



OCT 2 1991

**Memorandum**

Date *[Signature]*  
Richard P. Kusserow  
From Inspector General

Subject Audit of the Community Mental Health Centers Construction Grant Program - Phase I  
(A-05-91-00050)

To James O. Mason, M.D., Dr. P.H.  
Assistant Secretary  
for Health

The attached final report provides you with the results of our audit of Community Mental Health Centers (CMHC) construction grant reviews performed by a contractor, Continuing Medical Education, Inc. (CME), for the National Institute of Mental Health (NIMH), Alcohol, Drug Abuse and Mental Health Administration (ADAMHA). Reported also is the Office of Inspector General (OIG) evaluation of the adequacy of NIMH actions to resolve grantees' noncompliance. The contract provided for CME to conduct initial and follow-up visits to approximately 90 CMHC construction grantees reported to be out-of-compliance, (180 visits over a 3-year period). These visits were to verify and substantiate areas of noncompliance as reported by the grantees in its annual checklist, or as determined by the NIMH's project officer to have compliance problems, and to determine appropriate action by the NIMH such as exercising its right to recover Federal funds awarded.

This is a follow-up audit, requested by the Assistant Secretary for Health, to the OIG's February 17, 1984 memorandum (Audit Control Number 12-43217) reporting the lack of recovery actions to the Public Health Service (PHS). In response to that report, PHS indicated that NIMH planned to institute a new monitoring procedure. This procedure was to provide NIMH with an annual appraisal of all grantees in terms of their compliance with program requirements. However, few recovery actions had been taken.

Congressman Ted Weiss, Chairman of the House Subcommittee on Human Resources and Intergovernmental Relations, Committee on Government Operations also expressed concerns that Federally funded mental health services were not being provided as intended by the program and requested a similar OIG audit on the CMHC construction grant program and a copy of our audit report. Our work is being carried out in three phases.

The CMHC Act, enacted as Title II of the Mental Retardation Facilities and Community Mental Health Centers Construction Act of 1963, Public Law (P.L.) 88-164, authorized grants for the construction of public and other nonprofit CMHCs. Once construction is completed and the CMHC is operational, the Act requires CMHC grantees to provide

for a period of 20 years, five essential elements of comprehensive mental health services to all persons in need of such **services** in designated service areas. In addition, CMHCs must furnish a reasonable volume of services below-cost or without charge (free) to residents of its service area who are unable to pay for the services. If a grantee does not provide these services, it is out-of-compliance with the Act and action can be taken to recover Federal funds or extend the service obligation date. In addition, in cases where the grantee requests a change to the facility's use or substitutes another facility for providing mental health services, NIMH can approve a waiver authorizing the change.

Between 1965 and 1981, NIMH awarded about 610 construction grants totaling nearly \$300 million. The Omnibus Budget Reconciliation Act (OBRA) of 1981, Public Law 97-35, repealed the CMHC Act, but the recovery and waiver provisions for the CMHC construction grants have continued in force and are currently found at 42 United States Code Section 300 aaa-12. In addition, the 1981 OBRA resulted in the individual States acquiring responsibility for the allocation of Federal block grant funds for the provision of services to the mentally ill. Grantees were required to continue using the constructed facility to provide mental health services for a period of 20 years. As of April 1, 1990, there were 467 active grants to approximately 400 grantees, the Federal share of these grant awards was approximately \$199 million. Some grantees' service obligation extends beyond the year 2000.

This report, under Phase I, addresses the results of our evaluation of the adequacy of CME's reported findings and recommendations to correct grantees not in compliance with program requirements for the provision of essential mental health **services** to persons in the service area. The report also discusses our evaluation of the adequacy of NIMH actions to resolve CME reported grantees' noncompliance. Phase II is an audit of a random selection of CMHCs that were not evaluated by CME to determine whether the CME findings of noncompliance are also occurring at these CMHCs. Phase III is an evaluation of NIMH's overall current monitoring of the CMHC construction grant program.

We found that CME generally identified and reported areas of grantee noncompliance for the grantees we reviewed except for the provision of a reasonable volume of **below-cost** or free services to persons unable to pay. The CME recommendations were not always appropriate or consistent with reported deficiencies. However, CME reports generally contained sufficient information for NIMH to take actions to bring the grantees back into compliance, initiate recovery or extend the service obligation date.

Our evaluation of NIMH's resolution of the CME reported deficiencies for the grantees we reviewed showed that NIMH: (1) did not appropriately initiate actions to recover the Federal share on grant awards totaling \$1.4 million for 5 of the 7 grants CME recommended for recovery and eight other grants for which the OIG determined NIMH should have initiated recovery action totaling \$5.4 million; (2) did not appropriately

extend the service obligation dates on eight grants for varying lengths of time which totalled 65 additional years of service for the time these grantees were not complying with all CMHC requirements; (3) approved waivers without adequate documentation or visits to support its decisions; (4) did not properly monitor grantees providing a reasonable volume of below-cost or free services due to the lack of policies and administrative controls; (5) was not timely in notifying grantees of its compliance status or assuring that grantees' deficiencies were corrected; and (6) did not perform adequate reviews to determine whether grantees are providing all required mental health services.

We believe that NIMH's inadequate systems of monitoring and resolution of reported deficiencies are internal control weaknesses which meet the criteria specified by the Office of Management and Budget Circular A-123, revised, for material weaknesses under the Federal Managers' Financial Integrity Act (FMFIA), Public Law 97-225. These weaknesses could: (1) adversely impact on the agency's mission of providing mental health services which are to be accessible and available to all persons in the service area of the CMHC; (2) result in significant loss of services; and (3) merit the attention of senior departmental and congressional officials. The PHS has not reported these weaknesses under the FMFIA, except for the June 17, 1991 reporting of the lack of established policies and internal administrative controls over CMHCs to provide a reasonable volume of mental health services, below-cost or free, over the 20-year obligation period to persons unable to pay.

We are recommending that PHS take immediate corrective actions on grantees that are not adequately providing the five essential mental health services to all persons in need of such services in designated service areas and furnishing a reasonable volume of below-cost or free services *to* persons of its service area who are unable to pay. We are also recommending that recovery action be initiated on 13 grants with awards totaling \$6.8 million that have consistently not provided the essential mental health services or complied with other program requirements. Further, we are recommending that PHS make the necessary disclosures in this year's FMFIA report that these are internal control weaknesses in the CMHC construction grant program.

The PHS concurred in whole or in part with the OIG recommendations and indicated they have taken or are taking actions to implement them. The PHS comments, dated September 26, 1991, have been incorporated in the Agency Comments and OIG Response section of this report and included in their entirety in Appendix V. Although PHS concurred with most of the findings and recommendations, they were of the opinion that many deficiencies reported on specific grantees were inappropriate because the OIG did not consider significant legislative and programmatic changes. They were also of the opinion that the OIG placed too strong of an emphasis on recovery action, which if accomplished, would effect the provision of services to the mentally ill.

In our opinion, the 1981 OBRA and State legislation does not relieve the grantee from providing the essential mental health services and a reasonable amount of below-cost or free services. If a State no longer includes the grantee in the provision of essential services, the grantee should request a waiver from NIMH to substitute other mental health services needed in the service area. The OIG is not recommending recover, where compliance can be reestablished, and the grantee can remain in compliance. However, we believe recovery is necessary for grantees that have a history of noncompliance. Further, NIMH's March 1992 target date for determining grantees' current compliance status for the purpose of initiating recoveries and extensions of service obligation dates should be expedited.

We would appreciate being advised within 60 days on the status of corrective action taken or planned on each recommendation. If you wish to discuss our findings further, please contact me or your staff may contact Daniel W. Blades, Assistant Inspector General for Public Health Service Audits, at (FTS)443-3583. Copies of this report are being sent to interested congressional officials.

Attachment

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**AUDIT OF THE COMMUNITY MENTAL  
HEALTH CENTERS CONSTRUCTION  
GRANT PROGRAM - PHASE I**



**Richard P. Kusserow  
INSPECTOR GENERAL**

**OCTOBER 1991**

## SUMMARY

Between 1965 and 1981, National Institute of Mental Health (**NIMH**) awarded about 610 construction grants totaling nearly \$300 million. The Omnibus Budget Reconciliation Act (OBRA) of 1981, Public Law 97-35, repealed the Community Mental Health Centers (CMI-IC) -Act, but the recovery and waiver provisions for the **CMHC** construction grants have continued in force and are currently found at 42 United States Code Section 300 aaa-12. In addition, the 1981 **OBRA** resulted in the individual States acquiring responsibility for the **allocation** of Federal block grant funds for the provision of services to the mentally **ill**. Grantees were required to continue using the constructed facility to provide mental health services for a period of 20 years. As of **April 1, 1990**, there were 467 active grants to approximately 400 grantees, the Federal share of these grant awards was approximately \$199 million. Some grantees' service obligation extends beyond the year 2000.

We previously reported to PHS the lack of recovery actions in an Office of Inspector General's (OIG) February 17, 1984, letter report. In response to that report, Public Health Service (PHS) indicated that **NIMH** planned to institute a new monitoring procedure. This procedure was to provide NIMH with an annual appraisal of all grantees in terms of their compliance with program requirements. However, few recovery actions had been taken.

This report, is a follow-up to the **OIG's** letter report of February 17, 1984 where deficiencies in the **CMHC** grant program **were** noted with recommended corrective actions. We were requested by the Assistant Secretary for Health to do an in-depth review of Continuing Medical Education, Inc.'s (**CME**) findings. Subsequently, we received a similar request by Congressman Ted Weiss, Chairman of the House Subcommittee on Human Resources and Intergovernmental Relations, Committee on Government Operations. This is the first in a series of three reports on this subject. In this Phase I report, we address the results of our evaluation of the adequacy of **CME** reported findings and recommendations to correct grantees not in compliance with program requirements for the provision of essential mental health services to persons in the service area. Also reported is the **OIG** evaluation of the adequacy of the National Institute of Mental Health (**NIMH**) actions to resolve grantees' noncompliance.

The **OIG** review of 35 grant files disclosed that **CME** generally identified and reported areas of grantee noncompliance except for the provision of a reasonable volume of below-cost or without charge (free) services to persons unable to pay. The **CME** recommendations were not always appropriate or consistent with reported deficiencies. However, **CME** reports generally contained sufficient information for **NIMH** to take actions to bring the grantees back into compliance, initiate recovery or extend the **service** obligation date.

Our evaluation of NIMH's resolution of **CME** reported deficiencies on 78 grants disclosed that **NIMH** did not initiate actions to recover the Federal share on grant awards totaling \$1.4 million for 5 of 7 grants that **CME** recommended for recovery. The OIG detailed review of 35 grant files determined **NIMH** could have initiated recovery for the Federal share on an additional eight grants awarded in the amount of \$5.4 million. Potential recovery of Federal funds on grantees that were not providing all essential mental health services or otherwise not complying with Federal regulations were previously disclosed in a February 17, 1984 OIG letter report to PHS.

We also found that **NIMH**: (1) did not extend the service obligation date for 8 g-rants and could have added varying lengths of time which **totalled** 65 additional years of mental health **service**; (2) approved 15 waivers **without** adequate documentation or visits to support its decisions; (3) did not properly monitor grantees providing a reasonable volume of below-cost or free services due to the lack of policies and administrative controls; (4) was not timely in notifying grantees of its compliance status or assuring that grantees deficiencies were corrected; and (5) did not perform adequate reviews to determine whether grantees are providing all required mental health services.

We believe that NIMH's failure to adequately monitor and resolve grantees' noncompliance represent internal control weaknesses which meet the criteria specified by the Office of Management and Budget Circular A-123, revised, for material weaknesses under the Federal Managers' Financial Integrity Act (**FMFLA**), Public Law 97-225. These weaknesses could: (1) adversely impact on the agency's mission of providing mental health services which are to be accessible and available to all persons in the service area of the CMHC, (2) result in significant loss of services; and (3) merit the attention of senior departmental and congressional officials. The PHS has not reported these weaknesses under the **FMFLA**, except for the June 17, 1991 reporting of the lack of established policies and internal administrative controls over **CMHCs** to provide a reasonable amount of mental health services, below-cost **or** free, over the **20-year** obligation period to persons unable to pay.

During our review, we noted actions to improve NIMH's monitoring activities. These actions included: (1) assigning additional personnel to oversight responsibilities; (2) placing a higher priority on monetary recovery action for noncompliance; (3) scheduling 105 site visits starting in January 1990, to insure that grantees are following waiver requirements and are in compliance; and (4) requiring a visit before waivers are granted. However, we determined that additional corrective actions are necessary to adequately correct the weaknesses.

We are recommending that PHS take immediate corrective actions on grantees that are not adequately providing the five essential mental health services to all persons in need of such services in designated **service** areas and furnishing a reasonable volume of **below-cost** or free services to persons of its service area who are unable to pay. We are also

recommending that recovery action be initiated on grantees that have consistently not provided the essential mental health services or complied with other program requirements. Further, we are recommending that PHS make the necessary disclosures in this year's FMFIA report that these are internal control weaknesses in the **CMHC** construction grant program.

The PHS concurred in whole or in part with the **OIG** recommendations and indicated they have taken or are taking actions to implement them. The PHS comments, dated September 26, 1991, have been incorporated in the Agency Comments and **OIG** Response section of this report and included in their entirety in Appendix V. Although PHS concurred with most of the findings and recommendations, they were of the opinion that many deficiencies reported on specific grantees were inappropriate because the **OIG** did not consider significant legislative and programmatic changes. They were also of the opinion that the **OIG** placed too strong of an emphasis on recovery action, which if accomplished, would effect the provision of services to the mentally ill.

In our opinion, the 1981 **OBRA** and State legislation does not relieve the grantee from providing the essential mental health services and a reasonable amount of below-cost or free services. If a State no longer includes the grantee in the provision of essential services, the grantee should request a waiver from **NIMH** to substitute other mental health services needed in the service area. The **OIG** is not recommending recovery where compliance can be reestablished, and the grantee can remain in compliance. However, we believe recovery is necessary for grantees that have a history of noncompliance. Further, **NIMH's** March 1992 target date for determining grantees' current compliance status for the purpose of initiating recoveries and extensions of service obligation dates should be expedited.

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## INTRODUCTION

This is a follow-up audit requested by the Assistant Secretary for Health to the OIG February 17, 1984 memorandum (Audit Control Number 12-43217) reporting the lack of recovery actions to the PHS. In response to that report, PHS indicated that NIMH planned to institute a new monitoring procedure. This procedure was to provide NIMH with an annual appraisal of all grantees in terms of their compliance with program requirements. However, few recovery actions had been taken.

Congressman Ted Weiss, Chairman of the House Subcommittee on Human Resources and Intergovernmental Relations, Committee on Government Operations also expressed concerns that Federally funded mental health services were not being provided as intended by the program and requested a similar OIG audit on the CMHC construction grant program and a copy of our audit report. Our work is being carried out in three phases.

This report, under Phase I, addresses the results of our evaluation of the adequacy of CME's reported findings and recommendations to correct grantees not in compliance with program requirements for the provision of essential mental health services to persons in the service area. The report also discusses our evaluation of the adequacy of NIMH actions to resolve grantees' noncompliance.

## BACKGROUND

The Community Mental Health Centers (CMHC) Act, enacted as Title II of the Mental Retardation Facilities and Community Mental Health Centers Construction Act of 1963, Public Law (P.L.) 88-164, authorized grants for the construction of public and other nonprofit CMHCs. Once construction is completed and the CMHC is operational, the Act requires CMHC grantees to provide for a period of 20 years, five essential elements of comprehensive mental health services to all persons in need of such services in designated service areas in accordance with the terms of the grant.<sup>1</sup> These essential services are: inpatient; outpatient; partial hospitalization services such as day care, night care, week-end care; 24-hour emergency services and consultation and education services. In addition, CMHCs must furnish a reasonable volume of services below-cost or free to residents of its service area who are unable to pay for the services. Implementing regulations for the program were reprinted at 42 CFR Part 54, Appendix B (1980), 45 FR 48493, July 18, 1980.

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<sup>1</sup> A service area includes one or more communities served or to be served by existing or proposed community mental health facilities, the delineation of which is based on such factors as population distribution, natural geographic boundaries, and transportation accessibility.

Between 1965 and 1981, NIMH awarded about 610 construction grants totaling nearly \$300 million. The 1981 OBRA repealed the CMHC Act, but the **recovery** and *waiver* provisions for the CMHC construction grants have continued in force and are currently found at 42 United States Code Section 300 aaa-12. In addition, the 1981 **OBRA** resulted in the individual States acquiring responsibility for the allocation of Federal block grant funds for the provision of services to the mentally ill. Grantees were required to continue using the constructed facility to provide mental health services for a period of 20 years. As of April 1, 1990, there were 467 active grants to approximately 400 grantees, the Federal share of these grant awards was approximately \$199 million. Some grantees' service obligation extends beyond the year 2000.

Grantees are responsible for providing directly or obtaining through written agreements with other providers within the service area, all the essential elements of the comprehensive community mental health centers. The grantee may use another entity to operate all or part of the CMHC program, but the grantee must continue to meet Federal requirements. A CMHC grantee is in compliance when it uses the facility constructed or renovated with Federal funds to provide comprehensive community mental health services to persons residing in its service area and, unless the Secretary or his designee has granted a waiver, all the federally constructed or renovated CMHC space must be used for CMHC purposes. If a grantee does not provide these services, it is out-of-compliance with the Act and action can be taken to recover Federal funds or extend the **service** obligation date. In addition, in cases where the grantee requests a change to the facility's use or substitutes another facility for providing mental health services, NIMH can approve a waiver authorizing the change.

