

An Special Report on

The Life Management Center For Mental Health And Mental Retardation Services Of El Paso



Office of the State Auditor
Lawrence F. Alwin, CPA

December 1994

Report No. 95-033



OFFICE OF THE STATE AUDITOR

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Members of the Legislative Audit Committee:

The Life Management Center for Mental Health and Mental Retardation Services of El Paso (Life Management Center) should improve its planning process to help ensure that available resources are targeted for services that meet the needs of El Paso County. Life Management Center should:

- Improve its strategic planning process by including objectives, strategies, prioritized long-term goals, or performance measures.
- Integrate human resource planning into the strategic planning process.
- Analyze policies, procedures, and programs to help ensure that they benefit the community and that funds are being used effectively.

The internal control systems should be improved to help the organization ensure that assets are safeguarded and used effectively. We encourage Life Management Center to:

- Continue development and implementation of the Program Evaluation Plan to assess the outcomes of the programs and services that are provided.
- Improve internal controls over contracts for services, purchasing, payroll, fixed assets, and petty cash.

The total cost of the El Paso Psychiatric Center (Center) is expected to exceed the amount appropriated by the 72nd Legislature, 1st Called Session, by as much as \$1.5 million, and the project is approximately two and one-half years behind the original schedule developed by the El Paso Crisis Resources Coordinating Council. Reasons for the cost overrun and project completion delays include:

- The project proposal submitted to and approved by the Legislature did not include some project administrative costs (i.e. project administration, surveys, material testing, quality control, contingency, and escalation).
- Technical assistance was not provided to the Council by the Texas Department of Mental Health and Mental Retardation as the project proposal was developed.
- There have been major redesigns of the Center due to inaccurate cost projections by the architect.

Our audit of the Life Management Center was conducted to evaluate the planning and implementation of mental health programs for children and adolescents. In addition, we determined reasons for the anticipated cost overrun and delay in construction of the El Paso Psychiatric Center. This audit was requested by Senator Peggy Rosson.

We appreciate the courtesy and cooperation that we have been provided during the course of this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Lawrence F. Alwin".

Lawrence F. Alwin, CPA
State Auditor

LFA/rmn/enclosure

Key Points Of Report

A Special Report on the Life Management Center for Mental Health and Mental Retardation Services of El Paso

December 1994

Key Facts and Findings

Life Management Center

- The Life Management Center for Mental Health and Mental Retardation Services of El Paso (Life Management Center) should improve planning processes and control systems to help ensure that resources are targeted to address the mental health needs of El Paso County.
- Life Management Center's strategic plan does not include objectives, strategies, prioritized long-term goals, or performance measures.
- Life Management Center spent approximately \$1 million in fiscal year 1993 for mental health and substance abuse programs for children and adolescents. This was five percent of the Center's total budget. For all community centers in Texas, the average amount budgeted for these programs was seven percent.
- Funding for mental health and mental retardation services has increased 32 percent between 1991 and 1993.
- A long-term residential treatment center for severely ill adolescents is expected to open in January 1995. Some adolescents will no longer be required to travel more than 330 miles to Big Spring, Texas or to other locations in the State or country to receive treatment.

Contact:

Barbara Hankins, CPA, Audit Manager (479-4921)

This audit was conducted in accordance with Government Code, Section 321.013 (a). This audit was requested by Senator Peggy Rosson.

Key Points Of Report

A Special Report on the Life Management Center for Mental Health and Mental Retardation Services of El Paso

December 1994

Key Facts and Findings

El Paso Psychiatric Center

- The total cost of this construction project will exceed the original amount, \$8.7 million, appropriated by the 72nd Legislature, 1st Called Session, by approximately \$1.5 million. The cost overrun will occur because some project administrative costs (i.e. project administration, surveys, material testing, quality control, contingency, and escalation) were not included in the proposed budget approved by the Legislature.
- Completion of this construction project is scheduled for January 1996. The project is currently six months behind schedule since the beginning of the schematic design phase of construction planning. Overall, the project is approximately two and one half years behind the original schedule.

