The Department continually strives to improve, enhance, and promote the physical and mental well-being of the people who experience the life-disrupting effects of mental illness, alcoholism, and drug abuse, provide assistance in an efficient, effective manner in order to minimize community disruption and strengthen the quality of personal, family and community life.

The audit was conducted in accordance with the Guam Code Annotated, Title 1, Chapter 19, Section 1909k, as amended, which requires the Public Auditor to conduct audits of the Executive, the Legislative, and the Judicial branches.

We wish to acknowledge the cooperation extended to us by the Department of Mental Health and Substance Abuse and others whom we contacted during the course of the audit.

ROBERT G.P. CRUZ  
Public Auditor

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## **Table of Contents**

### **INTRODUCTION**

BACKGROUND	1
OBJECTIVE AND SCOPE	2
PRIOR AUDIT COVERAGE	2

### **FINDINGS AND RECOMMENDATIONS**

SUMMARY OF FINDINGS	3
A WELL ORGANIZED COUNCIL	3
INCREASED DEMAND FOR CLINICAL SERVICES	6
WEAK CONTROL OF DMHSA AUXILIARY FUND	8
INADEQUATE CONTROL OF PROPERTY AND EQUIPMENT	11
SERVICE FEES NOT IMPOSED	13
RECOMMENDATIONS	14

<b>RESPONSE OF THE AFFECTED AGENCY</b>	16
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## **INTRODUCTION**

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### **BACKGROUND**

The Department of Mental Health and Substance Abuse (DMHSA) was created by Public Law (PL) 17-21 on August 19, 1983 which merged the Guam Community Mental Health Center and the Mental Health and Substance Abuse Agency. Its operation started on October 1, 1983. The DMHSA is tasked with providing mental health, alcohol and drug abuse treatment and prevention programs and services. Instituted within DMHSA is an Advisory Council for Mental Health, Alcohol and Drug Programs and services which shall consist of seven (7) members appointed by the Governor and confirmed by the Legislature.

The DMHSA is further responsible for providing an assortment of services to include the following:

- \* 24-hour crisis intervention services to include as needed a mobile crisis team and a hot line.
- \* outpatient treatment services to include team services for children, elderly and adults.
- \* inpatient services to include but not limited to acute psychiatric and alcohol and detoxification services.
- \* partial hospitalization and aftercare services to include transitional homes for the mentally ill.
- \* individual, group, and family counseling services.
- \* programs and services affecting policy to change conditions to minimize the availability of drugs and other negative influences.
- \* training significant individuals, such as parents, teachers, commissioners, and parish priests, with prevention skills.
- \* information via clearinghouse for drug and alcohol information.
- \* promoting alternatives to drug and alcohol use, particularly among the youth.
- \* education to include dissemination of accurate information, as well as enhancing social competencies.

The Department of Mental Health and Substance Abuse has incurred total expenditures of \$6,054,401.00 and \$5,985,616.00 in Fys 1994 and 1995 respectively. These included expenditures of \$365,000.00 for the Mary Clare Home in FY 1994 and \$335,000.00 in FY 1995.

## **OBJECTIVE AND SCOPE**

The objective of our audit was to determine whether 1) the DHMSA Advisory Council reviewed and approved plans and programs of the Department; 2) the DMHSA provided comprehensive mental health and alcohol and drug abuse programs and services to the community; 3) the DMHSA properly accounted, managed and used its Auxiliary Funds; 4) the DMHSA managed and controlled its fixed assets in line with the Government of Guam Property Management System; and 5) the DMHSA carried out its mandated duty to establish, adopt, and implement regulations concerning "Service Fees".

We reviewed the department's mission, organization, operations and management of the three (3) divisions covering FYs 1994 and 1995.

Our work was performed July 1996 to October 1996 in accordance with generally accepted government auditing standards. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances.

Our fieldwork was performed at DMHSA and the Department of Administration (DOA). As part of our review, we evaluated the divisional staffing where deemed necessary. We interviewed employees, reviewed and examined records.

Our work was expanded to include the examination and review of financial transactions covering DMHSA Auxiliary Funds including audit of fixed assets.

## **PRIOR AUDIT COVERAGE**

No prior audit has been conducted of the Department of Mental Health and Substance Abuse since it was created on August 19, 1983.

## FINDINGS AND RECOMMENDATIONS

The Department of Mental Health and Substance Abuse (DMHSA) is responsible for the comprehensive inpatient and community-based outpatient mental health, alcohol and drug programs and services for the people of Guam. The DMHSA continues to improve, enhance and promote the physical well-being of those who are experiencing the life disrupting effects of mental illness, alcoholism, and drug abuse. In this section, we examined the management of the department to determine whether it has accomplished its goals.

### SUMMARY OF FINDINGS

The DMHSA has directed its efforts to providing the necessary treatment and services, and prevention programs to the community. The following are our observations on how the department fulfilled its mission:

1. The DMHSA Advisory Council was unable to review and approve the department's plans and programs, thus it has not provided the counseling and oversight to direct the department in accomplishing its programs.
2. The DMHSA has provided comprehensive mental health, alcohol and drug abuse programs and services to a growing number of clients annually. *No comment*
3. The DMHSA has not strictly implemented policies and procedures to realize effective internal controls (AF). *↓*
4. The DMHSA has inadequate internal control, over its fixed assets.
5. The DMHSA has not adopted and implemented regulations concerning service fees.

### A WELL ORGANIZED COUNCIL NEEDED

A well organized team is the mainstay to accomplish established goals and objectives through concerted efforts of the members, sharing their experiences and expertise. The strength of the Council can be demonstrated by exercising its authority and responsibilities. To be effective, the Council members must be introduced to their defined powers, duties and responsibilities. They should be oriented on how the Council functions to carry out its mission.



## **The Council and Mandated Functions**

The Council shall consist of seven (7) members to serve for three (3) years who are appointed by the Governor and confirmed by the Legislature. The Council shall annually elect among its membership a Chairperson, Vice-Chairperson and Recorder. The Council shall meet at least once a month at such time and place as the Chairperson may designate. Meetings shall be publicized and shall be public.