In 1983, the responsibility for monitoring compliance was transferred from the HHS Regional Offices to NIMH Headquarters in Rockville, Maryland. The NIMH'S primary monitoring responsibility is to insure that the grantee is in compliance with the Act and is providing the five essential mental health services and a reasonable volume of below-cost or free services. To assist in its monitoring responsibilities, NIMH implemented a system of self-certification checklists in 1984, to be submitted annually by each CMHC grantee. According to NIMH, in 1985, the first annual checklists showed that approximately 10 percent of the grantees may have been out-of-compliance and could be subject to recovery or other action.

We previously reported to PHS the lack of recovery actions in our February 17, 1984 OIG letter report. The PHS indicated that NIMH planned to institute a new monitoring procedure. This procedure was to provide NIMH with an annual appraisal of all grantees in terms of their compliance with program requirements. However few recovery actions had been taken.

In September 1986, NIMH awarded a **3-year** contract to Continuing Medical Education,

Inc. (CME). The contract provided for **CME** to conduct initial and follow-up visits to approximately 90 CMHC construction grantees reported to be out-of-compliance, (180 visits over a **3-year** period). These visits were to verify and substantiate areas of noncompliance as reported by the grantees in its annual checklist, or as determined by the **NIMH's** project officer to have compliance problems, and to determine appropriate action **by the** NIMH such as exercising its right to recover Federal funds awarded. The CME was to: (1) report findings indicating areas of noncompliance; and (2) summarize consultation and technical advice provided grantees on actions to be taken to improve services or to re-establish compliance; and/or (3) recommend actions to be taken by NIMH. According to **ADAMHA**, final determinations on CME recommendations were to be made by **NIMH**.

The CME completed 158 visits (146 initial and 12 follow-up visits) covering 159 grants. Individual reports on 137 grantees visited were issued to NIMH disclosing the results of its reviews and related recommendations. On December 15, 1989, CME issued its overall summary report which statistically summarized the results of its visits showing the number of grants that were either in compliance or out-of-compliance. Subsequently, **NIMH** planned follow-up visits to all active CMHC grantees to be conducted by its staff and consultants over the next **several** years. Between January 1, and December 31, 1990, **NIMH** completed 113 visits.

Based in part on the allegations made by a **CME** representative that **NIMH** did not act on all CME findings and recommendations, we included the CMHC construction grant program in our audit work plan for Fiscal Year 1990. The OIG previously disclosed opportunities for improved collections under the **CMHC** program, in its February 17, 1984 memorandum report to PHS. At that time, the OIG estimated potential recoveries of \$21 million to \$62 million, if **CMHC's** do not continue operations in accordance with program requirements and become obligated to repay their construction grant.

In addition to our on-going efforts, Congressman Ted Weiss also expressed concerns that Federally funded mental health services were not being provided as intended and requested a similar OIG audit on the CMHC construction grant program and a copy of our audit report. This request was based on analysis conducted by Congressman Ted Weiss' staff, indicating that 25 percent of the CMHCs reviewed by CME were "blatantly" out-of-compliance with the law. The CME estimated to the OIG that monetary recoveries could be between \$25 and \$70 million.

### **SCOPE OF REVIEW**

We structured our audit into three major audit phases. Phase 1 is a review of selected CME site visit reports on CMHCs found to be out-of-compliance and a review of **NIMH's** resolution of these reports. Phase II is an audit of a random selection of CMHCs that were not evaluated by CME to determine whether the CME findings of

noncompliance are also at **CMHCs** that were not reviewed by CME. Phase III is an evaluation of **NIMH's overall** current monitoring of the CMHC construction grant program and is to address other specific concerns of the Congressman.

The findings of our audit for Phase I are contained in this report. The audit report for Phases II and III **will** be issued in the near future. The purpose of the Phase I audit was to evaluate: (1) the results of 78 of the 158 CME reports (for 137 grantees awarded 159 grants) containing findings of grantee noncompliance and related recommendations for recovery or corrective action; (2) **NIMH's** resolution of **CME's** reported findings of noncompliance through: recovery of Federal funds; granting of waivers or extending the service obligation period; the adequacy of grantees' documentation submitted to NIMH regarding noncompliance; and follow-up actions taken by NIMH to determine whether grantees provided services as required.

To accomplish our objectives, we analyzed CME reports for the 78 grants reported as being out-of-compliance. We judgmentally selected a sample of 35 of these 78 grants for our review (See Appendix I). Our selection of grants was based on factors such as the significance of grantees' compliance problems, recommendations as reported by CME, and planned actions and visits by NIMH. We:

1. Visited 20 grantees (See Appendix II) throughout the United States, to determine: (1) the adequacy of CME evaluations of whether the required mental health services were being provided; (2) whether appropriate recommendations were made to address the findings; and (3) whether current mental health services are being provided to the service area. In our visits, we did not assess the quality of the services provided. We discussed the results of our work with the grantees.
2. Performed detailed reviews of 35 grant files (including the 20 grantees visited) at **NIMH** headquarters in **Rockville**, Maryland, to evaluate **NIMH** actions taken to resolve reported grantees' noncompliance (See Appendix I and II).
3. Reviewed NIMH actions to recover Federal funds.

To assess whether mental health services were adequately provided, we reviewed the provision for such services in the approved grant and the CMHC 1971 Policy and Standards Manual at the facilities visited. We also reviewed applicable laws and regulations, and other NIMH policies, procedures and guidelines. In addition, we **interviewed** officials from **ADAMHA**, NIMH, CME and CMHCs.

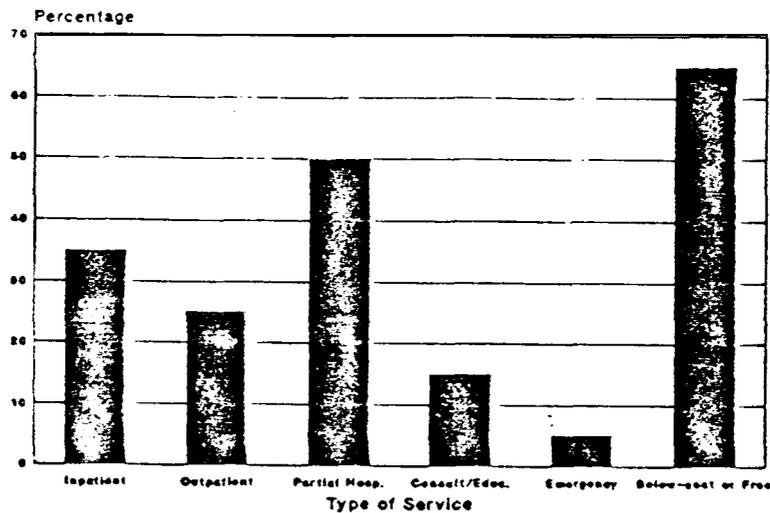
Our work was performed from May 1990 through January 1991. The preliminary results of our review were discussed with **NIMH** officials in February 1991. Our audit was performed in accordance with generally accepted Government auditing standards.

## FINDINGS AND RECOMMENDATIONS

We found that CME generally identified and reported areas of grantee noncompliance except for the provision of a reasonable volume of below-cost or free services to persons unable to pay. The CME recommendations were not always appropriate or consistent with reported deficiencies. However, CME reports generally contained sufficient information for NIMH to take actions to bring the grantees back into compliance, initiate recovery or extend the service obligation date.

At the 20 CMHCs OIG visited, 15 or 75 percent were not providing one or more of the five essential mental health services to all persons in need of such services in designated service areas. Also many CMHCs were not furnishing a reasonable volume of below-cost or free services. The table below shows the percent of CMHCs visited with these problems.

Percent of CMHCs Visited  
With Service Problems



Our evaluation of NIMH's resolution of the CME reported deficiencies showed that NIMH: (1) did not appropriately initiate action to recover Federal funds (\$1.4 million) on 5 of the 7 grants CME recommended for recovery and eight other grants for which the OIG determined NIMH should have initiated recovery action totaling \$5.4 million; (2) did not appropriately extend the service obligation dates on eight grantees for varying lengths of time which totalled 65 additional years of service for the time grantees were not complying with all CMHC requirements; (3) approved

waivers without adequate documentation or visits to support its decisions; (4) did not properly monitor grantees providing a reasonable volume of below-cost or free services due to the lack of policies and administrative controls; (5) was not timely in notifying grantees of its compliance status or assuring that grantees deficiencies were corrected; and (6) did not perform adequate reviews to determine whether grantees were providing all required mental health services.

We believe that **NIMH's** inadequate systems of monitoring and resolution of reported deficiencies are internal control weaknesses which meet the criteria specified by the Office of Management and Budget Circular A-123, revised, for material weaknesses under the Federal Managers' Financial Integrity Act (FMFIA), Public Law 97-225. These weaknesses could: (1) adversely impact on the agency's mission of providing mental health services which are to be accessible and available to **all** persons in the service area of the CMHC; (2) result in significant loss of services; and (3) merit the attention of senior departmental and congressional officials. The Public Health Service (PHS) has not reported these weaknesses under the FMFIA, except for the June 17, 1991 reporting of the lack of established policies and internal administrative controls over **CMHCs** to provide a reasonable volume of below-cost or free mental health services over the **20-year** obligation period to persons unable to pay.

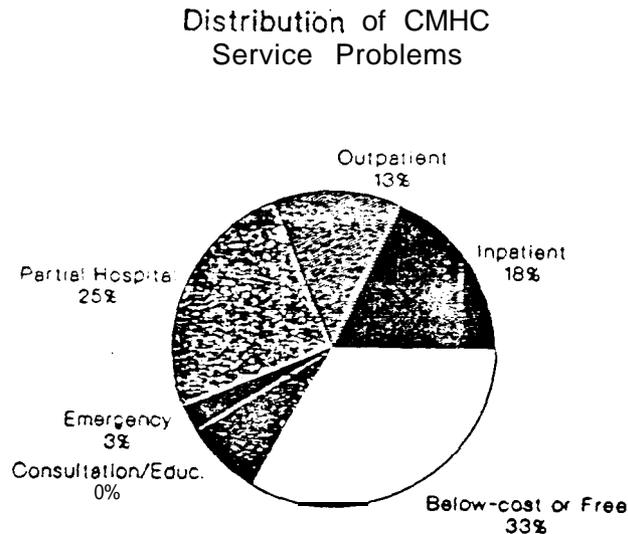
We are recommending that PHS take corrective actions on grantees that are not adequately providing the five essential mental health services to all persons in need of such services in designated service areas and furnishing a reasonable volume of **below-cost** or free services to persons of its service area who are unable to pay. We are also recommending that recovery action be initiated on 13 grants totaling \$6.8 million that have consistently not provided the essential mental health services or complied with other program requirements. Further, we are recommending that PHS make the necessary disclosures in this year's FMFIA report that these are internal control weaknesses in the CMHC construction grant program.

### **EVALUATION OF CME REPORTED PROBLEMS AND RECOMMENDATIONS**

Our analysis of the findings and problems presented in the CME reports for the 20 grantees that we visited disclosed that the deficiencies described in the CME reports were for the most part accurate and reflected the conditions of the **CMHC's** reviewed. Also, the CME reports generally contained sufficient information for **NIMH** to take actions to bring the grantees back into compliance, initiate recovery action or extend the service obligation date. However, CME did not adequately report on below-cost or free services to persons unable to pay. We found that of the 20 CME reports, 11 reports fully disclosed the deficiencies as findings, 8 reports described all the deficiencies although some of the deficiencies were reported as problems, and one report included a noncompliance issue which should not have been reported since the

rented space in the facility was excluded from Federal participation in the grant award.

At the 20 CMHCs OIG visited, most of the problems noted related to below-cost or free services, partial hospitalization services, and inpatient services. The table below shows the distribution of CMHCs with these service problems.



Our analysis of the recommendations presented in the 20 CME reports disclosed that 15 of the reports contained recommendations which were not appropriate for the related findings. The CME could have: (1) recommended recovery for five grantees; (2) recommended an extension or a different length of extension in the service obligation date for eight grantees; (3) developed more specific recommendations to NIMH for one grantee; and (4) refrained from making a recommendation for one grantee which was complying with the grant award.

Specific CME findings and recommendations to NIMH and our evaluation of them are detailed in the following paragraphs for each of the five essential mental health services and below-cost or free services requirements. They are also summarized in Appendix II to this report.

### Inpatient Services

Federal regulations, 42 CFR Part 54, Subpart C, provides that inpatient services are for persons needing 24 hour or longer short-term care that can include evaluation and intensive treatment. These services are to be provided to all persons residing in the service area without regard to age, sex, race, color, creed, and national origin.

To assess whether inpatient **services** were adequately provided, CME and OIG reviewed the provision for such services in the approved grant and the CMHC Policy and Standards Manual at the facilities visited. At the 20 we visited, CME reported **5 grantees**<sup>2</sup> were not providing the required inpatient services in accordance with the approved grant award and/or CMHC regulations and policies. We confirmed that problems existed for these five grantees. However, CME could have..made more appropriate recommendations to address the deficiencies identified. We also identified two other grantees that were not providing the intended inpatient services.

The CME determined that the **first** grantee was not using a **20-bed** inpatient unit as intended by the grant award for 19 years. The CME recommended NIMH extend the service obligation date for 10 years, but **could** have recommended a **19-year** extension. In addition, CME recommended appropriate NIMH follow-up to assure that the 20 beds were appropriately used. The CME found the second grantee was using 10 mental health beds for hospice care since 1981. The CME suggested **NIMH** consider extending the service obligation date by 4 years and recommended a follow-up visit. The CME could have recommended a longer **service** obligation date extension. The CME reported that the third grantee may not have an acceptable children's inpatient program. The CME recommended an appropriate follow-up visit but could have recommended an extension to the service obligation date. The CME found a fourth grantee used mental health inpatient beds for medical and pediatric services. The CME stated that NIMH needs to determine whether a waiver was warranted. A more appropriate recommendation could have been to initiate the recovery of Federal funds. The CME determined the fifth grantee was provided a grant for constructing space for 19 inpatient mental health beds. The CME reported that the grantee had not functioned as a CMI-IC since 1983; there was little use of inpatient services by the center as most of the patients were admitted by private practice physicians. The CME recommended NIMH conduct a follow-up review. The CME also could have recommended an extension of service obligation.

We identified two other grantees<sup>3</sup> that were not providing inpatient services provided for in regulations and policies and procedures. At the first grantee, we found inpatient **services** were not provided to persons ages 18 and under. At the second grantee, we found that the grantee did not provide inpatient services to low-income persons ages 22 to 64, because the grantee no longer received reimbursement for services from the Medicaid program. For both of these grantees, the CME reported

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<sup>2</sup> The five grantees were: University of Arkansas Medical Center, Carondelet Health Service, Inc., Sutter Community Hospitals, St. Joseph Mercy Hospital, and City of Willmar - Rice Memorial Hospital.

<sup>3</sup> These two were: St. Alphonsus Hospital, Inc., and Battle Creek Adventist Hospital.

that inpatient services were provided, but **CME** did not discuss the lack of inpatient services to these age groups. However, CME did report other service deficiencies with these facilities which are discussed later. We noted, however, that Battle Creek Adventist Hospital stopped providing these services to Medicaid persons on September 1, 1988 which was subsequent to the CME visit. The NIMH advised us that a change in a State law instituted a system of allocating patient **care** which directed these Medicaid persons to other providers to receive services.

### Outpatient Services

The Federal regulations provide that outpatient services must include individual, group, and family services on a regularly scheduled basis including evening or weekend hours.

At the 20 we visited, CME reported four grantees<sup>4</sup> were not providing the required outpatient services in accordance with the approved grant award and/or CMHC regulations and policies. We confirmed these problems existed for these four grantees. However, CME could have made more appropriate recommendations to address the deficiencies identified. We also identified one other grantee that was not providing the intended outpatient services.

The CME determined the first grantee relocated its outpatient mental health services outside the service area. In 1981, NIMH advised the grantee that the provision of outpatient services outside the service area was not permitted unless approved by NIMH. The CME recommended an appropriate follow-up visit, but could have recommended recovery or an extension of the service obligation date. The CME found the second grantee did not provide any outpatient services. The CME appropriately recommended that NIMH provide a buy-out **amount**<sup>5</sup> to the grantee if they wanted to be released from their obligation. The CME determined the third grantee did not have a psychiatric outpatient clinic program in place. The CME recommended that NIMH provide assistance to regain compliance and perform an appropriate follow-up visit. The CME found the fourth grantee did not have psychiatric services available on a continuing and regular scheduled basis and appropriately recommended NIMH initiate action for monetary recovery.

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<sup>4</sup> The four grantees were: Sutter Community Hospitals, Memorial Hospital of South Bend, Touro Infirmary, and Louisiana State Department of Hospitals.

<sup>5</sup> A buy-out is the amount required to be paid the Federal Government if the grantee no longer desires to participate in the CMHC program.

We identified one other grantee--Battle Creek Adventist Hospital--that was not providing outpatient services according to regulations and policies. Effective September 1, 1988, subsequent to **CME's** visit, the grantee changed its operations and no longer provided outpatient **services** to low-income Medicaid persons as previously discussed.

### Partial Hospitalization

Federal regulations provide that day care and other partial hospitalization services must be provided, for persons needing more than outpatient services but less than inpatient services. Grantees must also provide partial day care and care at times other than daytime.

At the 20 we visited, CME reported nine **grantees**<sup>6</sup> were not providing the required partial hospitalization services in accordance with the approved grant award and/or CMHC regulations and policies. We confirmed these problems existed for these nine grantees. However, CME could have made more appropriate recommendations to address the deficiencies identified. We also identified one other grantee that was not providing the intended partial hospitalization services.