Contact:

Barbara Hankins, CPA, Audit Manager (479-4921)

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Executive Summary

The Life Management Center for Mental Health and Mental Retardation Services of El Paso (Life Management Center) is a community based facility which provides mental health, mental retardation, and substance abuse services in El Paso County. Although it has received significant increases in funding in recent years, like most community mental health centers, it has been unable to meet all of the needs for its services. Of particular concern has been the availability of mental health services for children and adolescents. In fiscal year 1993, five percent of Life Management Center's budget (approximately \$1 million) was allocated to provide these services.

While Life Management Center has a strategic plan, its process has not been comprehensive. The Center's strategic plan does not include objectives, strategies, prioritized long-term goals, or performance measures. With a better process, it is possible that additional funds could have been targeted to provide services for children and adolescents. The lack of a complete process was a significant factor in the Center's inability to obtain enhanced funding for children's services in fiscal years 1992 and 1993. A lack of planning for human resources has led, in some instances, to later than planned start-up of programs and the inability to deliver all of the services for which funding was intended.

Deficiencies in financial and internal controls were noted as were certain policy changes, cash management, and sick leave conversion, which could provide additional funds for services.

A lack of technical assistance and incomplete planning have resulted in cost overruns and delays in construction of the El Paso Psychiatric Center which is being sponsored by a consortium of El Paso service providers, including Life Management Center.

Improved Planning May Help To Ensure That Available Resources Are Targeted For Services That Meet The Needs Of El Paso County

In our review we found that:

- Funding for services for children and adolescents has increased since fiscal year 1991. However, management has indicated that the number of children served has declined because the Center is providing additional and longer services for each child and because of start-up costs for new programs.
- The current strategic planning process has resulted in the Life Management Center not being able to quickly utilize some funds allocated for the Children's Mental Health Plan, for child and adolescent mental health programs, and for youth substance abuse programs. Also, in 1992 and 1993, the Center was unable to acquire additional Children's Mental Health Plan funding from the Texas Department Of Mental Health and Mental Retardation (TDMHMR).
- Strategic planning is not comprehensive and can be improved to help the organization provide assurance to the community and providers of funding that limited resources are being utilized efficiently to support services and programs that are targeted to meet the needs of El Paso County. The Center's strategic plan does not include objectives, strategies, prioritized long-term goals, or performance measures.

Executive Summary

- Long-term planning for human resources should be an integral part of the Center's strategic planning process. Payroll costs accounted for \$12.4 million, 70 percent, of Life Management Center's expenditures in fiscal year 1993. The lack of timely and comprehensive planning for acquiring needed human resources has led to delays in the start-up of some programs.

Table I
Lost and Under-utilized Funding FY's 1991-1993 Which Could Have Been Used to Provide Children and Adolescent Services

Funding Source	\$\$ Under-utilized	\$\$ Lost	Potential Cost Savings
Cash Management Policy			**
Sick Leave Conversion Policy (annually)			\$50,000
TDMHMR -CHMP grant proposals 1992 & 1993 -state general revenue for Mental Health services	\$143,000	\$400,000	
Methadone Program		\$60,000	
TCADA- Child Substance Abuse Programs		\$105,000	
TOTAL	143,000.00	565,000.00	50,000.00

** Cost Saving is undeterminable without a complete analysis.

During fiscal year 1994, the need for evaluating the outcomes of services and programs has been recognized. Development and implementation of a system which will provide to management, the community, and providers of funding information about the impact and outcomes of the services and programs offered has been initiated.

Residential treatment services for mentally ill adolescents are returning to El Paso after a four-year absence. Life Management Center, along with Texas Department of Mental Health and Mental Retardation, will begin operating residential treatment facilities in El Paso County. Many El Paso adolescents will no longer be required to travel 330 miles to Big Spring State Hospital or locations further away to receive services.

Internal Controls Can Be Strengthened To Help Ensure Compliance With State Laws And Regulations

In our review, we found that internal controls over contracts, fixed assets, and other assets can be improved. Review of specific allegations indicates a need for enhancement of some internal controls.

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Evaluate Policies And Current Operations For Potential Cost Savings

We identified potential cost savings and policy changes that could provide additional funds to provide mental health services. For example, changes to the cash management policy and sick leave conversion policy should be evaluated, as should the cost benefit of continuing the methadone program.