According to Title X, Section 86108, Government Code Annotated (GCA), the Council shall review and approve the plans and programs of DMHSA; and have the following duties:

- (1) to review and approve the annual budget ;
- (2) to review and approve the DMHSA Three-Year Plan and its annual update;
- (3) to periodically review available services and facilities to determine mental health, drug and alcohol program needs;
- (4) Utilize the support and assistance of interested persons, including recovered clients, to encourage potential clients to undergo treatment voluntarily;
- (5) to review and comment on all new and renewed Federal grants applications.

### **Active Participation is Desired**

We reviewed the minutes of Council meetings and noted that the Council was convened eight (8) times in 1994 and nine (9) times in 1995 with an attendance of four (4) to five (5) per meeting. We found all the Council members were very enthusiastic and willing to serve the Council. However, we found that the Council members were not given a stipend for their services.

The Council has a responsibility to set policy and to review and approve the formulation of plans and programs, and the annual budget of the department. We found that the Council has not fully assumed that responsibility. Despite its

I has yet to systematically review the DMHSA's plans and es of Council meetings only showed that the members have A Director to give them the opportunity to review the budget he Governor and the Legislature. The council also requested l them the opportunity to get involved in legislative matters. re discussions on the annual budget, the annual state plan and as. There was no periodical review of available services and

*see page 5*

facilities

facilities to determine mental health, drug and alcohol program needs. The Council did not make policy decisions and advisories to guide the department. However, we noted that there was discussion on the proposed amendment to the enabling statute for DMHSA which is yet to be considered by the Legislature.

### **Lack of Counseling and Oversight**

The Council has a significant responsibility to counsel and hold the department accountable. However, the Council has not asserted its authority to set policy for the department and is unable to exercise oversight over the department programs. DMHSA has not fully achieved its mission due to lack of counseling and oversight from the Council. The Council is responsible for providing advisories to guide the departmental programs and activities. The department is responsible for implementing and managing the programs in accordance with the policies established by the Council.

The Council has failed to fully compile policy decisions which can be located by reviewing minutes of each Council meeting. The lack of historical compilation of their decisions hampers the ability of new members to learn their responsibilities and obtain information on past initiatives. Newly appointed members must rely on oral accounts of council advisories and policies from other members and department staffs. It is particularly important that the Council members identify and recognize their leadership responsibilities over the department. The Director of DMHSA is responsible for managing the programs so they can meet the desired results.

### **Essential Council Decision**

The department is greatly in need of continued oversight that would be the stimulus to direct and accomplish its programs. The Council must make basic essential policy decisions to guide the department.

To be effective, Council members must orient themselves with their duties and those of the department. The department should provide the Council members a manual that they could use as a reference to orient new members and familiarize them with the areas of jurisdiction, their duties and powers, and how the Council is organized to carry out its responsibilities.

In order for the Council to provide direction to DMHSA, it must be organized to have the capability for consistent and continuous oversight. The Council must determine how it can best organize itself into standing committees to carry out its responsibilities for an in-depth review of plans and programs and budgets. A

committee should be tasked to set the agenda so that important issues are discussed at Council meetings.

The Committees should have a written plan for assisting the Department in achieving its plans and goals. The plan should clearly specify the priorities for DMHSA, objectives, time lines for achieving them and how they will be accomplished.

The Council should develop a system to maintain records of important policies, directives, procedures and minutes of monthly meetings so that members and also staff clearly understand expectations and acknowledge accomplishment. To this end, the Council should elect a Recorder among its members.

## **INCREASED DEMAND FOR CLINICAL SERVICES**

The administration of comprehensive community mental health and substance abuse programs and services must be handled efficiently to satisfy the public expectation. The DMHSA has to serve the clients' who especially lack medical insurance or are limited in their financial resources to pay for services. The available resources must be utilized with maximum efficiency to meet with the increasing demand of clinical services.

### **Mission of Clinical Services**

The Clinical Services Division is responsible for providing services such as counseling, case management, intake, residential and drug treatment, and drug and alcohol abuse prevention.

The intake unit provides the screening, evaluation and the referral of all clients to appropriate programs. The counseling branch provides individual psychotherapy, play therapy, couples counseling, family and group therapy which include crisis intervention, consultation and referral to other services. The case management branch provides outreach and case management services to clients in the community which include supportive counseling, transportation, home visits, and referral to food stamps, housing and employment. The residential and day treatment provide structured therapeutic day treatment activities five (5) days a week which include personal hygiene, social skills, arts and crafts, basic educational classes, recreational skills and physical fitness. The drug and alcohol branch provides services to individuals suffering from drug and alcohol problems particularly those living with a substance abuser.

## **Growing Number Of Clients Served**

In the review of the number of clients served in FY 1994, 1995 and 1996, we found that there were 1,942, 2,163 and 2,811 clients served by DMHSA Clinical Services Division. Consequently, there was an increase of 11% in FY 1995 and 29% in FY 1996. We also reviewed the actual total expenditures for FY 1994 amounting to \$1,373,220. or \$707.12 per client compared to FY 1995 for \$1,273,413. or \$588.73 per client.

The increase in number of clients served was from Day Treatment, Adult Counseling, Intake, and Drug and Alcohol Counseling. Although there was a slight decrease in the number of clients served through Community Support Services, Guma Ifil and New Beginnings, it was observed that there was a reduction in the manpower resource from 34 to 32. More clients need counseling or treatment and if they fail to show up on their schedule, the social worker will close the case to be able to accommodate other clients. This policy was adopted because of limited personnel.

## **Socioeconomic Problems Affecting Community**

The policy of the DMHSA is to serve the mental health and substance abuse needs of those clients who especially lack medical insurance or are limited in their financial resources to pay for services themselves. The lack of coordination among agencies to assist and intervene on behalf of the client in obtaining other services outside of DMHSA resulted on more intakes in the Clinical Services Division. In addition, the rise in the number of clients could be attributed to increase in drug and alcohol victims including family problems, loss of employment and bad influence from the society. Some clients resorted to day treatment because it is more interesting and varied than life at home. They talk about their illnesses, conflicts and personal experiences in life. They also enjoy recreation, education, cooking, arts and crafts, and other adjunct therapy. The decrease of seriously mentally ill clients served by the Community Support Services was due to successful treatment, death or departure from the island. If they did not get well, they were transferred to other programs or services. The reduction in the Guma Ifil (Adult Residential Treatment) and New Beginnings (Drug and Alcohol Residential Treatment) clients may have been due to the successful referrals to other programs and services.