The CME determined the first grantee had no partial hospitalization program for children. The CME recommended to NIMH an appropriate follow-up visit. The CME reported that the second grantee may not have an acceptable children's partial hospitalization program in place. The CME appropriately recommended NIMI-I conduct a follow-up visit. The CME found that the third grantee had not provided partial hospitalization services for persons over 6 years of age since 1981. The CME appropriately recommended NIMI-I extend the service obligation date for the time the grantee was out-of-compliance. The CME determined the fourth grantee had not provided any partial hospitalization services. The **CME** recommended that NIMI-I provide by-out amounts if the grantee wanted to be released from their obligation. The CME could also have recommended an extension of services if the grantee wanted to stay in the program. The CME found the fifth grantee did not have psychiatric services available on a continuing and regularly scheduled basis. The CME made the appropriate recommendation to NIMH to initiate monetary recovery action. The **CME** determined the sixth grantee did not have a partial hospitalization program

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<sup>6</sup> The nine grantees were: University of Arkansas Medical Center, Sutter Community Hospitals, Cedars-Sinai Medical Center, Memorial Hospital of South Bend, Louisiana State Department of Hospitals, Touro Infirmary, McLean Hospital, Bergen Pines County Hospital, and New Mexico State Department of Health and Environment.

in place. The CME appropriately recommended a follow-up visit and for NIMH to provide assistance to regain compliance. The CME ascertained that the seventh grantee did not have a partial hospitalization program since 1975. The CME appropriately recommended to NIMH, a follow-up visit and an extension of services for 12 years. For the eighth grantee, CME determined there was no partial hospitalization program for children and adolescents. The CME recommended an appropriate follow-up visit. It also could have recommended an extension to the service obligation date for the time the grantee was out-of-compliance. The CME found the ninth grantee did not have a partial hospitalization program. The CME recommended an appropriate follow-up visit, but could have recommended an extension to the service obligation date.

We identified one other grantee--Battle Creek Adventist Hospital--was not providing partial hospitalization services according to Federal regulations and policies. Effective September 1, 1988, subsequent to CME's site visit, the grantee changed its operations and no longer provided partial hospitalization services to low-income Medicaid persons as previously discussed.

### **Emergency Services**

Federal regulations specify that emergency services must be available by telephone and in face-to-face contact with professional staff 24 hours each day, and must include an expeditious provision of mental health services in times of emotional crisis or other emergency situations.

At the 20 we visited, CME did not report that any grantees were not providing the required emergency services in accordance with the approved grant award and/or CMHC regulations and policies.

We confirmed that problems did not exist for these grantees based on our audit work performed.

We identified one grantee--Battle Creek Adventist Hospital--that was not providing the emergency services provided for in the regulations and policies. Effective September 1, 1988, subsequent to CME's site visit, the grantee changed its operations and no longer provided outpatient services to low income Medicaid persons as previously discussed.

### **Consultation and Education Services**

Federal regulations require that appropriate consultation and education services be made with individuals, entities, and groups in the service area which are involved with mental health services, such as health professionals, schools, courts, state or local

governments, law enforcement or correctional agencies, clergy, public welfare agencies, health services delivery agencies, and other appropriate organizations. The services must include a wide range of activities designed to develop and promote effective mental health services and programs in the service area.

At the 20 we visited, CME reported three grantees' were not providing the required consultation and education services in accordance with the approved grant award and CMHC regulations and policies. We confirmed that problems existed for these three grantees. However, CME could have made more appropriate recommendations to address the deficiencies identified. We did not identify any other grantees that were not providing these intended services.

The CME determined the first grantee did not provide consultation and education services. The CME recommended that **NIMH** provide buy-out amounts if the grantee wanted to be released from their obligation. The CME could also have recommended an extension of services for the time the grantee was not in compliance if they were staying in the program. The **CME** found the second grantee did not have a consultation and education program, and made an appropriate recommendation for an 'extension of services. For the third grantee, CME determined that consultation and education services were not provided. The CME recommended an appropriate follow-up visit and extension of **services** for 4 years. The extension however, could have been for 9 years covering the time the grantee did not provide these services.

#### Below-cost or Free Services

The CMHC Act and regulations specifically require that a CMHC furnish a reasonable volume of below-cost or free services to persons unable to pay. Persons unable to pay for services include persons who are otherwise self supporting, but are unable to pay the full cost of needed **services**. The CMHC Policies and Procedures Manual provides that a facility is to provide uncompensated services at a level not less than the lesser of: three percent of its operating costs for the most recent fiscal year for which an audited financial statement is available; or ten percent of all Federal assistance provided to or on behalf of the facility adjusted by a change in percentage in the National Consumer Price Index. However, the CMHC policies and procedures do not explain the documentation needed by grantees to substantiate that services were provided to persons unable to pay.

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<sup>7</sup> The three grantees were: Memorial Hospital of South Bend, Battle Creek Adventist Hospital, and Youth Consultation Services of the Episcopal Church.

At the 20 we visited, CME reported six grantees<sup>8</sup> were not providing a reasonable volume of below-cost or free services. We confirmed that problems existed for these six grantees. However, CME could have made more appropriate recommendations to address the deficiencies identified. We also identified seven other grantees that were not providing the intended services.

The **CME** determined that all six grantees were either not **providing a** reasonable volume-of free and below-cost services or there were no data to substantiate that the requirement was met. The CME did not make the necessary recommendations to NIMH to follow-up on this deficiency in any of the six reports.

We found that none of the 20 grantees we visited had the necessary records to fully document that a reasonable volume of below-cost or free services were provided. However, we were able to determine using ratios, profit margins or other auditing techniques that 7 of the 20 grantees were meeting the below-cost or free service requirement. For the remaining seven **grantees<sup>9</sup>**, we could not substantiate that these grantees were providing a reasonable volume of below-cost or free services.

### **NIMH RESOLUTION OF CME REPORTED DEFICIENCIES**

The CME reported 78 of the 159 grants it reviewed had deficiencies since grantees were not: (1) **adequately** providing one or more of the five mental health services; (2) providing a reasonable volume of below-cost or free services to persons unable to pay; or (3) complying with other program requirements. The CME recommended that NIMH initiate recovery action on 7 of the 159 grants. Our detailed review of 35 grant files disclosed that CME recommended that NIMH: (1) extend service obligation dates for 12 grantees; (2) assist four grantees in applying for waivers; and (3) visit 19 grantees within 3 to 6 months to determine whether the reported deficiencies have been corrected. The CME did not make any recommendations to address problems with below-cost or free services to persons unable to pay. The NIMH generally agreed with CME, but did not take adequate action to bring grantees back into compliance. Moreover, the NIMH did not address CME reported deficiencies

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<sup>8</sup> The six grantees were: Cedars-Sinai Medical Center, St. Joseph Mercy Hospital, Touro Infirmary, **Mclean** Hospital, Community Counseling Center (formerly St. Francis Medical Center), and Buffalo General Hospital.

<sup>9</sup> The seven grantees were: Carondelet Health Services, Inc., Sutter Community Hospitals, Baptist Hospital, Inc., St. Alphonsus Hospital Inc., City of **Willmar - Pice** Memorial Hospital, Bergen Pines County Hospital, and Youth Consultation Services of the Episcopal Church.

regarding payments by persons unable to pay for meeting grantees obligation to provide a reasonable volume of below-cost or free services.

### **Monetary Recoveries**

The CMHC Act provides for the recovery of Federal funds if at **any time** within the 20 years after the **CMHC** is operational, the facility or center is sold or transferred to an ineligible entity or ceases **to** be used by a CMHC in providing comprehensive mental health services in the United States. According to Federal Regulation 42 CFR Part 54, grantees must provide the five essential mental health services as part of a comprehensive program. The **CMHCs** must also furnish a reasonable volume of below-cost or free services to residents of its service area who are unable to pay for such services.

The CME reports identified 7 of the 78 grantees' facilities that were "significantly out-of-compliance" and recommended recovery action on grant awards totaling \$2.2 million. The **NIMH** initiated recovery actions on 2 of the 7 grants--St. Francis Medical Center and Hancock County Mental Health Association--totaling \$718,799. For the grant awarded to St. Francis Medical Center, CME recommended recovery of \$803,251 plus interest, but **NIMH** only recovered \$567,523 plus interest. The **NIMH** did not pursue recovery actions on the other five grants awarded to Louisiana State Department of Hospitals. The grant files did not contain any information to show the reasons why no recovery action was taken by **NIMH**.

Our review of **NIMH's** action on the seven grants showed that recoveries for: (1) St. Francis Medical Center were understated by \$235,000 not including interest; (2) Hancock County Mental Health Association were understated by \$16,129 and all interest was waived; and (3) Louisiana Department of Hospitals were not made as appropriately recommended by CME on the remaining five grants.

We identified eight other grantees where recovery actions on Federal grant awards totaling \$5.4 million should have been made. Our visits to these eight **grantees**<sup>10</sup> showed significant deficiencies and long standing problems and confirmed many of the findings disclosed by CME. The first grantee relocated its outpatient services outside the service area in 1982 which was contrary to the CMHC Policy and Standards Manual and a **NIMH** letter to the grantee stating that the relocation of outpatient services outside the service area was not permitted unless approved by **NIMH**. The

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<sup>10</sup> The eight grantees were: Sutter Community Hospital, St. Joseph Mercy Hospital, Hazard Appalachian Regional Hospital, Battle Creek Adventist Hospital, Community Counseling Center, New Mexico Department of Health and Environment, Buffalo General Hospital, and The Northwestern Corporation.

**second grantee began using constructed space for medical patients in 1972 only two years** after the space was occupied for mental health services. In 1987, CMI-IC officials wrote to **NIMH** stating that the CMHC was grossly overcrowded and no effort has been made by the grantee to return the needed space for mental health services. The third grantee had a history of noncompliance documented in the grant files, and **CME** determined that required inpatient and psychiatric emergency services were not provided. For the fourth grantee, mental health services have not been provided to Medicaid persons ages 22 to 64 since September 1, 1988, and the grantee did not function as a CMHC. The **fifth** grantee was required by terms of a waiver to start construction of a **new** CMHC by September 30, 1990. We found that construction was not started, and the construction funds have been used for the purchase of land which was prohibited by **CMHC** regulations and equipment which was specifically prohibited by **NIMH**. For the sixth grantee, officials were unable to identify the space constructed with Federal funds and no partial hospitalization program was provided for children under age 14. The seventh grantee did not meet the required deadline in its approved waiver for opening a CMI-IC alcohol clinic, and both **CME** and the OIG found grant constructed space being used for non-mental health purposes. The eighth grantee sold all of its equipment and related assets purchased with **CMHC** construction grant funds (Federal share about \$231,000 of the total Federal grant of \$250,000) and did not return the funds to the Federal Government. These significant deficiencies were generally in effect at the time of **CME's** visits, and **CME** could have recommended recovery action on 7 of the 8 grants.

### **Extension of Service Obligation Dates**

The CMHC program regulations and policies do not provide guidance on when extensions to the service obligation dates are warranted.

The CME recommended service obligation date extensions totaling 83 years for 12 of the 35 grantees, however it did not suggest a new date for two of these grantees. The NIMH extended the service obligation date for six of the grantees for a total of 36.5 years which included one of the grantees where **CME** did not recommend a service extension. However, we noted that **NIMH** only agreed with the CME recommended extension dates for one of the grantees. The **NIMH** disagreed with **CME** on the time frames grantees were not providing one or more of the essential services. The **NIMH's** rationale for not extending the obligation date for four grantees was that: (1) compliance could be reestablished when affiliation agreements were submitted by the grantee indicating that essential services had been provided; (2) a grantee buy-out of its remaining service obligation was proposed in lieu of an extension; and (3) the remaining two grants were never effectively followed-up by **NIMH**. In addition, NIMH extended the service obligation date for three grantees not recommended for service extension by **CME**.

Our evaluation of the 12 grantees indicated service obligation dates should have been extended on all 12 as recommended by **CME**. In our view, NIMH could have added a minimum of 65 additional years of mental health services to 8 of the 12 grantees. For one grantee, we could not determine the number of years the grantee was out-of-compliance (See Appendix IV).

We do not agree with the length of extension in the service **obligation** dates NIMH initially proposed for six grantees. For these **grantees**, NIMH in several instances reduced or eliminated the extension when the grantees disagreed or threatened legal action. In some cases, NIMH asked for an extension in its follow-up letter to the grantee on the CME report, but the extension was dropped when the grantee failed to respond. We also found instances when a grantee was out-of-compliance for long periods, but a waiver was granted retroactively to the time the grantee went out-of-compliance. In addition, we noted that for waivers requiring an extension, NIMH did not determine the length of extension based on when the waiver requirements were met as specified in CMHC policies.

### Use of Waivers to Reestablish **Compliance**

The CMHC program regulations supplemented by CMHC policy and procedures provide written criteria for issuing waivers to bring grantees back into compliance by authorizing changes in the use of the facility constructed or renovated with grant support or by approving a substitute facility to provide the required essential mental health services. Grantee's request for a waiver must thoroughly describe and fully document the reasons for changing the use of the facility, or substituting another facility to provide CMHC services. If necessary, a site visit is made to obtain first-hand knowledge regarding the conditions and circumstances pertaining to the requested waiver.. The NIMH may require grantees seeking a waiver to meet certain other conditions, before or at the time the waiver is granted. The authority for determining whether there is good cause for issuing a waiver has been delegated to the Director of NIMH from the U.S. Surgeon General.

The CME recommended NIMH assist four grantees out of 35 in applying for waivers. To resolve some of the noncompliance issues identified in the CME report, **NIMH** issued waivers to enable the grantee to reestablish compliance. However, NIMH did not follow written policies and procedures and improperly issued waivers to bring 15 of the 35 grantees back into compliance. We found that **NIMH** granted these waivers without having adequate documentation or making visits to support its decisions. In our site visits to 9 of the 15 grantees, we found that 2 grantees were not complying with conditions of the waivers issued by NIMH. For example, in our visit to one grantee--Buffalo General Hospital--the CMHC failed to have its new alcoholism clinic operational by December 31, 1989 as agreed.

We found that for 13 of the 15 grantees, waivers were based on the substitution of space. However, **NIMH** relied upon floor plans furnished by these grantees and did not visit the grantee to determine: (1) that the alternate space was comparable; and (2) substitute space was not already used for providing mental health services which is not allowed by Federal regulation 54.214. For the other two grantees, waivers were based on the transfer of the remaining service obligations to other grantees.

Further, we found that, for 8 of the 15 grantees, waivers were granted by unauthorized officials. The authority to approve waivers was delegated to the Director of **NIMH**, however **NIMH** employees other than the Director improperly approved or modified waivers. These waivers were subsequently approved by the Director of **NIMH** in a blanket order on November 1, 1988.

### **NIMH Visits to Ensure Compliance**

Prior to contracting for CME to visit some grantees in 1986, **NIMH** for the most part made no routine visits since monitoring responsibilities were transferred to **NIMH** Headquarters in 1983 to assure that mental health services were being provided. The CME visits for the 159 grants showed that 78 had deficiencies.

In 19 out of the 35 reports reviewed, CME recommended follow-up visits to grantees take place within 3 to 6 months to confirm compliance. As of December 31, 1990, **NIMH** did not perform follow-up site visits for 9 grantees to confirm compliance as recommended by CME. The **NIMH** completed 10 follow-up visits, but not within the 3 to 6 month time frame recommended by CME. It took **NIMH** an average of 25 months to perform each of these 10 site visits.

In addition to the follow-up site visits recommended by CME, in January 1990, **NIMH** began conducting approximately 100 site visits per year over the next several years to monitor grantees' compliance status. For calendar year 1990, **NIMH** completed 113 site visits. These visits were performed by **NIMH's** staff and outside consultants. Of the 14 grantees site visited by both **NIMH** and **OIG** during 1990, we determined that 12 grantees were out of compliance--10 more than **NIMH** determined to be out of compliance. We found that the 10 grantees: (1) were not providing a reasonable volume of below-cost or free services or were lacking sufficient data to determine if this requirement was being met (8 grants); (2) were not using constructed or renovated space for purposes approved by the grant (2 grants); (3) were not providing at least one of the five essential services (1 grant); (4) were not functioning as a **CMHC** (1 grant); (5) did not have affiliation agreements to assure the provision of essential services (2 grants); (6) had unallowable incentive type management contracts (2 grants); and (7) were leasing grant constructed space to private entities (2 grants).

With respect to grantees providing below-cost or free services, we found that NIMH, in its recent site visits and follow-up to the CME reports, accepted documentation from grantees at face value, without verification, when determining whether the grantee was providing these services to persons unable to pay. The NIMH has not developed adequate guidelines or provided instructions to grantees which define "below cost" or a "reasonable volume" of services and the **documentation** needed by grantees to substantiate that required reasonable volume of services were provided. The grantees generally did not understand how to calculate the amount of **below-cost** or free **services** and/or the type of accounting records necessary to document that program requirements were met.

Our site visits were made after NIMH performed theirs-in some cases up to 10 months later. As a result, grantees could have changed their compliance status during the time period between the two visits.

### Timeliness

The CMHC Act and program regulations provide no criteria to use in determining **NIMH's** timeliness in resolving grantees' noncompliance. The NIMH was not timely in notifying grantees of their compliance status. After receiving CME reports, NIMH took up to 181 days or an average of 58 days to contact grantees about their compliance status. For 19 of the 35 grantees, **CME** recommended that compliance be reestablished within 1 to 6 months. We found that these grantees averaged 15 months to regain compliance. The range was from 1.5 to 38.5 months.

### FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

We found that PHS had not conducted internal control reviews under FMFIA for the CMHC construction grant program. In its current FY 1991-1995 Management Control Plan (MCP), PHS has not scheduled an internal control review of the CMHC construction grant program. According to PHS, an internal control review was in process, but it was terminated when the OIG initiated its audit.

The FMFIA requires Federal agencies to periodically review their systems of internal control and to report annually on the systems' status. These reviews are to be made in accordance with the policies and procedures contained in OMB Circular A-123, revised. In addition, each agency is required to develop a **5-year** MCP to plan and direct the process for reviewing risk, and identifying and correcting material weaknesses in internal control systems.

We believe that **NIMH's** failure to adequately monitor and resolve grantees' noncompliance represent internal control weaknesses which meet the criteria specified by the Office of Management and Budget Circular A-123, revised, for material

weaknesses under the Federal Managers' Financial Integrity Act (FMFIA), Public Law 97-225. These weaknesses could: (1) adversely impact on the agency's mission of providing mental health services which are to be accessible and available to all persons in the service area of the **CMHC**; (2) result in significant loss of services; and (3) merit the attention of senior departmental and congressional officials.

The PHS has not reported these weaknesses under the **FMFIA**, except for the June 17, 1991 reporting of the lack of established policies and internal administrative controls over CMHCs to provide a reasonable volume of mental health services, below-cost or free, over the **20-year** obligation period to persons unable to pay.

## CONCLUSIONS

The CMHC Act authorized grants for the construction of public and other nonprofit CMHCs. Once construction was completed and the CMHC was operational, the Act required CMHC grantees to provide for a period of 20 years, five essential elements of comprehensive mental health services to all persons in need of such services in designated service areas in accordance with the terms of the grant award. The CMHCs must also furnish a reasonable volume of below-cost or free services to residents of its service area who are unable to pay for such services. If a grantee does not provide these services, it is out-of-compliance with the Act and action can be taken to recover Federal funds or extend the service obligation date. In addition, NIMH can waive compliance actions in cases where grantees change (with NIMH's approval) the CMHC facility's use or substitute another facility for providing essential mental health services.

The NIMH is primarily responsible for insuring that grantees are complying with the Act by providing the five essential services in accordance with the terms of the grant award and below-cost or free services to persons unable to pay. To assist in its monitoring responsibilities, NIMH implemented: a system of self-certification checklists, submitted annually by grantees, to report on compliance; and visits by CME consultants to determine whether grantees were providing the mental health services as required. During our review, NIMH initiated actions to improve its monitoring activities by: (1) placing a higher priority on monetary recovery; (2) assigning additional staff to monitor grantees; (3) scheduling visits to all grantees over the next several years to determine if grantees are complying with waiver conditions and are now providing all essential services; and (4) requiring a visit before a waiver is approved.

Our analysis of the grantee compliance deficiencies presented in the CME reports disclosed that they were accurate and generally contained sufficient information for NIMH to take actions to bring grantees back into compliance, initiate recovery action or extend the service obligation date. Our evaluation of CME recommendations

contained in its reports showed that CME could have made recommendations more appropriate for the related deficiencies.

The **NIMH** generally agreed with CME findings and recommendations. However, the NIMH needs to take more aggressive and timely action to bring grantees back into compliance, recover Federal funds or appropriately extend service obligation dates. The NIMH needs to develop criteria for when recovery action is warranted and should consistently apply this criteria to grantees not providing all essential services. The **NIMH** should initiate recovery action on grant awards totaling \$1.4 million, as appropriately recommended by CME on five grants awarded to the State of Louisiana Department of Hospitals. The **NIMH** should determine whether it can charge St. Francis Medical Center the \$235,000 plus interest not recovered. In addition, **NIMH** should recover \$5.4 million on Federal grants awarded to eight grantees the OIG determined as not providing all essential elements of a comprehensive mental health services program or were in violation of other provisions of the program regulations.

We previously reported to PHS the lack of recovery actions in our February 17, 1984 OIG memorandum report. The PHS indicated that **NIMH** planned to institute a new monitoring procedure. This procedure was to provide **NIMH** with an annual appraisal of all grantees in terms of their compliance with program requirements. However, few recovery actions had been taken.

The **NIMH** needs to develop criteria specifying when extensions to the service obligation dates are warranted. In the absence of adequate criteria, NIMH extended service obligation dates for 6 of the 12 CME recommended grantees, but **NIMH** should have added a minimum of 65 years of mental health services to 8 of the 12 grantees.

The NIMH should follow written policies and procedures for issuing waivers by obtaining complete documentation and performing visits to support its decision. For 7 of the 35 grantees issued waivers, **NIMH** should determine whether the grantees are complying with the conditions of the waiver. The **NIMH** should discontinue approving and modifying waivers without proper authority.

The **NIMH** should develop criteria for determining if a visit is needed when a grantee is reported to be out-of-compliance and when this visit should be completed so that there is a timely resolution of grantee noncompliance. The NIMH should conduct visits or obtain adequate documentation to determine if 9 of the 19 grantees CME recommended for follow-up visits are providing the essential services. Further, NIMH should provide specific guidance to its staff and consultants so that they can adequately identify deficiencies wher. **visits** are made. During these visits, staff and consultants should obtain and review detailed documentation supporting grantee assertions that essential services and below-cost or free services are being provided.

The NIMH should develop criteria to define CMHC requirements for what constitutes a reasonable volume of below-cost or free services to persons unable to pay. The criteria should include specific documentation needed to support grantees' claim that these services are provided.

Without accountability and adequate controls to insure that grantees are fulfilling their **20-year** obligation to provide all the essential mental health services, **NIMH** has not fully complied with the intent of the CMHC Act to provide mental health services that are accessible and available to all persons located in the service area.

We believe that the internal control weaknesses, as previously discussed, meet the OMB criteria for material weaknesses under the **FMFIA**.

### RECOMMENDATIONS

We recommend that you direct the Administrator of **ADAMHA** to:

- Develop criteria specifying when recoveries are to be made and notify grantees of the NIMH recovery criteria.
- Initiate recovery action on grants awarded in the amount of **\$6,823,979** (Federal share - 13 grants) from 9 grantees not providing essential and **below-cost** or free services.
- Determine whether an additional \$235,000 plus interest can be recovered from St. Francis Medical Center.
- Develop criteria specifying when extensions to grantees service obligation dates are warranted.
- Extend service obligation dates for eight grantees for a total of 65 years.
- Follow written policies and procedures for issuing waivers by obtaining complete documentation and performing visits as necessary to support its decisions.
- Determine for all grantees issued waivers, whether they are complying with the conditions of the waivers.
- Assure that all waivers and subsequent changes are approved by the Director of NIMH.

- Develop criteria for determining if a visit is needed when a grantee is reported to be out-of-compliance through grantees' annual checklist or other methods.
- Obtain complete documentation or visit the nine grantees for which recommended visits were not performed by **NIMH** to determine whether -essential services are provided.
- When grantees' deficiencies are noted, complete corrective actions within 6 months or sooner to adequately review and assure that grantees are promptly brought back into compliance and/or recoveries are made.

Provide instructions for staff and consultants so that all deficiencies are identified and grantees' documentation supporting assertions that essential services and below-cost or free services are being provided is thoroughly reviewed.

- Develop criteria to define CMHC requirements for a reasonable volume of below-cost or free services to persons unable to pay. The criteria should include documentation grantees must provide to show that below-cost or **free** services are provided.
- Disclose in this year's **FMFIA** report that there were internal control weaknesses in the CMHC program which constitute a material weakness and include corrective actions that have been taken, are underway or planned.

Monitor corrective actions until these weaknesses are resolved.

### AGENCY COMMENTS AND OIG RESPONSE

The PHS, in its September 26, 1991 letter commenting on our draft report, fully concurred with most of our recommendations (see Appendix **V**). The PHS stated they fully concurred with 12 recommendations, partially concurred with 3 recommendations and have taken or are taking actions to implement them. Its complete response is included in its entirety as Appendix V to this report and certain responses are paraphrased in this section. The 12 recommendations the PHS fully concurred with are briefly discussed in the following paragraphs. The remaining three recommendations in which PHS concurred in part and our responses are also briefly discussed here and discussed in detail later on this section. The NIMH stated that the target date for determining grantees' current compliance status for the purpose of initiating recoveries and extensions of service obligation dates is March 1992. In our opinion, efforts should be made to complete these actions sooner.

The PHS agreed that increased monitoring of the program was needed and stated that the four steps enumerated on page 20 of the report were taken to improve **NIMH's** monitoring process. The PHS also indicated that in addition to the 113 site visits made in 1990, 70 of the 100 site visits scheduled for 1991 have been completed. Further, all active grantees will be site visited at least once between FY 1990 and N 1993.

The PHS also agreed that guidance was needed to provide grantees with information on the type of documentation they should maintain to assure that a reasonable volume of below-cost or free services were provided. In response to the **OIG's** finding regarding inadequate guidance, NIMH issued a special bulletin to all CMHC grantees in May 1991 which specifically addresses this problem. The **NIMH** also agreed that, over the years, follow-up on issues and problems brought to its attention was not timely, but believes its allocation of additional manpower and resources will resolve this problem.

The PHS agreed to determine whether an additional \$235,000 plus interest can be recovered from St. Francis Medical Center. The PHS also agreed to develop criteria relating to the extension of grantee's service obligation dates and indicated they would discuss the feasibility of developing this criteria with the Office of General Counsel by March 1992. The PHS agreed with the three recommendations pertaining to waivers and stated its new policy of requiring a site visit prior to granting a waiver will continue to be observed. In addition, NIMH stated that **86** site visits to verify compliance with waiver conditions have been completed in 1990 and 1991.

The PHS agreed with the two recommendations pertaining to developing criteria for determining if a visit is needed and obtaining complete documentation or visiting the nine grantees for which recommended visits were not performed. The PHS indicated that all active grantees would be site visited at least once between fiscal years 1990 and 1993. The PHS also agreed to complete corrective actions on all grantee deficiencies within a **6-month** period. The PHS agreed to provide instructions to staff and consultants to improve the results of site visits by identifying all problems and deficiencies and thoroughly reviewing all pertinent documentation. The NIMH stated that during an April 1991 training workshop, special and extensive attention was devoted to the policy bulletin, subsequently issued in May 1991, clarifying criteria and documentation requirements for grantees related to below-cost or free services.

The PHS agreed to develop criteria defining CMHC requirements for a reasonable volume of below-cost or free services. The **NIMH** stated that a special work-group developed policies for documenting the provision of a reasonable volume of **below-cost** or free services. The PHS also agreed to disclose in the Fiscal Year 1991 FMFIA report that material internal control weaknesses concerning **CMHCs** providing a reasonable volume and below-cost and **free** services. Further assessments will be

made and, if determined appropriate, additional weaknesses will be reported. Finally, the PHS agreed to monitor corrective actions until the weaknesses are resolved. The PHS concurred in principle with our recommendation to develop criteria specifying when recoveries are to be made and notifying grantees of this criteria. The PHS stated that guidelines can provide useful benchmarks 'for CMHC and NIMI-I staff, so long as the NIMH retains sufficient flexibility to consider grantee conditions. The **NIMH** indicated the development of such criteria is not **necessary** to establish appropriate internal monitoring controls.

The PHS concurred in part with our recommendation to initiate recovery action on 13 grants. The NIMH has taken steps to recover funds on one of the eight grants identified by the OIG. For the other grants, the NIMH has approved existing programs or imposed extensions which continue needed services in those communities or the NIMH does not agree with the OIG recommendation for recovery. Of the five grants identified by CME for recovery, the NIMH plans recovery action against only one grant. They stated that subsequent actions by the NIMH and the State of Louisiana have developed resources to save these rural programs.

The PHS concurred in part with our recommendation to extend the service obligation dates for eight grantees. The PHS stated that the Director, NIMI-I has already extended the service obligation date or granted a waiver for four grants. Many services were not provided due to state or local government actions.

The PHS was of the opinion that many of the criticisms of specific grantees and recommendations for corrective action were inappropriate since significant legislative and programmatic changes were not considered. The PHS stated that the 1981 OBRA strengthened the state's role by substituting block grants for categorical assistance; and some states and localities now designate primary mental health service providers for state defined service areas. Thus, CMHC construction grantees not designated as primary providers are not able to operate as initially intended.

The PHS disagreed with the OIG report's strong emphasis on dollar recoveries. The PHS stated that recovery does not serve the needs of the mentally ill if compliance can be re-established. Further, they indicated that neither recovery nor the extension of service obligation dates was feasible or appropriate in cases where the Director, NIMH has already granted a waiver to a CMHC grantee's particular non-compliance issue. Furthermore, the NIMH had recovered approximately \$4 million from 11 CMHC grantees and has demands on five grantees for an additional \$5 million. These amounts compare favorably to a NIMH 1984 projection that about \$7.4 million might be recoverable from CMHC grantees.

Finally, PHS disagreed with the **OIG's** use of **CME's** recommendations as a yardstick for measuring **NIMH's** monitoring effectiveness. The PHS stated that reports issued

by CME were often confusing and internally contradictory, and **NIMH's decision-**making required a case-by-case review of **CME's** findings, the terms of the grant and other information. The PHS also stated the report should note the severe cutback of Federal administrative resources that accompanied the shift to block grants and the transfer of primary responsibility for mental health services to the states. Approximately 200 people managing the CMHC program in the **regional** offices were replaced by a single individual at the headquarters level.

The PHS detailed comments and our response are discussed below:

#### Develop Criteria Relating to Recoveries

The PHS agreed that the development of guidelines would be useful, but stated NIMH needed the flexibility to consider grantee conditions in determining whether recovery action would be pursued. The NIMH did not agree that the development of such criteria is necessary to establish appropriate internal monitoring controls.

We are of the opinion that criteria needs to be established in order for NIMH management to have a basis to evaluate whether recovery decisions made by its staff are reasonable and sound. Some latitude can be included in the guidelines to give consideration to extenuating circumstances. The issuance of adequate regulations and guidelines to CMHC construction grantees is an important part of the overall monitoring process. The lack of guidelines relating to recovery action criteria is a weakness in monitoring controls.

#### Initiate Recovery Action on 13 Grants

The PHS concurred in recovery action for **two** grants but disagreed with the auditor's recommended recoveries on five grants. For the other grants, the NIMH approved existing programs or extended service obligation dates.

#### Sutter Community Hospitals

The OIG recommended recovery actions against Sutter Community Hospitals on the basis that they relocated services "outside the service area". The NIMH disagreed and stated that the 1981 OBRA and other **legislation** gave the states the right to prescribe service areas. According to NIMH, grant constructed facilities have been used for mental health services.

We determined that the grantee was also out-of-compliance for moving inpatient services without a waiver, using constructed space for non-mental health services, and not documenting that a reasonable volume of below-cost or free services was provided. The NIMH advised the grantee on September 1, 1981 that the provision of

outpatient services outside the service area was not permitted. The grantee was not issued a waiver nor did it receive **NIMH's** permission to move the services. In addition, although the State had the authority, according to NIMH, to change the service area, the NIMH files did not contain any information to show that the service area had actually changed. As a result, we continue to recommend recovery action.

#### Battle Creek Adventist Hospital

The OIG recommended recovery actions against Battle Creek Adventist Hospital on the basis that it did not serve Medicaid eligible adults. The NIMH stated that the 1981 **OBRA** and other legislation gave the states the right to designate providers of mental health services. In addition, grant constructed facilities have been used for mental health services.

We continue to support recovery for Battle Creek Adventist Hospital. The State's right to designate providers of mental health services did not relieve the grantee of its obligation to furnish the five essential services and to provide mental health services to individuals in the service area regardless of ability to pay. The regulations implementing the 1981 OBRA did not indicate the State agency will refer patients to the grantee. If NIMH believes that it is inappropriate for the grantee to service Medicaid eligible adults, they should have given the grantee a waiver.

#### Hazard Appalachian Regional Hospital

Regarding recovery action on Hazard Appalachian Regional Hospital, **NIMH** disagreed and stated that **CMHCs** in rural areas have tended to have difficulties in retaining professional psychiatrists, which can result in repeated episodes of noncompliance. According to NIMH, approval was given to the Hospital to make temporary affiliation agreements providing inpatient and emergency services for periods when it was recruiting a psychiatrist to its remote rural community. We were informed that the psychiatrist arrived February 4, 1991. As a result, rather than closing down the program after a **2-year** interruption, as the draft report recommends, NIMH extended the grantee's obligation for 24 months. According to NIMH, the area had, and continues to have available, mental health services.

We believe these repeated episodes of noncompliance are reasons for recovery action. The CME reported the grantee has a history of non-compliance and immediate recovery action should be taken. According to grantee information provided to the OIG, psychiatric services were not available for 36 months out of 46 months during the period from April 1987 to February 1991.

### Community Counseling Center

The NIMH also disagreed with our recommended recovery of funds from Community Counseling Center because of delays in the start of construction (to meet Davis/Bacon requirements) and alleged failure to obey NIMH directives. According to NIMH, construction began in accordance with the extended deadline of **February 28, 1991** and no unapproved equipment was purchased. Funds used to purchase land, plus interest were restored to an escrow account in accordance with **NIMH's** directions.

We believe that recovery action should be taken because according to terms of the NIMI-I approved waiver, construction had to be started by September 30, 1990. Any extension provided would be a modification to the waiver. Although a NIMI-I employee extended the start of construction to February **28, 1991**, it was not appropriately approved by the Director of NIMH.