The El Paso Psychiatric Center Project Is Behind Schedule And Could Exceed The Original Budget By As Much As \$1.5 Million

A psychiatric hospital will be built in El Paso County to provide short-term crisis stabilization services to the mentally ill. Cost overruns are expected and completion of the project has been delayed. The total cost of this project is expected to exceed the \$8.7 appropriated by the 72nd Legislature, 1st Called Session, by as much as \$1.5 million. The project is currently six months behind schedule since beginning the schematic design phase. The project is two and one-half years behind El Paso Crisis Resources Coordinating Council's (the Council's) original schedule.

The Council submitted a construction proposal to the Legislature which included an incomplete project budget. Some project administrative costs (i.e. project administration, surveys, material testing, quality control, contingency, and escalation) were not included in the project proposal. Technical assistance was not provided to the Council by Texas Department of Mental Health and Mental Retardation as the project proposal was developed. It is expected by

Texas Department of Mental Health and Mental Retardation and the Council that construction of the facility will be completed in January 1996. It is anticipated that the psychiatric hospital will open for business April 1996.

Summary of Management's Responses

Responses from Life Management Center, the Council, and Texas Department of Mental Health and Mental Retardation have been included in this report. Due to the length of the detail responses, they have been included in Appendix 1, along with an auditor follow-up comment related to planning. Overall, management of each entity is in general agreement with the finding and recommendations made in this report.

Summary of Responses: Life Management Center

Life Management Center for Mental Health and Mental Retardation Services appreciates the opportunity to comment on the findings and recommendations of this audit.

We concur with many of the audit's recommendations. While there were no findings of material errors, irregularities or illegal acts, like most organizations we can improve. We will continue to develop outcome measures, to elaborate our internal controls systems, and to review and evaluate all policies, including those covering cash management and center reserves.

While planning can be improved, we emphatically disagree that the Life

Executive Summary

Management Center planning process resulted in the loss of any funds, and we cannot concur that the failure of one proposal nor the reduction in two of the forty (40) grants we manage are indicators of problems with planning. We wish to clarify that all dollars earmarked by external sources for children/adolescent services have been expended on those services and note that no funds have been lost. We have responded more fully to issues in Appendix 1 of this report.

Summary of Audit Objective and Audit Scope

Our audit objective was to assess and report on planning by Life Management Center for the development and implementation of mental health programs for children and adolescents in El Paso County. In addition, we reviewed the construction planning process for the El Paso Psychiatric Center to determine reasons for cost overruns and scheduling delays.

The scope of the audit was limited to Life Management Center's strategic planning process, mental and health programs for children and adolescents, and identifying potential cost savings and opportunities to increase funding available for services. For the Psychiatric Center we identified reasons for the anticipated cost overrun and why the completion of the construction project has been delayed. The results of our review are included in this report.

Section 1:

**Improved Planning Would Help To Ensure That Available Resources
Are Targeted For Services That Meet The Needs Of El Paso County**

Even with a 32 percent increase in funding between 1991 and 1993, Life Management Center has not been able to provide all of the services needed by the mentally ill in El Paso County, as well as the core mental health services recommended in the Texas Mental Health Code. Because Life Management Center is unable to meet all needs (nor is it possible to with current funding), it is imperative that management be able to show the community how effectively its limited financial resources are being utilized and the results (outcomes) of the services and programs provided to the mentally ill. A comprehensive strategic planning process is an important tool that can help provide this information to the community and providers of funds. The Center's strategic planning process can be improved in a number of areas.

Funding for services for children and adolescents have increased since fiscal year 1991; however, the number of children served has declined. This is attributed by Center management to higher quality and longer services and to start-up costs for new programs.

Weakness in long-term strategic and human resource planning, as well as planning for mental health services for children and adolescents, has impacted Life Management Center's ability to acquire and effectively utilize some of the funding it has received since fiscal year 1991.

Life Management Center's comprehensive strategic planning process does not include key elements (Le. environmental assessments, objectives, strategies, prioritization of long-term goals, performance measures) that help to provide direction to efforts made to realize its vision of the future. Human resource planning is not an integral part of the strategic planning process. In some instances, Life Management Center has not been able to provide new services or programs to consumers as soon as it wished because it was unable to quickly hire new staff.

A long-term residential treatment center for intermediate and severely mentally ill adolescents funded jointly by Life Management Center and TDMHMR will not open in October 1994 as originally planned. Management continues its efforts to acquire a facility in which to house this program. This delay will prevent opening of the facility until at least January 1995. Residential treatment services for mentally ill adolescents have not been considered priority mental health services at the state level. Once this 16 bed facility is operational and even with the ten beds currently being provided by the El Paso State Center, the courts will still be required to place some severely ill adolescents in facilities outside of the community.