The decline in manpower resource or non- hiring of additional staff because of budget constraints decreased the total expenditures for FYs 1994 and 1995. In addition, the

distribution of food to clients was not enough because of the menu prepared by the dietician.

### **Challenge of Greater Responsibilities**

The growing number of clients is a reflection of the socioeconomic problems caused by family dysfunction, drugs, and alcohol in the community. To meet the increased number of clients, it is imperative that DMHSA hire highly qualified social workers, psychologists, psychiatrists, psychiatric nurses and technicians. This should be matched by improving existing programs and food and other service.

The lack of coordination among participating agencies delays the proper treatment of the client, thus aggravating their illness and resulting behavioral problems. Moreover, the non-hiring of additional professional staff makes the present workers overloaded and stressed which result in poor quality of services to clients. Since there is the diet requirement for the clients and not enough food, some families are obliged to bring food to their client relatives.

### **WEAK CONTROL OF DMHSA AUXILIARY FUND**

Public funds are taxpayers' money. They should be used objectively and accounted for accurately to gain public trust. Management must have a strong internal control system set up to prevent possible loss and misuse of funds. The operation must be reviewed periodically to ensure that the policies and procedures are followed.

#### **Proper Handling of Auxiliary Fund**

The DMHSA Auxiliary Fund was established by Title X, Section 86106, GCA as separate and apart from any other government funds in which monies and assets from fund raising and charitable contributions shall be deposited. The Council shall adopt rules and regulations as to what constitute authorized expenditures. The fund is to be spent for the patient needs or programs in mental health, alcohol and drug abuse, as outlined in the DMHSA Three-Year Plan. The DMHSA Fiscal Officer shall be the custodian of the Auxiliary Fund and shall invest these monies in bank accounts insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC).

Internal controls are the plan of organization and methods and procedures adopted by management to provide reasonable assurance that resource use is consistent with

laws, regulations and policies; and that resources are safeguarded against waste, loss and misuse. The standard of reasonable assurance recognizes that the cost of internal control should not exceed the benefits derived.

The Administrative Officer shall be the custodian and the Director will be the certifying officer of the fund. There shall be an annual audit by BBMR or its authorized representative with reports to the Governor and the Legislature within thirty (30) days of the completion of the audit.

The designated fund custodian shall be accountable and responsible for all monies received into the fund and shall be bonded. The allowable expenditures under the Auxiliary Fund are those related to therapeutic treatment programs, patients' general hygienic needs, emergency medical and dental services and other related patients' needs.

All monies received must be deposited within two (2) working days. Bank statements shall be reconciled monthly and submitted to the certifying officer.

Relating to procurement of supplies and services, Title V, GCA, Section 5210 provides that unless otherwise authorized by law, all territorial contracts shall be awarded by competitive bidding. Section 3-204 of the General Services Administration (GSA) Procurement Rules and Regulations provides the amount for small purchase procurement that was established at less than \$5,000 for supplies and services; and Section 1-103 states that no procurement shall be made which shall require advance payment unless authorized by law.

### **Misuse of Auxiliary Funds**

We reviewed the Auxiliary Funds and we noted that there are two (2) accounts with the Bank of Guam; Account Nos. 0102 036036 and 0102 095355.

We found that there were checks issued for unauthorized expenditures; official receipts were not always issued for cash received; the fund was used for cash advances without the vendors' invoices; some disbursements were not approved by the Director. Moreover, we observed that the Fund was used as the instant source for departmental needs even when the funding was made available by local appropriation or by Federal grants.

In FY 1994, there were checks issued for employees' advance salary, down payment for catering service, purchase of lawn mowers and bush cutters; and for a complete disguised audio surveillance system with monitor camera hookup and lapel microphone systems, and house rental.

We also found that the certifying officer did not sign the request for the auxiliary fund, the fund custodian was not bonded, collections were not deposited within two (2) working days, there was no bank reconciliation of the BOG Account 010236036, and that there was no auxiliary fund ledger maintained by the custodian.

We reviewed Purchase Order PA6A02924 prepared by GSA, for the cost of catering service for DMHSA grand opening on March 25, 1994 in the amount of \$4,800. DMHSA issued Check #1604 dated January 16, 1994 for 2,400, as down payment for the contract. Subsequently, the vendor was paid by DOA with Check # 947405 dated April 8, 1994 in the amount of \$4,752. The vendor did not return the down payment of \$2,400 to the Auxiliary Fund at the time of our review.

We reviewed the receipt books, check register and bank statements, and we noted that there were monies received and deposited to the Funds which were not supported by official receipts. The total cash received without official receipts was \$13,250.92 for 1994 and 1995.

To initiate an immediate procurement of supplies and services, the Auxiliary Funds were used as the instant source of funding for the departmental needs. The reimbursement was then requested through a direct payment to the DOA, whether local or federal grants. We sampled (67) Auxiliary Fund checks for 1994 and 1995 in the total amount of \$38,369.62, of which \$21,170.53 was locally reimbursable and \$17,199.09 was federally funded. The use of the Auxiliary Funds not reimbursed was \$14,108.13 local and \$1,423.00 Federal or a total amount of \$15,531.13.

We also noted that purchase of supplies and services was not according to procurement regulations. The purchase of the disguised audio surveillance microphone system with accessories for \$5,013.00 was not awarded through competitive bidding. Also, the catering service contract of \$4,800.00 was not in accordance with procurement regulations.

We were unable to determine whether all the monies received were deposited to Auxiliary Fund accounts because of inconsistent recording of transactions, incomplete records, no ledger, and the majority of deposit slips being unavailable, including the monthly bank reconciliation statements for BOG Account No. 0102 036036.