We found that **NIMH** authorized the transfer of **\$611,396** from the former grantee to Community Counseling Center on September 21, 1987, almost 3.5 years before construction was started. On March 24, 1988, the **NIMH** approved funds for remodeling a **2-story** building but did not approve purchase of equipment, furnishings or a passenger van that was requested by the grantee. Approximately **\$9,000** of movable equipment was inappropriately purchased with Federal funds.

We also noted that the building, land, and equipment were purchased solely with Federal funds, even though the grant stated Federal participation was only supposed to be 52.44 percent. The funds were restored to the escrow account subsequent to our advising NIMH of the improper expenditures. We continue to recommend recovery action as the waiver has not been properly modified.

### Northwestern Corporation

The NIMH did not agree with our recommended recovery of funds for the Northwestern Corporation since the grantee has continuously used the properties, including the equipment, acquired with CMHC grant assistance to provide all required CMHC services. According to NIMH, the cited "sale" of assets was part of a series of transactions whereby the property was transferred in error, and subsequently legal title was restored to the grantee. Apparently neither transaction included the equipment. However, according to NIMH, this does not mean that the equipment was "disposed of" as the OIG report contends (Appendix III). The transfer was approved by NIMH.

We are of the opinion that recovery action is appropriate since legal title to the property worth approximately \$40,000 (Federal share - **\$20,000**), not the equipment was restored to the grantee. We found that when the equipment was sold, it was listed under Northwestern Institute of Psychiatry (Hospital) assets. However, when

the properties were repurchased, the equipment was not included in the properties repurchased. In addition, the grantee was charged approximately \$10,000 rent for the use of the equipment.

### Extend Service Obligation Dates

With regard to the eight grantees recommended for extensions to **service** obligation dates for a total of 65 years, the **PHS** concurred in § art. The PHS stated the Director, NIMH has already extended the service obligation dates or granted waivers for four grants. In all but one of these four cases, and in other cases, either services were not provided due to State or local government actions or services were not compromised, although documentation and other requirements may not have been met. However, NIMH will reevaluate the current compliance status of each of the designated active grantees to determine whether the conditions for extension are being observed and/or the grantee is otherwise in compliance, and will take action, as appropriate. The target date for completion of this review is March 1992.

In our opinion, extension of service obligation dates are warranted because the granting of retroactive waivers by the NIMH was inappropriate. The CMHC Policy and Procedures manual states that the **20-year** period of obligation is extended for the amount of time between the initial date of non-compliance with the conditions of the grant and the date of compliance with the terms of the waiver. Actions by State or local governments do not relieve the grantee from providing the five essential services and a reasonable volume of below-cost or free services.

### Legislative and Program Evolution

The PHS was of the opinion that many of the criticisms of specific grantees and recommendations for corrective action were inappropriate because significant legislative and programmatic changes were not considered by the OIG. The PHS stated that the **OBRA** of 1981 strengthened the State's role by substituting block grants for categorical assistance. In addition, some States and localities now designate primary mental health service providers for State defined service areas. Thus, CMHC construction grantees not designated as primary providers are not able to operate as initially intended.

In our opinion, State legislation does not relieve the grantee from providing the essential mental health services and a reasonable amount of below-cost or free services. The State agency originally approved the grantee's application to provide the essential mental health services in that service area and, accordingly, should include the grantee in the provision of essential services. If the state or local agency does not include the grantee, a waiver should be requested to substitute other mental health **services** needed in the service area.

### Emphasis on Dollar Recoveries

The PHS disagreed with the **OIG's** strong emphasis on dollar recoveries and stated that recovery does not serve the needs of the mentally ill if compliance can be re-established. Further, the PHS indicated that neither recovery nor the extension of service obligation dates is feasible or appropriate in cases where the Director, **NIMH** has already granted a waiver to a CMHC grantee for a particular **non-compliance** issue. Furthermore, the **NIMH** has recovered approximately \$4 million from 11 CMHC grantees and has made demands on five grantees for an additional \$5 million. These amounts compare favorably to a **NIMH 1984** projection that about \$7.4 million might be recoverable from CMHC grantees.

The **OIG** is not recommending recovery where compliance can be re-established, and the grantee can remain in-compliance. However, we believe recovery is necessary for grantees that have a history of non-compliance. We have not recommended recovery when a proper waiver was given. We did recommend recovery when a grantee failed to meet its new obligation as specified in the waiver. Extension of service obligation dates are appropriate for cases in which extensions were not calculated properly at the time a waiver was granted. The **NIMH** should attempt to recover all amounts due to the Federal government.

### Relationship Between **NIMH** Decisions and its Contractor's Recommendations

The PHS disagreed with the **OIG's** use of CME's recommendations as a yardstick for measuring **NIMH's** monitoring effectiveness. The PHS stated that reports issued by CME were often confusing and internally contradictory, and **NIMH's** decision-making required a case-by-case review of CME's findings, the terms of the grant and other information. The PHS believes that the report should also note the severe cutback of Federal administrative resources that accompanied the shift to block grants and the transfer of primary responsibility for mental health services to the states. We were informed that approximately 200 people managing the CMHC program in the regional offices were replaced by a single individual at the Headquarters level.

Our independent review and assessment gave equal weight to information obtained from **NIMH**, CME and grantees. In our opinion, the time frames recommended by CME to revisit grantees, return to compliance, and to extend the service obligation dates were reasonable. While CME's recommendations were, in some cases, contradictory, CME reports contained sufficient information to enable **NIMH** to take appropriate corrective actions on grantees. The **NIMH** recognizes that from January 1986 until 1990, few recoveries were made. In an effort to improve its monitoring **activities**, **NIMH** has placed a higher priority on monetary recovery action for noncompliance.

OIG Reviewed CMHC Grants  
Site Visit and File Review

<u>NAME</u>	<u>LOCATION</u>
Baptist Hospital, Inc.	Florida
Battle Creek Adventist Hospital	Michigan
Bergen Pines County Hospital	New Jersey
Buffalo General Hospital	New York
Carondelet Health Services Inc.	Arizona
Cedars-Sinai Medical Center	California
City of Willmar - Rice -Memorial Hospital	Minnesota
Community Counseling Center (Formerly St. Francis Medical Center)	Missouri
Comprehensive Mental Health Services Inc.	Missouri
Louisiana State Department of Hospitals	Louisiana
McLean Hospital	Massachusetts
Memorial Hospital of South Bend	Indiana
Prince George's General Hospital	Maryland
St. Alphonsus Hospital, Inc.	Idaho
St. Joseph Mercy Hospital	Iowa
State Department of Health and Environment	New Mexico
Sutter Community Hospitals	California
Touro Infirmary	Louisiana

OIG Reviewed CMHC Grants  
Site Visit and File Review

<u>NAME</u>	<u>LOCATION</u>
University of Arkansas Medical Center	Arkansas
Youth Consultation Services of the Episcopal Church, Diocese of Newark	New Jersey

OIG Reviewed CMHC Grants  
File Review Only

<u>NAME</u>	<u>LOCATION</u>
Clay-ton County Hospital Authority	Georgia
County of Marin, Marin Hospital District	California
Fayette County Board of Commissioners	Pennsylvania
Franklin Medical Center	Massachusetts
Hancock Mental Health Association	Maine
Hazard Appalachian Regional Hospital	Kentucky
Louisiana State Dept. of Hospitals	Louisiana
Maryview Hospital Corporation	Virginia
The Northwestern Corporation	Pennsylvania
Orlando Regional Medical Center (2 grants)	Florida
Sisters of St. Joseph of Texas	Texas

OIG Reviewed CMHC Grants  
File Review Only

<u>NAME</u>	<u>LOCATION</u>
Southeastern General Hospital	North Carolina
St. Elizabeth's Hospital	Missouri
University of Rochester	New York

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

SAME ..... Baptist Hospital, Inc.  
 LOCATION: ..... Florida  
 FEDERAL DOLLARS AWARDED: ..... \$162,659  
 GRANT NO. .... FL-17  
 PERIOD OF OBLIGATION: ..... April 1969 to April 1989  
 CME REPORT DATE: ..... September 30, 1988

### CME PROBLEMS REPORTED:

1. So affiliation agreement between the grantee and the CMHC existed for providing essential services as required by Federal regulations.
2. Psychiatric services at the hospital were provided under a management contract with an unallowable provision from 1983 to 1986.

### CME RECOMMENDATION TO NIMH:

- Conduct a follow-up visit.

### NIMH ACTIONS:

1. The NIMH's October 1988, follow-up letter advised grantee to buy out its obligation or get back in compliance.
2. The NIMH indicated the grantee was in full compliance in January 1989.

### OIG REVIEW RESULTS:

**DATE OF VISIT:** September 1990

- The CME adequately identified problem areas, but could have recommended a 12-year service obligation date extension.
- The NIMH did not take appropriate compliance action and could have extended the service obligation date. In 1989, the NIMH determined the grantee was in compliance without adequate support. The NIMH's visit in 1990 found that the grantee was in compliance. We found that findings were not corrected and the below-cost or free service requirement was not met. Further, NIMH did not extend the service obligation date and the management contract was an unallowable incentive-type contract.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: .....Battle Creek Adventist Hospital  
 LOCATIONS: .....Michigan  
 FEDERAL DOLLARS AWARDED ... \$709,988  
 GRANT NO. ....MI-126  
 PERIOD OF OBLIGATION: .....February 1971 to February 1991  
 CME REPORT DATE: .....July 9, 1987

### CME PROBLEM REPORTED:

- . Grantee did not fully develop as a CMHC providing all the essential mental health services.

### CME RECOMMENDATIONS TO NIMH:

1. Advise county agencies of the need to negotiate more contracts with grantee for the provision of mental health services.
2. Consider extending the service obligation period by approximately 10 years.

### NIMH ACTIONS:

- . The NIMH followed up, in December 1987, with county' agencies to give the grantee more contracts for services. No further action was taken.

### OIG REVIEW RESULTS:

DATE OF VISIT: September 1990

- . The CME did not adequately report all problem areas. The CME recommended a 10-year service obligation date extension, but could have recommended recovery as the grantee did not provide all of the essential mental health services and was not functioning as a CMHC for the service area.
- . The NIMH compliance action was not adequate because there was no further contact with county agencies to provide increased levels of essential mental health services after December 1987. So recommendation was made to the grantee for a 10-year extension of services. No NIMH follow-up visit was made. We found that the grantee did not function as a comprehensive CMHC and did not provide mental health services to Medicaid eligible persons ages 22 to 64.

**COMMUNITY MENTAL HEALTH CENTER GRANTEE**NAME: ..... **Bergen Pines County Hospital**LOCATIONS: ..... **New Jersey**FEDERAL DOLLARS AWARDED: ..... **\$171,251**GRANT NO. ...., ..... **NJ-6779**PERIOD OF OBLIGATION: ..... **June 1971 to June 1991**CME REPORT DATE: ..... **July 27, 1987****CME PROBLEMS REPORTED:**

1. Grant constructed space was used for other purposes.
2. No partial hospitalization program existed for children and adolescents.

**CME RECOMMENDATIONS TO NIMH:**

1. Conduct follow-up visit to provide technical assistance or consultation.
2. Provide grantee with guidelines for requesting approval for use of alternative space.

**NIMH ACTIONS:**

- A September 1987 waiver permitted the use of Federally constructed space for other purposes.

**OIG REVIEW RESULTS:****DATE OF VISIT: September 1990**

- The CME evaluation adequately identified findings but did not recommend an extension to the service obligation date for the amount of time the grantee was out-of-compliance.
- The NIMH compliance actions were not appropriate. The NIMH granted a waiver without adequate support to determine if proposed services in other locations would be effective. Also, NIMH could have recommended a service obligation date extension. The NIMH's waiver resolved the use of space for other purposes, but not the lack of a partial hospitalization program. A NIMH visit in 1990, showed the grantee was in compliance. We found the grantee did not have agreements with providers for partial hospitalization and consultation and education programs and could not support that below-cost or free services provided met the requirement.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: ..... Buffalo General Hospital  
 LOCATION: ..... New York  
 FEDERAL DOLLARS AWARDED: ..... \$1,567,370  
 GRANT NO. .... NY-13  
 PERIOD OF OBLIGATION: ..... November 1971 to June 1995  
 CME REPORT DATES: ..... July 15, 1988 and January 6, 1989

### CME PROBLEMS REPORTED:

1. Unauthorized use of grant constructed space for non-mental health purposes. (Both reports)
2. Provision of below-cost or free services not documented. (Both reports)

### CME RECOMMENDATIONS TO NIMH:

1. Extend the service obligation date by 10 years. (First report )
2. Initiate monetary recovery. (First report)
3. Require the grantee to submit floor plans designating CMHC use. (First report)
4. Conduct a visit in early 1989 to assure compliance or initiate recovery action. (First report)

### NIMH ACTIONS:

1. The NIMH approved a waiver which authorized the Cardiac Rehabilitation unit to stay in the grant constructed space and extended the service obligation by 5.5 years.
2. Issued a waiver modification (not signed by Director of NIMH) which reduced the service obligation date extension from 5.5 years to 3.5 years.

### OIG REVIEW RESULTS:

**DATE OF VISIT:** December 1990

- The CME adequately disclosed the problem areas. The CME appropriately recommended a 10-year extension in the service obligation date or monetary recovery in the first report but did not make adequate recommendations in the follow-up report.
- The NIMH's actions were inappropriate. The NIMH granted the waiver without a site visit, improperly modified the waiver and failed to take recovery action. A NIMH visit in 1990 determined the grantee was in compliance. We determined that the additional space was improperly used, waiver conditions were not met and the provision of below-cost or free services was inadequate.

## COMMUNITY MENTAL HEALTH CENTER GRASTEE

NAME: ..... Carondelet Health Services Inc

LOCATION: ..... Arizona

FEDERAL DOLLARS AWARDED: ..... \$638,3 16

GRANT NO. .... AZ-103

DATE SERVICE OBLIGATION COMPLETED: .. May 1972 to March 1999

CME REPORT DATE: ....., ..... September 9, 1987

### CME PROBLEMS REPORTED:

1. Ten of the 24 mental health beds. convened to hospice use in 1981 and approved by NIMH for 2 years, were never reconverted to mental health inpatient use.
2. Space originally constructed for partial hospitalization program was not being used for mental health purposes.
3. No assurance that essential services for outpatient, partial hospitalization and education and consultation were provided and that essential inpatient services were not provided to all persons in the service area for lack of affiliation agreements.

### CME RECOMMENDATIONS TO NIMH:

1. Conduct follow-up visit to assess compliance.
2. Consider extending the service obligation date by 4 years.

### NIMH ACTIONS:

1. In February 1988, NIMH approved the use of 10 mental health beds for hospice care until March 1990.
2. The NIMH suggested a 7-year service obligation date extension because partial hospitalization space was not used for mental health purposes.
3. The NIMH stated the grantee was back in compliance on October 31, 1989.

### OIG REVIEW RESCLTS:

DATE OF VISIT: September 1990

- The CME adequately disclosed problem areas. The CME suggested a 4-year service obligation date extension, but it could have recommended an extension for 7 years.
- The NIMH actions resolved CME reported deficiencies by approving the use of inpatient beds for hospice care and replacing partial hospitalization services with a geriatric program. In addition, the grantee obtained signed agreements for the provision of mental health services. The NIMH did not follow-up on the grantee's non-acceptance of the 7-year extension, A NIMH visit in 1990, stated that the grantee was in compliance. We found the grantee was not providing below-cost or free services.

## COMMUNITYMENTAL HEALTH CESTER GRANTEE

NAME: .....Cedars-Sinai Medical Center

LOCATION: .....California

FEDERAL DOLLARS AWARDED:.....\$1,436,461

GRANT NO. ....CA-410

PERIOD OF OBLIGATION: , .....July 1973 to July 1993

CME REPORT DATE: .....March 23, 1987

### CME PROBLEMS REPORTED:

1. Some grant constructed space was used for non-mental health purposes since 1983.
2. Partial hospitalization services were not available for patients over 6 years of age since 1981.
3. Some persons unable to pay have not been served since 1981.
4. Emergency services were provided by an ineligible entity.

### CME RECOMMENDATION TO NIMH:

- Extend the obligation service date from 1981 to date compliance is reestablished.

### NIMH ACTIONS:

- In September 1988, NIMH waived the inappropriate use of space and substituted family and child counseling for adult partial hospitalization services.

### OIG REVIEW RESULTS:

**DATE OF VISIT:** September 1990

- The CME evaluation adequately disclosed problem areas. The CME appropriately recommended extension of services for time grantee was out-of-compliance, but did not recommend other corrective action including the provision of below-cost or free services.
- The NIMH's actions were inappropriate. The NIMH initially requested the extension, but dropped the request when the grantee disagreed. Without adequate documentation or a visit, NIMH approved the waiver retroactively to 1981, and accepted the data submitted by the grantee on below-cost or free services. A NIMH visit in 1990, reported the grantee was in compliance, but we found that the grantee was not providing sufficient below-cost or free services.

## COMMUNITY MENTAL HEALTH CENTER GRASTEE

NAME: ..... City of Willmar • Rice Memorial  
Hospital

LOCATION: .....-Minnesota

FEDERAL DOLLARS AWARDED:.....\$336,590

GRANT NO. ....MN-04

PERIOD OF OBLIGATION:.....January 1973 to January 1993

CME REPORT DATE: .....June 3, 1987

### CME PROBLEMS REPORTED:

1. The facility did not function as a comprehensive CMHC since 1983; due to an inadequate affiliation agreement.
2. CMHC did not function properly, as records did not flow promptly between the grantee and CMHC.
3. There was little use of inpatient services. Most of the patients were admitted by private practice physicians.