Section 1-A:

Funding For Children's Services Has Increased But The Number Of Children Served Has Declined

While Life Management Center's funding for services for children and adolescents has increased in the past several years, in fiscal year 1993 it spent a somewhat lower percentage of its budget for these services than the average of community centers across the State (see Figure 1). For fiscal year 1994, Life Management Center allocated a proportion of its budget for children and adolescents that was equal to the fiscal year 1993 state average. Of the Center's \$16.6 million budget for fiscal year 1993, approximately \$1 million was spent on mental health and substance abuse services for children and adolescent services. Of that amount, approximately \$576,000 was spent for children's mental health services. The number of children served in mental health programs declined from fiscal year 1990 to fiscal year 1992. In fiscal year 1993 the number served increased.

Mental health services for children and adolescents in Texas have traditionally lagged behind similar services provided to adults. Government Code, Section 534.053, requires that seven mental health and mental retardation services be provided to adult populations while "children's services are to be provided to the extent that resources are available." The first state budget line item for children's mental health services was funded in 1989 for \$2 million.

REQUIRED COMMUNITY-BASED MENTAL HEALTH SERVICES (CORE SERVICES)

- 24-Hour Emergency Screening/Crisis Stabilization
- Crisis Residential or Hospitalization Services
- Assessments, Treatment Plans, Diagnosis, Evaluation Services
- Family Support Services and Respite Care
- Case Management Services
- Medication-Related Services
- Psychological Rehabilitation Programs

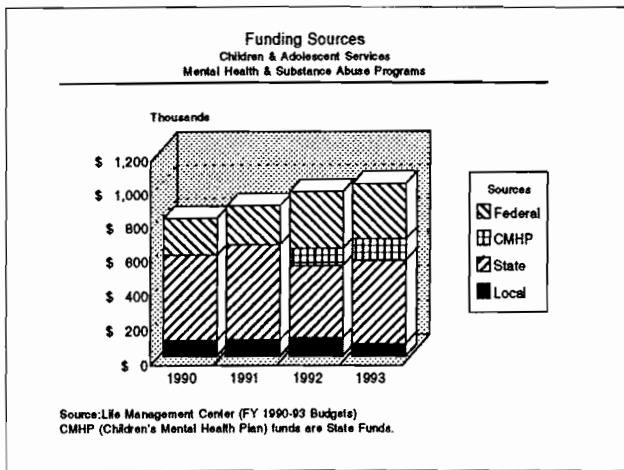
Since 1989, the emphasis on children's services has significantly increased. In September 1991, Texas Department of Mental Health and Mental Retardation submitted a plan for children's and adolescent mental health services that explicitly stated the new emphasis. According to the plan, resources would "dramatically increase" for child and adolescent mental health treatment. The plan specifically announced an "unprecedented \$22.1 million allocation for children's community mental health services for fiscal years 1992 and 1993."

Source: Government Code 534.053

This allocation represented a ten fold increase over the 1989 line item. Life Management Center has traditionally provided mental health services to children and adolescents. The Center, as provided in its "Performance Contract" with Texas Department of Mental Health and Mental Retardation has used a portion of its state general revenue allocated to mental health services for children's programs. These funds have been utilized in addition to federal and local funds. Between fiscal 1990 and fiscal 1993, the Center has annually allocated at least \$300,000 of the general revenue funds provided by Texas Department of Mental Health and Mental Retardation to mental health services for children and adolescents.

Texas Department of Mental Health and Mental Retardation has provided Life Management Center with approximately \$666,000 in state general revenue specifically allocated for mental health services for children since fiscal year 1992. This will increase to \$686,000 in fiscal year 1995. Total expenditures for mental health and substance abuse services for children and adolescents have increased from approximately \$800,000 in fiscal year 1991 to approximately \$1 million in fiscal year 1993.