### **Internal Control of Auxiliary Funds**

Our audit showed internal controls over the DMHSA Auxiliary Funds were inadequate

because the written policies and procedure were not fully carried out to ensure; 1) proper authorization of transactions and activities; 2) collections are issued receipts to record transactions and post to Record of Daily Cash Receipts; 3) accounting of sequential numbered documents such as the official receipts and the checks ; 4) comparison of daily cash collections with the cash receipts issued and bank deposits; 5) adequate physical control over collection for deposits; 6) review by an officer to determine whether the established controls continued to operate.

There was a consistent deviation from the adopted policies and procedures and the use of Auxiliary Funds for procurement of supplies and services was not always related to clients' needs as indicated in the DMHSA three-year plan. Furthermore, DMHSA uses the Auxiliary Funds although local and Federal funds are available. This depletes the Auxiliary Funds and greatly affects its capability of earning if invested as mandated by PL 17-21. Management was not fully focused on the objectives of the Auxiliary Funds, and there was insufficient supervision and monitoring. There was no audit of the Auxiliary Funds annually. In addition, the individual assigned to handle the Auxiliary Funds was not fully trained.

### **Unreliable Accounting for Auxiliary Funds**

To achieve the goals and objectives of the Auxiliary Funds, management must be sincerely focused on the needs of the clients and the programs for clients according to plans. When request for Auxiliary Fund is scrutinized and then closely examined, there is a continuous monitoring and review of transactions. Accordingly, the objectivity and integrity of the Auxiliary Fund is ensured and maintained while money is always available to meet the clients' needs and the program for treatment and rehabilitation

## **INADEQUATE CONTROL OF PROPERTY AND EQUIPMENT**

Furniture and equipment are a basic requirement to operate an organization, either government or private business enterprise. It is incumbent upon management to exercise care and control of these essential fixed assets to accomplish its objectives. Regular inventory of fixed assets must be taken to establish their existence.

### **Controlling and Managing the Fixed Assets**

According to the Department of Administration (DOA), Government of Guam Property and Management Systems and Procedures (PMSP), Revised 3-16-81, the DOA will tag the property in line agencies and perform physical observation of these assets every three (3) years. DOA Circular No. 94-21, Fixed Assets, dated August 04, 1994, provides that the tagging and observation of the assets shall be with the assistance of the agency Property Officer, and it required information be provided to the Revenue, Debt and Property Branch, Division of Accounts regarding: a) the name of the employee assigned the regular use and responsibility for the fixed asset; and b) the condition of the fixed asset as defined in PMSP Manual. According to the DOA PMSP Manual, the Director is designated as the accountable officer of a department who is charged with accountability for government property under his/her jurisdiction.



### **Missing/Unidentified DMHSA Property and Equipment**

Based on the master summary of fixed assets, we randomly selected forty (40) items of the total 1,553 items for observation. We found four (4) of the items in excellent condition, but thirty six (36) were either unidentified or missing. The four (4), consisting of three (3) computer hardware and (1) intrusion monitoring system were located by referring to style, model, serial numbers shown on master summary of fixed assets and cross referenced to the MIS Hardware Inventory.

We found that there were no records to cover acquisition and disposition of property and equipment. The fixed assets were not tagged and no periodic inventory of fixed assets conducted by DOA to comply with DOA Circular No. 94-21. In addition the DMHSA has no internal policies and procedures to manage and control the use and transfer of fixed assets from one office to another.

### **Management Not Focused on Fixed Assets**

We reviewed the Department Policies and Procedures Manual and we noted that DMHSA did not have policies and procedures adopted for the recording and control of property and equipment. We did, however, note that a Hardware Inventory was initiated by Management Information System (MIS) in August 1966.

Therefore, the failure to conduct their own inventory periodically, tag property, name employees to whom property was assigned, identify or locate property, and trace transfer of property from one office or personnel to another was due to lack of internal control policies and procedures for safeguarding property and equipment against loss, damage, or misuse.

### **Loss of Fixed Assets Cannot Be Established**

In order to have an efficient operation, the department must always be able to account for all the fixed assets acquired, know their immediate whereabouts to access them when needed, and provided for proper maintenance. There must be an improvement in the control, care and management of fixed assets. If a plan of organization and methods and procedures is adopted consistent with policies and regulations, or the PMSP Manual is implemented, the fixed assets are safeguarded from possible waste, loss and misuse, and the need for property and equipment is readily satisfied.

## **SERVICE FEES NOT IMPOSED**

The DMHSA mission is to provide comprehensive inpatient and community-based outpatient mental health, alcohol and drug programs and services, and to continually strive to improve, enhance, and promote the physical and mental well-being of the people. To support these programs and services, DMHSA must seek and explore a revenue source.

## **Establishing Fees for Services**

PL 17-21, Section 86105 legislated on August 19, 1983 states that DMHSA shall establish and adopt regulations concerning fees it may charge for services such as 24-hour crisis intervention, hospitalization and after care, outpatient services for children, elderly and adults, and inpatient services which include acute psychiatric care, alcohol and drug detoxification. This shall be based on the ability-to-pay standards established within the Limit of Liability Program.

## **Expected Revenue Not Generated**

We reviewed the DMHSA powers and duties and found that the department did not establish and implement rules to impose fees to fund various services since 1983. Although DMHSA conducted public hearings in 1995 and 1996, the proposed fees have not been implemented to this date to generate revenues. We noted that with the proposed fees the DMHSA could have collected over \$3.0 million in 1994 - 1996 and could have generated \$1.2 million for FY 1997.

## **DMHSA Authority Not Exercised**

To implement service fees, a detailed process must be followed. There must be a public hearing conducted to comply with the legal requirement of Administrative Adjudication Law. We noted that management has not exercised its authority to impose fees for services. Professional expertise was not employed to formulate and establish the fees, write the policies and operating procedures. We found that the budget did not provide funds for this project to hire technical personnel, and purchase supplies and materials.

## **Management Decisive Action Required**

The implementation of service fees will provide the much needed revenues and will help lighten the burden in the general fund. There will be additional funds for DMHSA to achieve its goals and objectives, to deliver comprehensive inpatient and community based outpatient mental health, alcohol and drug programs and services to the people of Guam. Management should take decisive action at this time and continuously monitor the work on the project until the fees are implemented with the governing policies and procedures. Ultimately, the immediate implementation of fees for services will avoid further loss of revenues.