### CME RECOMMENDATION TO NIMH:

- Conduct follow-up visit to determine compliance status.

### NIMH ACTIONS:

1. Notified grantee of a 4-year service extension due to noncompliance from 1983 to 1987.
2. Followed-up with grantee to obtain corrective action.

### OIG REVIEW RESULTS:

**DATE OF VISIT: November 1990**

- The CME did not adequately identify all problem areas. In 1987, CME was aware that the majority of mental health inpatient beds were used for general surgery patients, but CME did not identify this as a finding. The CME recommendations were not adequate: noncompliance findings were not fully addressed; and an extension in the service obligation date was not recommended.
- The NIMH did not take appropriate actions. The NIMH required the grantee to negotiate an acceptable contract with the CMHC resolving CME findings. However, NIMH however did not follow-up on the improper use of mental health **inpatient** beds. The NIMH visit disclosed the improper use of inpatient beds, but NIMH did not report that the grantee was out-of-compliance. The NIMH appropriately recommended a 4-year service obligation date extension, but did not **take** further action when the grantee ignored this extension. We found that on average 15 out of 19 mental health beds were used by medical and surgical patients and the grantee could not adequately document the provision of below-cost or free services.





## COMMUNITYMENTAL HEALTH CENTERGRANTEE

NAME: ..... Louisiana State Department of Hospitals  
 LOCATION: ..... Louisiana  
 FEDERAL DOLLARS AWARDED: ..... \$73,536  
 GRANT NO. .... LA-242C  
 PERIOD OF OBLIGATION: ..... October 1969 to October 1989  
 CME REPORT DATE: ..... December 15, 1989

### CME PROBLEMS REPORTED:

1. Psychiatric consultation was not available on a continuing and regularly scheduled basis.
2. Thirty-three percent of grant constructed space was used by the State Department of Corrections.
3. There is no contract for provision of acute services.

### CME RECOMMENDATION TO NIMH:

- Initiate monetary recovery' action.

### NIMH ACTIONS:

- The NIMH follow-up letter to the grantee in May 1990 did nor mention recovery action. The grantee had nor responded at the time of the audit.

### OIG REVIEW RESULTS:

DATE OF VISIT: September 1990

- The CME adequately disclosed problem areas and appropriately recommended monetary recovery action.
- The NIMH did not take appropriate compliance actions and did not take recovery action for noncompliance. The NIMH had not resolved the finding with respect to psychiatric consultation services. The Department of Corrections vacated the grant constructed space in July 1990. The NIMH did not perform a follow-up visit. We determined monetary recovery action should be taken because no psychiatrist was available on a continuing and regularly scheduled basis. In addition, there has not been a partial hospitalization program since 1985.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: ..... McLean Hospital  
 LOCATION: ..... Massachusetts  
 FEDERAL DOLLARS AWARDED: ..... \$418,345 ...  
 GRANT NO. .... MA-07  
 PERIOD OF OBLIGATION: ..... October 1973 to April 1999  
 CME REPORT DATE: ..... April 7, 1987

### CME PROBLEMS REPORTED:

1. No partial hospitalization program existed since 1975.
2. Insignificant amounts of free inpatient care was provided.
3. Grantee no longer provided comprehensive mental health care to all persons in the service area.

### CME RECOMMENDATIONS TO NIMH:

1. Conduct a follow-up visit to assess compliance.
2. Extend service obligation period by 12 years.

### NIMH ACTIONS:

1. The NIMH requested and received copies of service agreements with a health facility, schools and other agencies and indicated the grantee was back in compliance.
2. The NIMH extended the service obligation date by 5.5 years.

### OIG REVIEW RESULTS:

DATE OF VISIT: September 1990

- The CME's evaluation adequately identified problem areas and appropriately recommended extending the service obligation date and conducting a follow-up visit.
- The NIMH's compliance actions were not complete. Although the finding on partial hospitalization was corrected, NIMH did not address the below-cost or free care problem. The service agreements did not provide for any referral of adult patients to other providers of services. The grantee was still not part of a comprehensive program for all persons in the service area. The NIMH extended the service obligation date by 5.5 years instead of 12 years as recommended by CME. A NIMH visit in 1990, indicated the grantee was in compliance. We found that the grantee did not provide comprehensive mental health care.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: ..... Memorial Hospital of South Bend

LOCATION: ..... Indiana

FEDERAL DOLLARS AWARDED: ..... \$663,722

GRANT SO. ...., ..... IN-166

PERIOD OF OBLIGATION: ..... , February 1975 to February 1999

CME REPORT DATES: ..... , ..... May 5, 1987 and July 18, 1988

### CME PROBLEMS REPORTED: (Both reports)

1. Three essential services were not provided-outpatient) partial hospitalization, and consultation and education.
2. Portions of the grant constructed space were convened to other uses, without NIMH approval.
3. Grantee's management contract contained provisions for incentive payments but only fixed-fee contracts are allowable under the program. (First report - second report stated management contract may be acceptable)

### CME RECOMMENDATIONS TO NIMH:

1. Conduct a follow-up visit to determine compliance. (First report)
2. Provide buy out amounts for grantee to be released from its obligations (second report).

### NIMH ACTIONS:

1. The NIMH approved a waiver on December 30, 1988 to move outpatient services into leased space.
2. The NIMH offered buy-out options to the grantee. The NIMH also stated the service obligation period would be extended 3 years and 1 month if the grantee chose to regain compliance.

### OIG REVIEW RESULTS:

DATE OF VISIT: August 1990

- The CME adequately disclosed problem areas. The CME could have recommended an extension in the service obligation date from the period the grantee has been out-of-compliance since June 1983.
- The NIMH actions were not appropriate. The NIMH granted the waiver without a visit to determine if the alternative space was at least equivalent to the grant constructed space. The NIMH follow-up visit in 1990 found the grantee still out-of-compliance as there was no partial hospitalization or consultation and education services. We found the grantee did not provide partial hospitalization services for adults and was using waived space for other purposes.

## COMMUNITYMENTAL HEALTH CESTER GRANTEE

NAME: ..... Prince George's General Hospital  
 LOCATION: ..... Maryland  
 FEDERAL DOLLARS AWARDED: ..... \$308,182 ...  
 GRANT SO. .... MD-01  
 PERIOD OF OBLIGATIOS: ..... March 1969 to March 1989  
 CME REPORT DATE: ..... December 4, 1986

### CME PROBLEM REPORTED:

- . Grantee had an improper management agreement with private corporation for operation of hospital, including the CMHC.

### CME RECOMMENDATION TO NIMH:

- . S o n e

### NIMH ACTIONS:

1. Submitted management contract to its legal department to determine acceptability.
2. The NIMH indicated grantee was in compliance on October 28, 1988.

### OIG REVIEW RESULTS:

DATE OF VISIT: August 1990

- . The CME adequately identified problem areas. The CME could have recommended that NIMH review the management contract for acceptability.
- . The NIMH did not resolve the issue that the management contract was an incentive type contract not allowed by Federal regulations and the grantee was out-of-compliance for the contract period. A NIMH visit in 1990, found the grantee was in compliance. We determined that the grantee never corrected the CME finding as the contract included incentive payments. We submitted the contract to legal counsel who confirmed our assessment.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

SAME: .....St. Alphonsus Hospital, Inc.  
 LOCATION: .....Idaho  
 FEDERAL DOLLARS AWARDED: .....\$401,529 ...  
 GRANT NO. ....ID-01  
 PERIOD OF OBLIGATION: .....April 1972 to April 1992  
 CME REPORT DATE: .....April 27, 1988

### CME PROBLEMS REPORTED:

1. Nearly six percent of grant consucted space had been used for non-mental health services.
2. No affiliation agreement existed for a period of at least 3 years between grantee and CMHC to ensure that outpatient, partial hospitalization, and consultation and education services were provided when needed.

### CME RECOMMENDATION TO NIMH:

- Obtain and review affiliation agreement and ask grantee to request approval from NIMH for alternative use of space.

### NIMH ACTIONS:

- The NIMH granted a waiver on improper use of consucted space.

### OIG REVIEW RESULTS:

DATE OF VISIT: September 1990

- The CME's findings were accurate but incomplete. It did not determine how long the space was used for non-CMHC purposes. The CME could have recommended at least a 3-year service obligation date extension.
- The NIMH actions were not appropriate. The NIMH could have extended the service obligation period by at least 3 years to address the lack of a contractual agreement. The waiver was granted without sufficient justification. The NIMH made no visit, nor did it request documentation needed to adequately ensure that the space was not needed for mental health services. The NIMH's June 1990, follow-up visit found that the grantee was not providing inpatient services to persons age 18 and under. We also found that inpatient services were not provided and the grantee did not meet the below-cost or free services requirement.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: ..... St. Joseph Mercy Hospital  
 LOCATION: ..... Iowa  
 FEDERAL DOLLARS AWARDED: ..... \$1,976,500  
 GRANT NO. .... IA-155  
 PERIOD OF OBLIGATION: ..... February 1970 to February 1990  
 CME REPORT DATE: ..... May 11, 1987

### CME PROBLEMS REPORTED:

1. Mental health inpatient beds were being used for medical and pediatric services.
2. Grantee did not provide below-cost or free services to low income persons.

### CME RECOMMENDATION TO NIMH:

- Determine whether a waiver is needed for use of grant constructed space for non-mental health services.

### NIMH ACTIONS:

1. The NIMH stated that, based on the regional office's approval of the use of grant constructed space for other purposes on October 31, 1983, no further action by NIMH is anticipated.
2. NIMH notified the grantee they were in full compliance in July 1987.

### OIG REVIEW RESULTS:

DATE OF VISIT: September 1990

- The CME adequately disclosed problem areas, but did not make recommendations to extend the service obligation date or recover Federal funds.
- The NIMH did not take appropriate compliance actions. The NIMH did not follow-up on inappropriate use of mental health inpatient beds and grant constructed space. Although CMHC officials in a December 1987, letter stated the CMHC was overcrowded and needed more space. NIMH did not respond. The NIMH did not address problems with below-cost or free services to low income persons. The NIMH did not initiate action to recover Federal funds or extend the service obligation period for space used for non-mental health purposes. No NIMH follow-up visit was performed. We found that the grantee improperly used mental health beds and did not have adequate documentation for below-cost or free services.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: ..... State Department of Health  
and Environment

LOCATION: ..... New Mexico

FEDERAL DOLLARS AWARDED: ..... \$ 100,000

GRANT NO. .... NM-07

PERIOD OF OBLIGATION: ..... June 1977 to June 1997

CME REPORT DATE: ....., ....., ..... September 7, 1987

### CME PROBLEMS REPORTED:

1. Grantee was unable to identify the Federally constructed space.
2. No partial hospitalization program existed.

### CME RECOMMENDATION TO NIMH:

- Conduct follow-up visit to assess full compliance after partial hospitalization program is established.

### NIMH ACTION:

- In December 1987, NIMH requested certain information be furnished by the grantee. The grantee had not provided any information by June 1990, and no other follow-up was made by NIMH.

### OIG REVIEW RESULTS:

**DATE OF VISIT:** September 1990

- The CME generally identified the problem areas. The report indicated the grantee could not identify the grant constructed space, therefore, a determination could not be made with respect to proper space use. The CME could have recommended recovery for that reason. The CME also did not recommend an extension of the six-vice obligation date or determine how long the grantee was out-of-compliance.
- Inadequate follow-up action was taken by NIMH since the grantee did not respond to NIMH's December 8, 1987 letter and no further action was taken by NIMH. The NIMH did not make a 1990 visit. We found that no corrective action taken was taken by the grantee and the problem areas still existed.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: ..... Sutter Community Hospitals

LOCATION: ..... California

FEDERAL DOLLARS AWARDED: ..... \$140,922

GRANT NO. .... CA-369

PERIOD OF OBLIGATION: ..... October 1969 to April 1996

CME REPORT DATE: ..... February 2, 1988

### CME PROBLEMS REPORTED:

1. Outpatient mental health services were relocated outside the service area and existing space was used for non-CMHC activities since 1982.
2. No assurance that children's inpatient and partial hospitalization programs were adequate.

### CME RECOMMENDATION TO NIMH:

- Conduct a follow-up visit to assess compliance.

### NIMH ACTIONS:

1. Advised grantee of the need for corrective actions.
2. Extended service obligation date 6.5 years.
3. Determined grantee was in full compliance in September 1988.

### OIG REVIEW RESULTS:

**DATE OF VISIT:** September 1990

- The CME evaluation did not adequately disclose all problem areas. The report indicated there was no CMHC structure in place, but it was not properly reported. The CME did not recommend appropriate action to address its findings.
- The NIMH made no follow-up visit as recommended by CME. The NIMH could have initiated recovery action against the hospital, but instead extended the service obligation date. We found that problems with constructed space for outpatient services still existed and below-cost or free services were not adequately provided.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: .....Touro Infirmary  
 LOCATION: .....Louisiana  
 FEDERAL DOLLARS AWARDED:.....\$900,000  
 GRANT NO. ....LA-1202  
 PERIOD OF OBLIGATIONS: .....May 1973 to May 1998  
 CME REPORT DATE: .....February 21, 1987

### CME PROBLEMS REPORTED:

1. Federally, constructed space not completely used for five essential services.
2. No partial hospitalization program existed.
3. So psychiatric outpatient clinic program existed.

### CME RECOMMENDATIONS TO NIMH:

1. Discuss with grantee specifics for regaining full compliance.
2. Schedule a follow-up visit to assess whether grantee achieved compliance.

### NIMH ACTIONS:

1. Granted a waiver to substitute a geriatric mental health program in place of regular mental health service.
2. Extended service obligation date for 5 years.
3. Advised grantee they were in compliance on April 20, 1989, but one day later grantee informed NIMH that its new partial hospitalization program was not implemented.

### OIG REVIEW RESULTS:

DATE OF VISIT: September 1990

- The CME did not adequately disclose all problem areas. The CME found a problem in the grantee's provision of below-cost or free services and there was no CMHC structure in place, but did not report these problems as findings. However, the recommendations were proper and although extension of services was not a recommendation, it was included in the report.
- The NIMH appropriately granted a waiver which resolved all of the CME findings. With respect to the provision of below-cost or free services, NIMH accepted grantee statements without any detailed support. A NIMH visit in 1990 stated the grantee was in compliance. However, we found that the grantee did not provide a reasonable volume of below-cost or free services.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: ..... University of Arkansas Medical Center  
 LOCATION: ..... Arkansas  
 FEDERAL DOLLARS AWARDED: ..... \$44 1.326  
 GRANT NO. .... AR-I, Unit 2  
 PERIOD OF OBLIGATION: ..... October 1969 to October 1996  
 CME REPORT DATE: ..... October 3, 1988

### CME PROBLEMS REPORTED:

1. The third floor of the child study center was never used as a 20-bed inpatient unit for pre-adolescent children (19 years). The grantee was mixing children with adults from 1969 to 1975.
2. No partial hospitalization program existed for children.

### CME RECOMMENDATIONS TO NIMH:

1. Extend the grantee's service obligation period for 10 years.
2. Conduct follow-up visit to assess compliance.

### NIMH ACTION:

1. The NIMH follow-up. December 20, 1988, letter advised the grantee of actions needed to regain compliance.
2. The NIMH extended the service obligation period for 7 years. (For the period children were mixed with adults)
3. The NIMH approved a waiver on October 29, 1986, relocating inpatient and outpatient services for children to alternate space.

### OIG REVIEW RESULTS:

DATE OF VISIT: September 1990

- The CME generally identified problem areas but did not consider the waiver in its review. The CME recommended a 10-year extension to the service obligation period, when it could have recommended a 19-year service obligation date extension.
- The NIMH generally did not take appropriate action. The NIMH accepted an alternative to partial hospitalization services, but NIMH officials admitted that there was no indication these alternative services were provided under a formal agreement. The NIMH extended the service obligation by 7 years, but not the 10 years recommended by CME or the 19 years the grantee was out-of-compliance. A NIMH and OIG visit disclosed the grantee was in compliance in 1990.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: . . . . .I..... Youth Consultation Services of the  
Episcopal Church, Diocese of Newark

LOCATION: . . . . .New Jersey

FEDERAL DOLLARS AWARDED: . . . . . \$480,024

GRANT NO. . . . . NJ-687 7

PERIOD OF OBLIGATION: . . . . . September 1971 to September 1991

CME REPORT DATE: . . . . . July 28, 1987

### CME PROBLEM REPORTED:

- No comprehensive program of mental health services existed.

### CME RECOMMENDATIONS TO NIMH:

1. Conduct follow-up visit to provide assistance and/or consultation.
2. Consider extending service obligation date by 4 years.

### NIMH ACTIOSS:

- The NIMH accepted affiliation agreements for inpatient and emergency services and stated the grantee was back in compliance in August 1989.

### OIG REVIEW RESULTS:

DATE OF VISIT: September 1990

- The CME did not adequately disclose problem areas. Although CME reported that consultation and education services were not provided and no contracts existed to show that inpatient and emergency services were provided. CME did not report these problems as findings. The CME recommended a 4-year extension of the service obligation date, but could have recommended an extension of at least 9 years. The grantee has not been part of a CMHC program since 1978 when Hackensack Hospital closed.
- The NIMH did not take appropriate compliance action. Since the grantee was not part of a CMHC program, they could have extended the service obligation date. The NIMH conducted a visit and reported the grantee was in compliance. We found the grantee was still not part of a CMHC program and could not document that below-cost or free services met CMHC requirements.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: .....County of Marin, Marin Hospital District  
 LOCATION : .....California  
 FEDERAL DOLLARS AWARDED: . . . \$445,644  
 GRANT NO. ....CA-334  
 PERIOD OF OBLIGATION: . . . .November 1968 to November 1988  
 CME REPORT DATE: . . . . .April 6, 1987

### CME PROBLEM REPORTED:

- Several mental health service programs were moved out of Federally constructed space.