## **Decisive Action Required**

The process of formulating policies and procedures, and implementing the service fees is tedious and cumbersome. There must be a public hearing conducted to comply with the legal requirement of Administrative Adjudication Law. We noted that management did not exercise its authority to impose fees for services. Professional expertise was not immediately employed to formulate and establish the fees, write the policies and operating procedures. We found that the budget did not provide funds for this project to hire technical personnel, and purchase supplies and materials.

## **Management's Decisive Action Required**

The implementation of service fees will provide much needed revenues and will help lighten the burden in the general fund. There will be additional funds for DMHSA to achieve its goals and objectives ; to deliver comprehensive inpatient and community based outpatient mental health, alcohol and drug programs and services to the people of Guam . Management should take decisive action at this time and continuously monitor the work on the project until the fees are implemented with the governing policies and procedures . Ultimately, The immediate implementation of fees for the services will avoid furthure loss of revenue.

### **Recommendations**

1. We recommend that the Advisory Council assume its responsibilities by:
  - a) Establishing administrative rules relating to advisory authority of the Council.
  - b) Establishing a committee structure to address important policy issues facing DMHSA
  - c) Creating an executive committee to work with the Chairperson in improving the Council operations and approving agenda for council meetings.
  - d) Requiring the Director to regularly submit management information to the Council, and particularly, information on the budget, department plans and programs, and Federal grant applications.
  - e) Requiring the Chairperson to compile the Council policy decisions and a manual for members on thier functions and responsibilities.
2. We recommend that the Director hire additional qualified personnel to fill the vacant positions to meet the growing demand of clinical services.
3. We recommend that the Director strictly enforce the established policies and procedures to realize an effective internal control over Auxiliary Funds.
4. We recommend that the Director implement a fixed asset control for DMHSA properties by, a) designating a property manager, b) tagging all the fixed assets with the assigned DOE FA numbers; and c) establishing a fixed asset custody card.
5. We recommend that the Director immediatly adopt and implement the regulations concerning "Service Fees".

## **RESPONSE OF THE AFFECTED AGENCY**

### **Comments on Agency Response**

We submitted a draft of this report to the Department of Mental Health and Substance Abuse Agency (DMHSA) on August 13, 1997. A Copy of transmittal letter to the DMHSA is included as Attachment 1. The response from the Director of DMHSA on August 26, 1997 is included as Attachment 2.

The DMHSA generally concurs with our findings and recommendations. The DMHSA cites initial remedies in progress that intend to address concerns in our report. The remedies include the hiring of a Total Quality Management(TQM)/Grants Consultant and the Administrative Officer. The Director commented that the Advisory Council has three (3) members at present. The TQM/Grants Consultant stated that the Governor and DMHSA should activate the Advisory Council. The earliest appointment of members to complete the required seven (7) members and convening of the Council is urged. The Director contends that the function to review and comment on all new and renewed Federal grant applications is required to be performed by the Mental Health Planning Council. The Director missed the point; that is, the Advisory Council's duties include the review and comment on all new and renewed Federal grants applications.

With respect to our recommendation to hire additional qualified personnel to fill the vacant positions to meet the growing demands of clinical services, the Director stated that she can only hire within limited financial and human resources. Our view is, that DMHSA should provide the budget for the position and continually scout for the human resources.

We note that the Administrative Officer is currently enforcing the established policies and procedures to proper compliance for an effective internal control over the Auxiliary Fund and presently conducting audit of the fund.

The Director agrees that DMHSA has inadequate control over its fixed assets and she has given directions to develop policies and procedures to implement fixed asset controls for DMHSA. The Agency will also complete an inventory of all properties. Furthermore, the Administrative Officer shall ensure that purchases of services and equipment are in accordance with procurement regulations.

The Director did not comment on the date when the "Service Fees" will be implemented. She said that a recommendation to implement the fees was made.

**DRAFT**

**OFFICE OF THE PUBLIC AUDITOR  
UFISINAN I ADITOT PUPBLEKO  
GOVERNMENT OF GUAM  
P.O. BOX 23667, GMF, Barrigada, Guam 96921  
(1208 East Sunset Boulevard, Tiyan)  
(671) 475-0393/0394/0395 - FAX: (671) 472-7951**

Attachment 1



**ROBERT G.P. CRUZ  
PUBLIC AUDITOR**

August 13, 1997



Ms. Elena I. Scragg  
Director  
Department of Mental Health and Substance Abuse  
Gov. Carlos Camacho Road  
Tamuning, Guam

Dear Ms. Scragg:

Enclosed for your information is our draft report, Management Audit of the Department of Mental Health and Substance Abuse. We ask that you comment on our recommendations within fifteen (15) days or no later than Thursday, August 28, 1997. Your comments will be included in the report. Should you have any recommended statutory amendments or specific accomplishments you would like to see included in this report, please include them in your response, which will contain all your comments verbatim.

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 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.

Thank you for your cooperation in this effort.

Sincerely,

  
ROBERT G.P. CRUZ

Enclosure

**DRAFT**



8/21/97

**DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE**  
**DIPATTAMENTON SALUT HINASSO YAN ABUSON AMOT**



790 Gov. Carlos G. Camacho Road  
Tamuning, Guam 96911  
Telephone: (671) 647-5045/5330 • Fax: (671) 649-6948

Attachment 2

**CARL T.C. GUTIERREZ**  
Governor of Guam

August 26, 1997

**ELENA I. SCRAGG, MS, MHR, IMFT**  
Director

**MADELEINE Z. BORDALLO**  
Lieutenant Governor

**AURORA F. CABANERO, MD**  
Deputy Director

Mr. Roberto G.P. Cruz  
Office of the Public Auditor  
Government of Guam  
P.O. Box 23667  
Barrigada, Guam 96921

RE: Draft Report - Management Audit of the Department of Mental Health and Substance Abuse

Dear Mr. Cruz:

Since I came aboard this agency October 1, 1996, a management team approach to managing operations has been established. The management team is composed of the Director, Deputy Director, all Division Administrators (3), the Administrative Officer and the Quality Management Consultant. This team meets every Tuesday. A copy of the subject report was distributed to each member of this team who were asked to provide written feedback. Copies attached.