### CME RECOMMENDATION TO NIMH:

- Review documents and contracts for possible approval/waiver of construction grant requirements.

### NIMH ACTIOSS:

1. The NIMH followed-up the CME report with a letter dated May 6, 1987 to the grantee stating the need to request a waiver.
2. A waiver was granted August 19, 1988 for the use of alternative space.

### OIG REVIEW OF NIMH'S RESOLUTION:

- The NIMH's actions were not appropriate. The improper use of space was resolved by NIMH's waiver. The NIMH used floor plans of the alternative space and program descriptions as support for the waiver. A visit could have been made to determine if the alternative space was comparable to constructed space and if services were being provided. Also, NIMH could have determined that the substituted space was not used for mental health services prior to movement of services from constructed space. The NIMH could have recommended an extension in the service obligation date. The NIMH did not visit the grantee in 1990. The NIMH did not follow-up on the delivery of below-cost or free services.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: .....Orlando Regional Medical Center

LOCATION: .....Florida

FEDERAL DOLLARS AWARDED: .....\$654.339 ...

GRANTNO. ....FL-0 8

PERIOD OF OBLIGATION: ..... January 1968 to June 1989

CME REPORT DATE: ..... February 25, 1987

### CME PROBLEMS REPORTED:

1. Federal constructed space was no longer used for mental health services.
2. Partial hospitalization services were was not provided after November 1985.
3. Inpatient services were not available to all residents in the service area.

### CME RECOMMENDATION TO NIMH:

- . Conduct a follow-up visit to assess compliance.

### NIMH ACTIONS:

1. On May 8, 1987, NIMH notified the grantee of three options to resolve the issues.
2. The NIMH granted two waivers for the relocation of services from constructed space. Waivers were later ratified by the Director of NIMH after initial approval by unauthorized person.
3. The NIMH extended the service obligation date by 18 months.

### OIG REVIEW OF NIMH'S RESOLUTION:

- . The NIMH's actions were not appropriate. The two waivers were solely based on a review of floor plans without visits. The NIMH could have extended the service obligation date by 9 years for the use of alternative space which, according to CME, was not consistent with the constructed space in terms of spaciousness, attractiveness or decor. Instead, NIMH extended the grantee's service obligation date by 18 months for the period no partial hospitalization services were provided. Although the grant was awarded for inpatient and partial hospitalization services, the grantee's policy was to provide below-cost or free services in other areas. There was, however, inadequate documentation to determine if the total below-cost or free services furnished met the CMHC requirements. This problem area was not resolved by the NIMH.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: .....Orlando Regional Medical Center  
 LOCATION: ..... Florida  
 FEDERAL DOLLARS AWARDED: ..... \$79,310 ...  
 GRANT NO. .... FL-18  
 PERIOD OF OBLIGATION: ..... January 1969 to January 1989  
 CME REPORT DATE: ..... February 25, 1987

### CME PROBLEMS REPORTED:

1. Federally constructed space was no longer used for mental health services.
2. Partial hospitalization services were not provided after November 1985.
3. Inpatient services were not available to all residents in the service area.

### CME RECOMMENDATION TO NIMH:

- Conduct a follow-up visit to assess compliance.

### NIMH ACTIONS:

1. On May 8, 1987, NIMH notified grantee of three options to resolve the issues.
2. The NIMH granted two waivers for the relocation of services from constructed space. Waivers were later ratified by the Director of NIMH after initial approval by unauthorized person.
3. The NIMH extended the service obligation date by 18 months.

### OIG REVIEW OF NIMH'S RESOLUTION:

- The NIMH's actions were not appropriate. The two waivers were solely based on a review of floor plans without visits. The NIMH could have extended the service obligation date by 9 years for the use of alternative space which, according to CME, was not consistent with the constructed space in terms of spaciousness, attractiveness or decor. Instead, NIMH extended the grantee's service obligation date by 18 months for the period no partial hospitalization services were provided. There is inadequate documentation to determine if the below-cost or free services requirement was met by the grantee. The NIMH did not resolve this problem area.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: ..... Clayton County Hospital Authority  
 LOCATION: ..... Georgia  
 FEDERAL DOLLARS AWARDED: ..... 5441,099  
 GRANT NO. .... GA-418  
 PERIOD OF OBLIGATION: ..... May 1971 to May 1991  
 CME REPORT DATE: ..... June 7, 1989

### CME PROBLEMS REPORTED:

1. No affiliation agreement existed for inpatient services between grantee and CMHC.
2. No assurance that below-cost or free service requirements were met by grantee.

### CME RECOMMENDATIONS TO NIMH:

1. Schedule follow-up visit.
2. Allow 6 months for grantee to regain compliance.

### NIMH ACTIONS:

1. The NIMH obtained affiliation agreement between grantee and Clayton County Board of Health (CMHC).
2. The NIMH indicated grantee was in compliance in September 1989.

### OIG REVIEW OF NIMH'S RESOLUTION:

- Although the affiliation agreement obtained by NIMH stated inpatient services had been in place since 1987, CME reported in 1989 that indigent patients were not receiving inpatient services. The NIMH did not perform a visit or obtain adequate documentation to verify that indigent patients received inpatient services. We found that although the grantee admitted their accounting records could not supply data on the provision of below-cost or free psychiatric services, NIMH did not address this problem.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: .....Hazard Appalachian Regional Hospital  
 LOCATIONS: .....Kentucky  
 FEDERAL DOLLARS AWARDED: .....\$46,350 ...  
 GRANT NO. ....KY-10  
 PERIOD OF OBLIGATION: .....August 1972 to August 1992  
 CME REPORT DATE: .....May 11, 1987

### CME PROBLEMS REPORTED:

1. No inpatient services were provided.
2. No psychiatric emergency services provided.
3. No affiliation agreements existed for providing essential services as required by Federal regulations.

### CME RECOMMENDATIONS TO NIMH:

1. Schedule follow-up visit to confirm compliance.
2. Allow grantee 6 months to regain full compliance status.
3. Extend service obligation date for period grantee was not in compliance.

### NIMH ACTIONS:

1. A waiver was granted in July 1987 approving relocation of the inpatient unit into alternative space.
2. The NIMH obtained affiliation agreements.
3. The NIMH indicated the grantee was in full compliance in February 1990.

### OIG REVIEW OF NIMH'S RESOLUTION:

- In view of the grantee's history of noncompliance, NIMH did not take appropriate actions. In a February 1990 letter, the NIMH reported that the grantee was in compliance with grant requirements based on affiliation agreements with other hospitals to provide inpatient services. However, none of the five services were being performed by the grantee. The grantee is out-of-compliance until such time as they provide inpatient services in the approved alternative space at the HRH Regional Medical Center. Although CME recommended extending the obligation date for the times the grantee was not in compliance, NIMH did not follow-up on an extension. With the grantee's history of non-compliance, NIMH could have initiated recovery action.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: ..... Louisiana State Dept. of Hospitals  
 LOCATION: ..... Louisiana  
 FEDERAL DOLLARS AWARDED: ..... \$407,953 ..  
 GRANT NO. .... LA-242 D  
 PERIOD OF OBLIGATION: ..... November 1969 to November 1989  
 CME REPORT DATE: ..... December 15, 1989

### CME PROBLEMS REPORTED:

1. Two-thirds of Federally funded constructed space was used for non-mental health purposes since February 1984.
2. No partial hospitalization services were provided.
3. No consultation and education programs existed.
4. Psychiatric consultation services were not available.

### CME RECOMMENDATION TO NIMH:

- Initiate recovery action.

### NIMH ACTIOSS:

- In a letter, dated May 23, 1990. NIMH requested that the grantee develop a plan for corrective action by June 29, 1990.

### OIG REVIEW OF NIMH'S RESOLUTION:

- The NIMH did not take appropriate action. The NIMH did not initiate any action to recover Federal funds. The NIMH did not mention recovery in its letter to the grantee and did not follow-up when the grantee did not respond to the request for corrective action by June 29, 1990.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: ..... Franklin Medical Center  
 LOCATION: ..... Massachusetts  
 FEDERAL DOLLARS AWARDED: ..... \$450,477 ...  
 GRANT NO. .... MA-01  
 PERIOD OF OBLIGATION: ..... October 1969 to July 1996  
 CME REPORT DATE: ..... June 2, 1987

### CME PROBLEMS REPORTED:

1. No affiliation agreement for provision of services existed.
2. The NIMH was not notified of a change in ownership. The new owners had not accepted the grant responsibilities.
3. The extent to which provision of below-cost or free services met requirements could not be determined.

### CME RECOMMENDATIONS TO NIMH:

1. Conduct a follow-up visit to confirm compliance.
2. Allow 6 months for grantee to regain full compliance status.

### NIMH ACTIONS:

1. The NIMH obtained an affiliation agreement.
2. The NIMH obtained an agreement from the new CMHC to accept responsibility for compliance with grant terms.
3. The NIMH extended the service obligation date by 6 years.

### OIG REVIEW OF NIMH'S RESOLUTION:

- The NIMH follow-up actions were not complete. Although the affiliation agreement and ownership problems were corrected, NIMH allowed the grantee 21 months to obtain the affiliation agreement. The NIMH did not follow-up with grantee on providing below-cost or free services. The NIMH could have extended the service obligation date by 12.5 years, instead of 6 years, because in January 1975 the Franklin Medical Center ceased to be part of a CMHC.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: ..... . Hancock County Mental Health Association

LOCATION : ..... . Maine

FEDERAL DOLLARS AWARDED: . . . . \$100,000

GRANT NO. .... . ME-05

PERIOD OF OBLIGATION: ..... . April 1977 to December 11, 1989

CME REPORT DATE: ..... . September 6, 1988

### CME PROBLEMS REPORTED:

1. Federally constructed space was not used for providing mental health services in accordance with Federal program regulations.
2. Grantee did not provide a comprehensive program of five essential services.
3. Federally constructed space was inappropriately used by several for-profit entities.

### CME RECOMMENDATION TO NIMH:

- . Initiate recovery action.

### NIMH ACTIONS:

1. The NIMH initiated recovery of Federal share of the value of the constructed space.
2. Requested the office of the U.S. Attorney to initiate a civil action against the grantee.

### OIG REVIEW OF NIMH'S RESOLUTION:

- . The NIMH recovery action was appropriate. However, NIMH should not have reduced the principle amount from \$123,532 to \$107,403 and waived the interest in order to get the grantee to accept a buy-out of the Federal share of constructed space.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: ..... ..Southeastern General Hospital  
 LOCATION: ..... ..North Carolina  
 FEDERAL DOLLARS AWARDED ..... ..\$346,500  
 GRANT NO. .... ..NC-05  
 PERIOD OF OBLIGATION: . . . . .October 1969 to October 1989  
 CME REPORT DATE: . . . . .October 3, 1988

### CME PROBLEM REPORTED:

- CMHC did not respond to the requirement of the CMHC to provide the remaining four mental health services.

### CME RECOMMENDATION NIMH:

#### NIMH

1. NIMH reviewed the contract amendment for services between Southeastern General Hospital and Southeastern CMHC.
2. The NIMH indicated grantee was in compliance in November 1988.

### OIG REVIEW OF NIMH'S RESOLUTIONS:

- The NIMH actions were appropriate. Although some of the mental health services have been moved to a newer, larger facility, the original space is still being used for mental health services.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: ..... .St. Elizabeth's Hospital  
 LOCATION: ..... .Missouri  
 FEDERAL DOLLARS AWARDED: ..... . \$373,452  
 GRANT NO. .... .MO-17  
 PERIOD OF OBLIGATION: ..... .February 1975 to February 1995  
 CME REPORT DATE: ..... .July 28, 1988

### CME PROBLEMS REPORTED:

1. No comprehensive program existed for five essential mental health services.
2. No assurance of coordinated and continuous care.
3. Grantee did not meet the below-cost or free services requirement.
4. Federally funded constructed space was used by a for-profit entity.

### CME RECOMMENDATIONS TO NIMH:

1. Schedule follow-up visit.
2. Consider extending the service obligation period by 3.5 years.
3. Provide grantee with a buy-out amount.

### NIMH ACTIONS:

1. The NIMH advised grantee of its options of how to get back into compliance or buy-out of its obligation.
2. The NIMH tried to negotiate a settlement for a buy-out.
3. The NIMH initiated recovery action.

### OIG REVIEW OF NIMH'S RESOLUTION:

- The NIMH actions to recover Federal funds were appropriate and in line with CME's recommendations. However, NIMH should have used the earlier date of May 1985, when the grantee was out of compliance, instead of July 1988, in calculating the buy-out amount.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: ..... University of Rochester  
 LOCATION: ..... New York  
 FEDERAL DOLLARS AWARDED: ..... \$400,000  
 GRANT SO. .... NY-09  
 PERIOD OF OBLIGATION: ..... July 1972 to July 1992  
 CME REPORT DATE: ..... January 6, 1989

### CME PROBLEMS REPORTED:

- Approximately 7,149 square feet (15 percent) of grant constructed space was used for provision of non-mental health services.

### CME RECOMMENDATION TO NIMH:

- Allow 90 days for grantee to regain compliance status.

### NIMH ACTIONS:

1. The NIMH approved substitution of 12 inpatient beds with a new psychiatric day hospital program.
2. In an August 1989 letter, NIMH advised the grantee to request a waiver seeking approval for alternative use of grant constructed space.

### OIG REVIEW OF NIMH'S RESOLUTION:

- The NIMH did not take appropriate action. As of August 1990, the NIMH had not acted on the grantee's September 1989 request for a waiver to regain compliance status. The NIMH did not follow-up on a disagreement about the grantee's occupancy date. The NIMH reported the occupancy date of July 1972, while the grantee indicated the occupancy date was July 1969. Also, NIMH could have recommended an extension of the service obligation date.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: ..... Fayette County Board of Commissioners  
 LOCATION: ..... Pennsylvania  
 FEDERAL DOLLARS AWARDED: ..... \$606,687 ...  
 GRANT NO. .... PA-4 1  
 PERIOD OF OBLIGATION: ..... September 1, 1979 to September 1, 1999  
 CME REPORT DATE: ..... July 27, 1987

### CME PROBLEM REPORTED:

- No written affiliation agreement for provision of community inpatient care services existed.

### CME RECOMMENDATION TO NIMH:

- Allow 30 days for grantee to regain full compliance status.

### NIMH ACTIONS:

1. The NIMH requested grantee to submit updated, signed agreement for inpatient services.
2. The NIMH indicated grantee was in full compliance in February 1988.

### OIG REVIEW OF NIMH'S RESOLUTION:

- The NIMH's CME finding were appropriate. However, the NIMH should have inquired about rent being charged the CMHC for Federally funded constructed space as indicated in the CMHC Executive Director's letter.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: .....The Northwestern Corporation  
 LOCATION: .....,..... Pennsylvania  
 FEDERAL DOLLARS AWARDED: .....\$250,000  
 GRANT NO. ....PA-48  
 PERIOD OF OBLIGATION: .....June 1, 1981 to June 1, 2001  
 CME REPORT DATE: .....July 10, 1989

### CME PROBLEMS REPORTED:

1. The original grantee sold the facility to the Northwest Corporation without first obtaining authorization.
2. Inpatient and emergency services were being provided, under State mandate, by Einstein Medical Center.

### CME RECOMMENDATION TO NIMH:

- Allow grantee 90 days for regaining full compliance status.

### NIMH ACTION:

1. Obtained documents on sale of facility by original grantee to the Northwest Corporation.
2. Provided waiver for grantee's sale of the facility purchased with Federal funds.

### OIG REVIEW OF NIMH'S RESOLUTION:

- The NIMH did not take appropriate action. The documentation received on sale of the facility did not disclose the full situation. Additional documentation requested
- Psychiatry (NIP) received a CMHC construction grant for \$250,000 (Federal share) to purchase equipment (\$214,763), landscaping (\$16,39 (518,846). Northwestern Corporation owned all of the stock of the NIP. In August 1983, NIP became a for-profit corporation. In July 1984, Northwestern sold all of
- funded assets. In September 1985, Northwestern repurchased some of NIP assets, which included the Federally purchased building (Federal share - \$18,846) but not
- repurchase, Northwestern obtained a loan through the Philadelphia Authority for Industrial Development, using the repurchased assets, including the Federally
- NIMH
- recovery action immediately, because all Federally funded assets were disposed of, except the building (\$18,846), and the building was used as collateral for a loan.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: ..... Sisters of Saint Joseph of Texas  
 LOCATION: ..... Texas  
 FEDERAL DOLLARS AWARDED: ... \$383,523  
 GRANT NO. .... TX-05  
 PERIOD OF OBLIGATION: ..... December 1, 1979 to August 1, 1999  
 CME REPORT DATE: ..... February 2, 1988

### CME PROBLEM REPORTED:

- No partial hospitalization for day care services were provided.

### CME RECOMMENDATIONS TO NIMH:

1. Schedule a follow-up visit to confirm grantee's compliance status.
2. Allow grantee 90 days for regaining full compliance status.
3. Grantee's obligation should be extended 8.5 years.
4. If grantee does not regain compliance within an established time frame, recovery action should be initiated.

### NIMH ACTIONS:

1. In a follow-up letter dated April 13, 1988, NIMH gave the grantee two options for regaining compliance status.
2. The NIMH extended the service obligation date by 8.5 years.
3. In December 1989, NIMH indicated grantee was in compliance.