**Director's Observations**

Having been at the helm for eleven months, I was surprised to learn there has been only one audit performed on the agency in thirteen years. I would recommend a yearly audit for the next seven years at least.

The following is written as I read the report:

**Advisory Council:** Poor membership attendance and lengthy appointment processes have resulted in frequent cancellation of the monthly meeting due to a lack of quorum. The council has only three of the seven members required at present. Members who have resigned have done so primarily due to their extremely busy schedules and job demands. Thus, the lack of more active participation by this council makes it difficult to comply with the mandate. Please note that the role of this council, unlike that of boards, is advisory in nature.

In 1996 (July), the Advisory Council transmitted revisions to P.L. 17-21 to the Governor's Office along with a proposed fee for services schedule and reorganizational chart. These revisions include stipend provisions for council members. These documents have not yet been transmitted to the Legislature for further action.



Commonwealth Now!

Please note that the function of reviewing and commenting, as well as monitoring all new and renewed Federal Grant Applications is required to be performed by the Mental Health Planning Council. The membership of this council requires majority participation of mental health and/or substance abuse consumers

The report focused on the Clinical Services which is one of four divisions. These are the Nursing Services Division, the Children and Adolescent Services Division, the Clinical Services Division and the Support Services Division

The Clinical Services Division is composed of the following branches: Intake/Emergency and Crisis Intervention, Crisis Hot Line, Physical Therapy, Day Treatment Services, Community Support Services (Case Management), Prevention and Training, Adult Counseling Services, Guma Ifil Residential Services, Drug and Alcohol/New Beginnings Residential Program (16 beds).

The Nursing Services Division is composed of the Medication Clinic, the Adult Inpatient (16 beds), and the Children Inpatient Unit (16 beds) and the Healing Hearts Rape Crisis Center.

The Children and Adolescent Services Division is composed of the Children and Adolescent Counseling Team (CAST), the Children and Adolescent Management Program (CAMP), Guma Manhoben Residential Program, the Therapeutic Foster Care Program and the Inter-Agency Review Committee (clinical services to consumers receiving care off-island).

Since the Total Quality Management/Grants Consultant came aboard on April 1, 1997 the Policies and Procedures Committee has been reactivated and meet regularly. Many policies have been revised/developed since, and these are in line with JCAHO guidelines. Regular training has been conducted to staff on issues of quality assurance, P&P's development and implementation, risk management and utilization review.

**Inventory Control:** I could not agree more with the statement that "the DMHSA has an adequate internal control over its fixed assets." Measures have, and continue to be taken to correct this for the first time in this agency. A request has been made by my office to develop and implement P&P's for routine as well as ongoing Inventory Control for all fixed assets and supplies. Furthermore, a directive has been sent to all staff of this agency to complete an individual inventory of all government property tags which will be distributed once the inventory is completed have been ordered and will the second phase of the process, then, the inventory is going to be computerized and maintained on a regular basis.

The increase in the demand for services which DMHSA continues to accommodate with lesser resources can be attributed to many factors, for example, the increase in population growth, the easy availability of state-of-the-art design illicit drugs, an increase in stress brought about by environmental and social factors (e.g., high cost of living, high divorce rate, steady increases in incidents of family violence, child/adult abuse, suicide, drug and alcohol addiction, crime, and a higher number of court and private sector referrals). Furthermore, this agency has also been faced with increases in staff salaries, the cost of consumers' medications and meals, utilities and so forth.

In addition, studies have steadily shown that mental health professionals experience the highest rate of burn-out, and, to aggravate this situation on Guam, these resources are very limited which makes recruiting difficult, not to mention the lengthy bureaucratic process of hiring within the Government of Guam.

#### **Auxiliary Fund**

The issue of the Auxiliary Fund has been, and continues to be of great concern to my office. The Administrative Officer who came aboard on June 16, 1997 is currently in the process of conducting an internal audit of this fund as well as insuring proper compliance and record-keeping in line with existing P&P's. Furthermore, the Administrative Officer is also in the process of insuring that all services/equipment and so forth, are purchased according to all procurement regulations. Please note that this agency has lacked a fully qualified Administrative Officer until recently and as such it is going to take sometime to straighten a system which has never existed in a well-organized manner, and to set-up computerized ledgers (no ledgers have been maintained in the past).

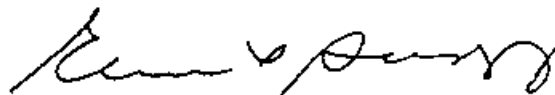
#### **Fee for Services Schedule**

This issue is an ongoing process. This agency is working closely with the Governor's Office in terms of all the necessary logistics. When these fees were developed, no supporting documentation or mechanisms were developed about how to carry out the process. A Big Bill Form has been developed and is being tested through a three-month, three-step trial run. Other issues being examined are the projected revenues, present insurance practices only cover twenty outpatient visits on selected diagnoses and provided only by selected insurance carriers pre-approved mental health professionals. As you can appreciate, most families rely on their insurance companies paying for the bulk of their medical expenses, consequently, even families which do not fall under poverty levels will find it difficult to afford the charges (e.g., \$300/day acute inpatient stay, \$1200/week New Beginnings drug & alcohol rehabilitation). Nonetheless, recommendations to go ahead and implement these fees have been made. Furthermore, projected revenues are very minimal and will in the future change insurance coverage for mental health illnesses, as Guam is also going to have to comply with minimum Parity Law mandates (President Clinton signed this into law September, 1996).



In closing, I would like to recommend the following:

- a) That you take a few minutes and review each member of the management team's input
- b) Take into consideration that the Director can only hire additional qualified personnel within limited financial and human resources.
- c) As demand for services increase, resources decrease, thus, the immediate goal is to bring this agency to par with these trends. Resistance always being an issue to deal with as change is difficult for anyone.