### OIG REVIEW OF NIMH'S RESOLUTION:

- The NIMH's actions were not timely. The grantee refused to accept the service obligation date extension and did not regain compliance for 17 months. The extension of 8.5 years was based on CME's recommendation, and did not include the additional 17 months the grantee needed to regain compliance.

## COMMUNITY MENTAL HEALTH CENTER GRANTEE

NAME: .....Maryview Hospital Corporation

LOCATION: .....Virginia

FEDERAL DOLLARS AWARDED: .....\$1,175,358

GRANT NO. ....VA-08

PERIOD OF OBLIGATION: .....April 1, 1973 to April 1, 1993

CME REPORT DATE: ., .....April 27, 1988

### CME PROBLEM REPORTED:

- The grantee could not provide documentation to show that a reasonable volume of below-cost or free services was provided.

### CME RECOMMENDATION TO NIMH:

- Notify grantee that documentation on the provision of below-cost or free services must be provided to regain compliance status.

### NIMH ACTIONS:

1. In a follow-up letter dated May 9, 1988, NIMH requested documentation on the provision of below-cost or free services.
2. In May 1988, NIMH indicated the grantee was in compliance.

### OIG REVIEW OF NIMH'S RESOLUTION:

- The NIMH's actions were not adequate. The NIMH accepted data on below-cost or free services from grantee without proper back-up support and/or verification. Also, NIMH did not follow-up to determine if there was any barrier to use of the inpatient service by the community agency.

YEARS OF EXTENSION  
OF SERVICE OBLIGATION

<u>Number</u>	<u>Grantee Name</u>	<u>SERVICE DATE EXTENDED</u>		<u>NIMH ACTION</u>
		<u>CME Recommended Extension</u>	<u>OIG Recommended Extension</u>	
1.	University of Arkansas Medical Center	10	19	7
2.	Carondelet Health Services, Inc.	4	7	7
3.	Cedars-Sinai Medical Center	9	9	
4.	Baptist Hospital	12 *	12	
5.	Touro Infirmary		5	5
6.	McLean Hospital	12	12	5.5
7.	Battle Creek Adventist Hospital	10	10	(a)
8.	Buffalo General Hospital	10	10	3.5(a)
9.	Youth Consultation Services	4 *	9	
10.	Hazard Appalachian Regional Hospital		* (a)	
11.	St. Elizabeth's Hospital	3.5(b)	3.5(b)	
12.	Sisters of St. Joseph of Texas	8.5	8.5	8.5
Total Years Recommended/ Extended		----- <u>79.5</u>	----- <u>101.5</u>	----- <u>36.5</u>

Notes:

- \* Not Determined
- (a) Grant is recommended by OIG for recovery. Since NIMH did not initiate recovery action, they should have as a minimum, extended the service obligation date.
- (b) These years are not included in the totals because NIMH initiated appropriate recovery action.



Memorandum

Date . SEP 26 1991

From Assistant Secretary for Health

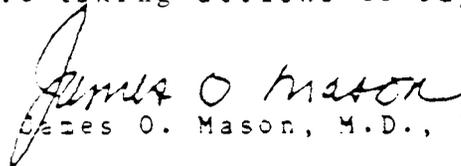
Subject PHS Comments on the Office of Inspector General (OIG) Draft Report "Audit of the Community Mental Health Center Construction Grant Program - Phase I"

To Inspector General, OS

Attached are the PHS comments on the subject OIG report.

The report provides useful information on the actions needed by the National Institute of Mental Health to assure that the Community Mental Health Center grantees fully comply with the terms of their 20 year obligation to provide essential mental health services to the communities they serve.

We concur in whole or in part with the report's recommendations and have taken or are taking actions to implement them.

  
James O. Mason, M.D., Dr.P.H.

Attachment

COMMENTS OF THE PUBLIC HEALTH SERVICE ON THE OIG  
DRAFT REPORT "AUDIT OF THE COMMUNITY MENTAL  
HEALTH CENTERS CONSTRUCTION GRANT PROGRAM,  
PHASE I" A-05-91-00050, AUGUST 1991

GENERAL COMMENTS

The report prepared by the OIG correctly emphasizes the need for increased attention to monitoring efforts on the part of the National Institute of Mental Health (NIMH), in order to assure that the Community Mental Health Center (CMHC) grantees are fully complying with the terms of their 20 year obligation to provide essential mental health services to the communities which they serve. Four steps already being taken by the NIMH to achieve this goal are enumerated on page 20 of the report: (1) placing a higher priority on monetary recovery; (2) assigning additional staff to monitor grantees; (3) scheduling visits to all grantees over the next several years to determine if grantees are complying with waiver conditions and are now providing all essential services; and (4) requiring a site visit before a waiver is approved. The report notes (p. 3) that the NIMH consultants and staff completed 113 site visits in Calendar Year 1990. In addition, more than 70 of the 100 site visits scheduled for Calendar Year 1991 have been completed.

FREE/REDUCED COST CARE

OIG staff also must be given credit for pointing out to the Institute inadequacies in the guidance being provided to grantees with regard to the kinds of documentation they must maintain in order to demonstrate that they are providing, as required, a reasonable level of free or reduced cost care to those unable to pay. In response to the OIG's finding, the NIMH issued a special bulletin to all CMHC grantees in May 1991 specifically designed to address this problem. A review of documentation submitted by grantees in response to this bulletin is now underway.

NIMH MANAGEMENT IMPROVEMENTS

NIMH delays, over the years, in following up on issues and problems brought to its attention are appropriately criticized in the OIG report. However, the Institute believes that its allocation of additional manpower and other resources to the CMHC monitoring program (noted above) is resolving this problem.

LEGISLATIVE AND PROGRAM EVOLUTION

Several significant legislative and programmatic changes have, not been taken into account in assessing the current operations of construction grant-assisted CMHCs (approximately 1/4 of the

functioning CMHCs located throughout the Nation). As a result, many of the criticisms of specific grantees and recommendations for corrective action are inappropriate.

The Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35), which repealed all but the waiver (authority to approve changes in the use of grant-assisted space) and recovery provisions of the CMHC Act, strengthened the States' role by substituting block grants for federally funded categorical assistance programs. These changes, along with subsequent State planning legislation, were part of the Administration's effort to return decision making authority regarding the provision of mental health services to State and local governments. Traditional federal management activities were curtailed accompanied by massive staffing reductions.

Some States and localities now designate primary mental health service providers for State defined service areas. Those CMHC construction grantees not designated as primary providers of one or more mental health services are not able, as a consequence, to operate as initially envisioned and have had to restructure their operations in order to meet their 20-year service obligations. In these circumstances, NIMH requires that CMHC grantees continue to use grant-assisted facilities for mental health purposes in accordance with State and local priorities and needs, and to affiliate themselves with designated service providers.

#### EMPHASIS ON DOLLAR RECOVERIES

The OIG report strongly emphasizes dollar recoveries from grantees found to be out of compliance. In doing so, however, the following important points are not given proper perspective.

Recovery does not serve the needs of the mentally ill if, in the judgement of the Institute, compliance can be re-established, with an appropriate extension of the CMHCs period of obligation for providing mental health services. Financial recovery does return funds to the United States Treasury, but provides no continuing benefit to the community that was selected to receive Federal assistance.

Neither recovery nor the extension of service obligation dates are feasible or appropriate in cases where the Director, NIMH, using his delegated authority, has already granted a waiver to a CMHC grantee with regard to a particular issue of non-compliance. By granting waivers where warranted and being responsive to changing community needs and priorities, NIMH has helped communities to establish mental health services that are more appropriate than those initially approved many years

responsibilities were transferred to Headquarters in 1983. The report should also note the severe cutback of Federal administrative resources that accompanied the shift to block grant mental health funding and the concomitant transfer of primary responsibility for mental health services to the States. The approximately 200 people who had been managing the CMHC program in the Regional Offices, were replaced by a single individual at the Headquarters level. These factors led to adoption of the self-certification process, which NIMH successfully used to identify the potential problem grantees it directed CME to site visit.

#### OIG RECOMMENDATIONS ON RECOVERIES

OIG recommends that the Assistant Secretary for Health direct the Administrator of ADAMHA to:

1. Develop criteria specifying when recoveries are to be made and notify grantees of the NIMH recovery criteria.
2. Initiate recovery action on grants awarded in the amount of \$6,823,979 (Federal share - 13 grants) from 9 grantees not providing essential and below-cost or free services.
3. Determine whether an additional \$235,000 plus interest can be recovered from St. Francis Medical Center.

#### FHS COMMENTS

1. We concur in the principle that guidelines can provide useful benchmarks for CMHC and Institute staff, so long as the Institute retains sufficient flexibility to consider local conditions as described above. The Institute will review this recommendation with the Office of the General Counsel's staff by March 1992 to determine whether developing such criteria would be legally and programmatically feasible. However, the Institute does not agree that the development of such criteria is necessary to establish appropriate internal monitoring controls.
2. We concur in part. The NIMH has already taken the initial steps towards recovery from one of the grantees identified by OIG. In four other cases, the Institute Director has already approved existing programs or imposed extensions which continue needed services in those communities. The Institute will consider whether additional penalties or recoveries are possible in such cases, assuming such action is warranted. Further, the NIMH is presently reevaluating the current compliance status of each of the designated active grantees. The target date for completion of this review is March 1992.

However, the Institute does not agree with the report's analysis regarding the following facilities for the reasons noted:

- a. Recommendations for recovery actions against Sutter Community Hospital and Battle Creek Adventist Hospital on the grounds that the former relocated services "outside the service area" and the latter did not serve Medicaid eligible adults are inappropriate. The 1981 Omnibus Budget Reconciliation Act and other legislation gave the States both the right to prescribe service areas and the mandate to designate providers of mental health services. In both of these cases grant-assisted facilities have been used for mental health services.
- b. CMHCs in rural areas have tended to have difficulties in retaining professional psychiatrists, a problem which can result in repeated episodes of noncompliance. With NIMH's approval, Hazard Appalachian Regional Hospital made temporary affiliation agreements to provide inpatient and emergency services during the period when it was recruiting a psychiatrist to its remote rural community. The psychiatrist arrived February 4, 1991. Rather than closing down the program just as the vitally needed service is in place after a 2-year interruption, as the draft report recommends, NIMH extended the grantee's obligation for 24 months. The area had and continues to have available, mental health services.
- c. Recovery of funds from Community Counseling Center because of delays in the start of construction (to meet Davis/Bacon requirements) and alleged failure to obey NIMH directives is not appropriate. Construction began in accordance with the NIMH extended February 28, 1991 deadline. No unapproved equipment was purchased. Funds plus interest used to purchase land were restored to an escrow account in accordance with NIMH's directions.
- d. Since the Northwest Center has continuously used the properties, including the equipment, acquired with CMHC grant assistance (or substitutes) to provide all required CMHC services, recovery would be inappropriate. The cited "sale" of assets was part of a series of transactions whereby the property was transferred in error, and subsequently legal title was restored to the grantee. Apparently neither transaction specified the equipment. However, this does not mean that the equipment was "disposed of" as the OIG report contends (Appendix III). The transfer was approved by NIMH.

- e. The report's recommendation for recovery based on CME findings of five grants awarded to the State of Louisiana does not consider subsequent actions by NIMH and the State to develop resources to save these rural programs. Based on these efforts, NIMH plans recovery against only one of the five grants at this time. Since the NIMH's mission is to continue the availability of mental health services, a "debt collection" approach is not appropriate.
3. We concur. The Institute will seek General Counsel's advice regarding St. Francis Medical Center, and what action should be taken regarding the recovery of any additional interest. However, it must be noted that this grantee already has provided funds to Community Counseling Center (discussed above) under an NIMH approved transfer of the grant obligations.

#### OIG RECOMMENDATIONS RESPECTING EXTENSIONS

4. Develop criteria specifying when extensions to grantees of service obligation dates are warranted.
5. Extend service obligation dates for eight grantees for a total of 60 years. (Note that Appendix IV of the report identifies seven recommended additional extensions totalling 65 years).

#### PHS COMMENTS

4. We concur in principle. We will review with the Office of General Counsel's staff by March 1992 the feasibility of developing criteria specifying the factors that the Institute considers in imposing extensions.
5. We concur in part. Insofar as imposing extensions of the seven identified grantees' service obligations, it should be noted that four of these involve cases in which the Director, NIMH, using his delegated authority, has already extended the service obligation or granted a waiver. In all but one of these four cases, and in other cases, either services were not provided due to State or local government actions or services were not compromised, although documentation and other requirements may not have been met. However, NIMH will reevaluate the current compliance status of each of the designated active grantees to determine whether the conditions for the extensions are being observed and/or the grantee is otherwise in compliance, and will take action, as appropriate. The target date for completion of this review is March 1992.

OIG RECOMMENDATIONS REGARDING WAIVERS

6. Follow written policies and procedures for issuing waivers by obtaining complete documentation and performing visits as necessary to support its decisions.
7. Determine for all grantees issued waivers, whether they are complying with the conditions of the waivers.
8. Assure that all waivers and subsequent changes are approved by the Director of NIMH.

PHS COMMENTS

- E-8. We concur with all three recommendations. An NIMH policy, established by the Institute Director on April 20, 1990 already requires site visits to verify conditions for the approval of changes in the use of grant-assisted space or equivalent program changes (so-called "waivers") prior to final approval. This policy will continue to be observed. The Director also approves waiver amendments, modifications, or changes. Grantees are visited 3 months after a preliminary waiver approval is given to determine compliance with waiver conditions prior to final action. In Fiscal Year (FY) 1990, NIMH performed 76 visits to verify waivers granted through 1990. Ten waiver visits have been completed in FY 1991 to date.

OIG RECOMMENDATIONS RESPECTING SITE VISITS

9. Develop criteria for determining if a visit is needed when a grantee is reported to be out of compliance through grantees' annual checklist or other methods.
10. Obtain complete documentation or visit the nine grantees for which contractor recommended visits were not performed by NIMH to determine whether essential services are provided.

PHS COMMENTS

9. We concur. The Institute will develop criteria for scheduling site visits and timeframes when compliance problems are identified.
10. We concur. All active grantees will be site visited at least once between FY 1990 and FY 1993. The Institute conducted 113 monitoring visits in Calendar Year 1990, as noted on page 3 of the report. An additional 100 (more than 70 completed) are scheduled for 1991, and the rest in FY 1992. However, it should be noted that the OIG report does not identify the nine grantees referred to from among the more than 400 CMHC grantees being monitored by the NIMH. We will contact OIG to obtain data on the nine

grantees referred to in the report.

OIG RECOMMENDATIONS REGARDING CORRECTIVE ACTIONS

11. When grantees' deficiencies are noted, complete corrective actions within 6 months or sooner to adequately review and assure that grantees are promptly brought back into compliance and/or recoveries are made.

PHS COMMENTS

- ii. We concur with the principle that 6 months or less is an appropriate target period for corrective actions. We will undertake to complete corrective actions within a 6 month period whenever appropriate. A severe staff shortage was a major contributor to past delays. Resolving service problems often requires complex interactions among CMHCs, NIMH, State and local agencies and legislative bodies, as well as other local providers.

OIG RECOMMENDATION REGARDING BELOW-COST OR FREE SERVICE REQUIREMENT

12. Provide instructions for staff and consultants so that all deficiencies are identified and grantees' documentation supporting assertions that essential services and below-cost or free services are being provided is thoroughly reviewed.

PHS COMMENTS

12. We concur, Comprehensive instructions and materials already have been developed for use in monitoring site visits. In addition, annual training workshops are being conducted by NIMH staff to share experiences and information, and to review and clarify major issues and policies relevant to oversight monitoring. During an April 1991 training workshop, special and extensive attention was devoted to the Policy Bulletin issued in May 1991. As noted above, the latter was designed to clarify criteria and documentation requirements for grantees related to their obligation to provide a reasonable volume of free and reduced cost care to those in need.

OIG RECOMMENDATION

13. Develop criteria to define CMHC requirements for a reasonable volume of below-cost or free services to persons unable to pay. The criteria should include documentation grantees must provide to show that below-cost or free services are provided.

PHS COMMENTS

13. We concur. As noted above, an NIMH policy bulletin was issued in May 1991 on policies for documenting the provision of a reasonable volume of services below cost or without charge over the 20-year service obligation. This bulletin is the product of NIMH staff work and reflects comments received from a special work-group comprised of representatives from the Hill-Burton program, Office of General Counsel, and grants management staff from ADAMHA and other PHS components.

OIG RECOMMENDATION

14. Disclose in this year's FMFIA report that there were internal control weaknesses in the CMHC program which constitute a material weakness and include corrective actions that have been taken, are underway or planned.

PHS COMMENTS

14. We concur. As noted on page 20 of the report, on June 17, 1991, the PHS reported as a material weakness the lack of established policies and internal controls over CMHCs to provide a reasonable volume of free or reduced cost care services. This weakness is being addressed by means of a NIMH follow-up to the special bulletin issued to grantees in May 1991. Further assessments will be made and, if determined appropriate, additional weaknesses will be reported.

Additionally, the draft report incorrectly observed that PHS had not scheduled or conducted an internal control review of the CMHC Program. In fact, the Office of Management, ADAMHA was in the midst of an internal control review of the CMHC Construction Grant Program when the staff was directed to terminate their work to permit the OIG to perform its audit of the subject area.

OIG RECOMMENDATION

15. Monitor corrective actions until these weaknesses are resolved.

PHS COMMENTS

15. We concur with the need to follow-up on all corrective action plans. As noted above, NIMH is now doing just that with regard to the bulletin issued in May 1991.