ELENA I. SCRAGG, MS, MHR, IMFT  
Director

**Attachments**

cc: Special Assistant, Agency Affairs, Governor's Office  
All Management Team Members, DMHSA



GOVERNMENT OF GUAM  
AGANA, GUAM 96910

INTRA-OFFICE MEMORANDUM

To: Deputy Director  
All Division Administrators  
Administrative Officer  
TQM/Grants Consultant

From: Director, Department of Mental Health and Substance Abuse

Date: August 14, 1997

Subject: **Management Audit of the DMHSA**

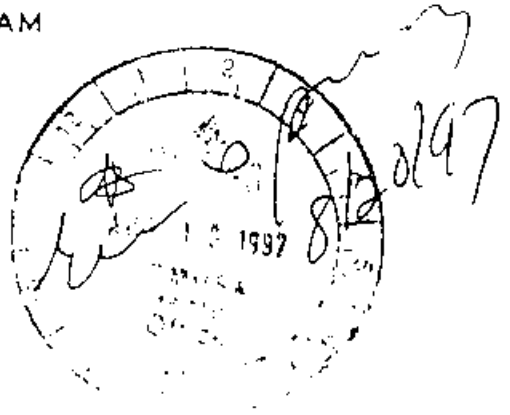
Please review the attached document and, submit bullet- type written input to next Tuesday's Management Team Meeting (August 19, 1997)

Thank you for your kind attention and compliance with the above request

  
Elena I Scragg, MS, MHR, IMFT



GOVERNMENT OF GUAM  
AGANA, GUAM 96910



August 19, 1997

INTRA-OFFICE MEMORANDUM

TO: Director

FROM: Deputy Director

SUBJECT: MEMO OF 8/14/97 - "MANAGEMENT AUDIT OF DMHSA"

This is in response to your memo dated 8/14/97 regarding above subject matter. After having read and reviewed the above document, the following are my concerns/ input:

1. The audit made no mention/observations regarding the Children and Adolescent Services division.
2. The audit made no mention/observations regarding the Nursing Services division.
3. The audit made no mention/observations regarding the Healing Hearts Crisis center.
4. As of this date, DMHSA's Advisory Council only has three (3) council members. Those that resigned, completed their terms or did not renew, have never been replaced. I believe, DMHSA should prioritize the filling in of the full membership of the council (7), in order for the council to accomplish and fulfill its mission. Also, the department should appropriate budget for the Council members' stipend for their services.
5. I cannot but agree with the Public Auditor's recommendations that are listed on pages 26 and 27 of the above document.

Thank You!

*Aurora F. Cabanero*  
AURORA F. CABANERO



DEPARTMENT OF MENTAL HEALTH AND SUBSTANCE ABUSE  
*DEPARTAMENTON SALUT HINASSON YAN ABUSON AMOT*  
790 Governor Carlos G. Camacho Road  
Tamuning, Guam 96911

August 21, 1997

Intra-Departmental Memorandum

To: Director  
Via: Deputy Director  
From: Clinical Administrator  
Subject: Input to Management Audit

Submitted herein is my reaction to Management Audit Report of August 13, 1997, for FY 1994 and FY 1995, conducted by the Office of Public Auditor.

I am not surprised at the results.

**Mental Health Advisory Council.** The criticism appears to focus on the Council's deliberation of business, leadership, and their lack of exercising their role, duties, and responsibilities. It is only fair that members of the Council, at that time period, be given the opportunity to comment.

**Auxilliary Fund.** The audit findings supported what we have known all along. The practice of dipping into this Fund, during FY 94 and FY95 period, in my opinion, was actually for convenience, i.e., bypassing bureaucracy of paperworks and time such as requisitions to GSA and procurement rules and regulations. But, above all, in my opinion, the Auxilliary Fund had become an account that was easily accessible to the Director and Mental Health Administrator (contract position at that time). Even if there had been Policies and Procedures (P&P) in place, the personnel responsible did what they want to do and chose to ignore the P&P merely, again, for convenience. This practice was carried over, to date, until the present Director recognized the irregularity and put a stop to using this Fund. Since this writer is one of several management individuals signing Auxilliary Fund account checks, she is aware of the purpose. One matter that this writer always questioned is using this Fund to purchase medications by Nursing Services. This type of purchase should be done by requisitioning process through adequate planning. However, some instances of using this Fund is appropriate such as account set up to take care of personal needs of Guma Man Hoben clients.

**On Page 17,** I am curious as to what this "disguised audio surveillance mic system with monitor and camera hookup and lapel mic system" is all about?

On Page 18, catering service for the Department's May 25, 1994 grand opening, cateror (Villagomez) was supposed to reimburse the Department \$2,400, but did not do so. Case, as I understood it, was referred to AG's office for action to collect.

Administrative Assistant. For your information, the position of Administrative Assistant was originally an FTE under Clinical Services Division. It was "stolen" sometime in FY 1992, and placed under Financial Management, because, as I understood it, they need an FTE to keep track of fixed assets, supplies, materials, requisitions, etc. Well, today is FY 1997 and still no fixed assets inventory in place as criticized by the audit.

As I recall, at one time, an Administrative Aide was tagging the equipments. To simply put it, it is no use to tag anything, if equipment/property are not listed in a master log and crossed-checked on an annual or semi-annual basis. There is no accountability of employees who claimed lost or broken equipment against a survey list to cancel out. It is amazing to me that stories submitted by employees for lost or stolen items are so easily accepted without investigation. On top of that, when an employee resigns and separates from the Department, properties listing signed by them does not need to be checked out against a master list. So what? There's no master list to begin with. Bottom line is employees do not have this attitude of having to take care of government properties as their own (then again, some employees don't have a sense of the importance of taking care of things) and therefore "care less" attitude.

Summary. The Audit points to proper accounting rules and procedures which, apparently, was lacking; or person(s) assigned to perform the tasks lack the skill, knowledge, or supervision to carry out the duties.

Employees must be held accountable of government properties assigned to them, as well as made held accountable to follow policies and procedures. If employees will just do things in a systematic manner, this Department internal operation would significantly change for the better.

As for the fee schedule, everyone knows your office has been working diligently on the matter; and at this point, as I understand it, is in the hands of the Governor's Office.

The clinical staff and I are hopeful that this Audit's No. 2 recommendation would be honored.

Thank you for soliciting my input.

*Mamie C. Balajadia*  
MAMIE C. BALAJADIA, ED.D.

8-19-97


Written response to the report, Management Audit of the Department of Mental Health & Substance Abuse by Robert G. P. Cruz, Office of the Public Auditor.

- \* I agree with the recommendations listed on pages 26 and 27.
- \* No observations were made regarding the Nursing Services Division.
- \* No observations were made regarding the newly created Child/Adolescent Division.
- \* There were no observations made regarding the Children or Elderly.
- \* There were no observations made regarding Mental Health lack of plans to respond to new Mental Health Populations ( such as the Forensic population ).

Observations relevant to : Advisory Council, Staffing Deficiencies

Auxiliary Fund, Fixed Assets, Service Fees.

- \* The Government of Guam has not considered Mental Health a high priority.
- \* The Government of Guam has not placed persons with specialized knowledge in positions of authority at Mental Health; such as specialists in personnel, organization, budgeting and administration.
- \* The Advisory Council must have some of these named above.
- \* The Department of Mental Health must have some of these named above.



John Estes

*NURSING ADMINISTRATOR 25*

Aug. 19, 1997

To: Director, DMHSA

From: Administrator, CASD / CHILDREN/ADOLESCENT SVCS ADMIN.

Subject: Input into Management Audit of the DMHSA

1. The Report describes an incomplete picture of services offered by the department. Auditor must not have had access to records, nor the opportunity to interview staff who could have provided a more accurate and total picture of Mental Health services

Page 3 Audit period: FY94 and FY95. Report mentions review of three (3) divisions. Child and Adolescent Services Division (CASD) was already established in May 1994. However, report fails to include CASD's or Nursing Division's contributions to the overall mission of the department.

Page 11 through 13 describes Clinical Division's programs, census and program issues. There is no mention in the Report of CASD's and Nursing Division's programs or census (i.e. Guma Manhoben, TFC Program, CAST and CAMP, Healing Hearts, Medication Clinic, Adult and Children's Inpatient Units).

2. There is an odd emphasis on an inadequate amount of food for clients (page 13, second line, and page 14, third line and 2nd paragraph, 4th line; last paragraph, last line). What accounts for this emphasis?

3. Page 13 is a confusing attempt to explain the increases / decreases in client population in various programs under the subtitle "Socioeconomic Problems affecting Community". What documents were used to theorize the reasons for the increases/fluctuations in census?

4. Page 14 on "Challenges of Greater Responsibilities". Real issues facing the department have to do with the need to recruit and retain qualified, experienced staff as other mental health-related positions in the community offer more competitive salaries. Recruitment/replacement of vacant positions, training, hazardous pay and overtime pay issues (given shortage of staff) are crucial factors to address. Another hard issue is for the department to prioritize services so as to ensure that the department is adequately providing services to the adults with chronic mental illness and to the children with serious emotional disturbance. Measures that the department is taking to ensure more consumer-responsive programs include the organization or re-activation of a family/consumer alliance for those with mental illness through Community Support Services and the Child and Adolescent Services Division.

5. Regarding Handling of the department's Auxiliary Fund, the department has hired a new Financial Officer who is currently establishing clear ledgers and protocols to account for the transactions of this fund as well as for any other source of funds for the department.

6. Page 26 on Implementation of service fees: will not result in any dramatic "lightening of the burden of the general fund."

7. Page 26 on Recommendations: Include mention of the Mental Health Planning Council and its role in the review of the department's plans and programs as required by Federal grant requirements.

Thank you for the opportunity to comment.



**MARILES D. BENAVENTE**



# intradepartmental

## MEMORANDUM

to: The Director

cc:

from: Gregoria Smith

*TQM/Grants Consultant*

re: Management Audit

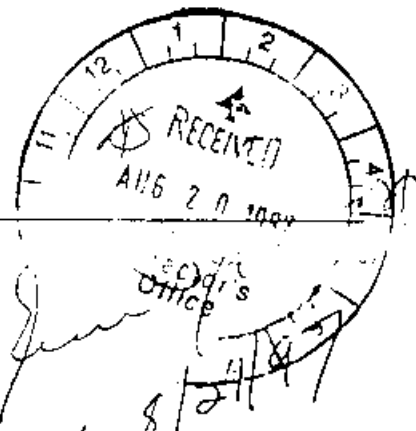
date: August 21, 1997

In response to your memo dated 08/14/97, the following are my input:

- It is imperative that the Governor and DMHSA activate the advisory board. Stipends should be given for their meetings.
- See if there is a need to modify P/P on Auxilliary Funds ie. corresponding repercussions if violated. Enter fund activities in a program like Quicken.
- Create a P/P on Fixed Assets Management and Control.

Thank you for allowing me to participate in this process. I hope that the P/P committee can help correct some of the discrepancies.

*G. Smith*





GOVERNMENT OF GUAM  
AGANA, GUAM 96910

August 18, 1997

To: Director, Department of Mental Health and Substance Abuse  
From: Administrative Officer, Financial Management Division  
Subject: Memo of 8/14/97 Management Audit of the DMHSA

I have reviewed the Management Audit of the DMHSA and have concerns in the following "Finance" areas:

- 1.) No prior audit conducted since it was created in 1983. Is this true?
- 2.) DMHSA has not strictly implemented established policies and procedures to realize an effective internal control over the Auxiliary Funds. I totally agree as evidence by recent transactions. When questioning the former Acting Administrative Officer her reply was the she certified a transaction when the administrator's approval appears on the auxiliary form. To immediately remedy the situation I have asked that all transactions cease until such time the Auxiliary Fund is completely audited and all transactions adjusted to local funds or documented valid.
- 3.) DMHSA has an inadequate internal control over its fixed assets. I agree in that to date I have not seen an in-house inventory listing to conduct a review. I have requested a listing from DOA which I received on August 14, 1997 which has a run date of May 10, 1997. I also agree since I do not see any of the assets labeled. When questioning the Acting Administrative Officer I was told DOA has to do this. I am a firm believer of doing a complete inventory on everything as a check and balance system. Financial Management will conduct a complete inventory as soon as possible.

Due to time constraint I will submitted in writing more input.

Sincerely yours,

  
Juanita P. Quintanilla

cc: Deputy Director  
All Division Administrators  
TQM/ Grants Consultant