Figure 1
Funding Sources

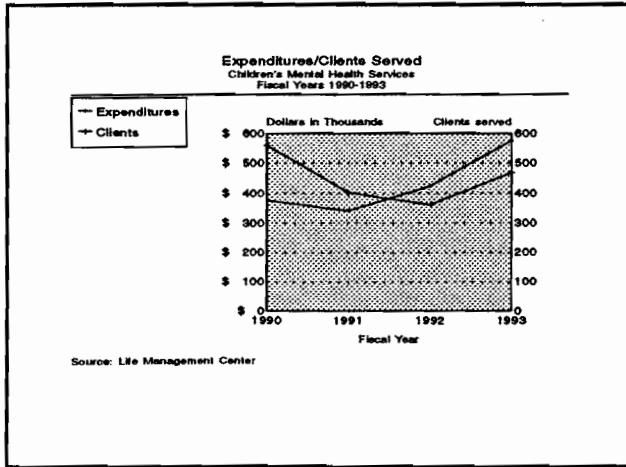


According to Center management, the number of children served has declined since fiscal year 1990 for two reasons:

- The Center is providing higher quality services than were being provided heretofore. This means that more time is spent with each individual. It is believed that the longer service per individual will reduce the number of relapses and reduce the need for additional services in the future.

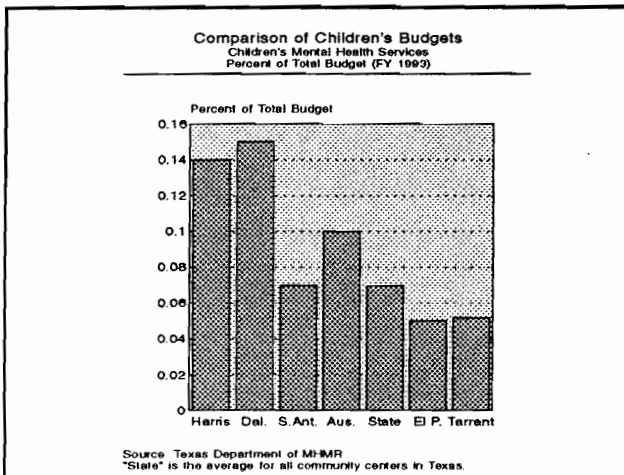
- The additional funding received in fiscal years 1992 and 1993 was initially spent on start-up costs (rental space, equipment, etc.) associated with new children's programs. Now that the programs are in place, the number of individuals served is beginning to increase.

Figure 2
Expenditures/Clients Served



Compared to the other 34 Community Centers in Texas, Life Management Center spent a smaller portion of its budget for mental health and substance abuse services for children and adolescents in fiscal year 1993. The state average budgeted by community centers for these expenditures was seven percent, while Life Management Center budgeted five percent. Of the six largest cities in Texas, El Paso County had the lowest percentage budgeted for children services in 1993. In fiscal year 1994, Life Management Center spent approximately 7 percent of its total budget for mental health and substance abuse services for children and adolescents.

Figure 3
Comparison of Children's Budgets



Section 1-B:

Opportunities For Additional Services For Children Have Been Lost

Opportunities for additional services for children have been lost largely because of failures in strategic planning and planning for human resource needs.

These lost opportunities include:

- **Some Funds Budgeted for Children's Services Were Not Spent And A Portion Was Reallocated For Other Uses**

The Center did not spend \$143,000 budgeted for children's mental health services during fiscal years 1990 through 1993. Of this amount, \$80,000 was reserved for unspecified future use. The remaining \$63,000 was carried forward and reserved to provide future children and adolescent services.

Management has stated that hiring and retaining qualified personnel to provide the services has been the primary reason for not spending all available funding. One hundred-seventeen children could be provided outpatient mental health services with \$143,000 for one year.

- **Funds Transferred to Begin A New Program Could Have Been Used More Effectively**

In 1993 and 1994 Life Management Center reallocated \$142,000 that was to be used to acquire children's counseling, psychiatric, psychological, medication, and foster care services and programs for children and adolescents through contracted service providers.

The Board of Trustees approved the reallocation of funds from these programs in December 1992 so that an Intensive Family Intervention program could be started. Life Management Center cut the funding for the existing programs in March 1993. The Center has incurred program expenditures, although permanent staff was not hired until October 1993 for the Intensive Family Intervention program. Some consumers were served in fiscal year 1994.

During this period there were formal complaints from caseworkers because they could not obtain counseling, psychiatric, psychological, medication, or foster care services for some consumers because the contracts had been reduced.

The unallocated funds could have been used to support this new program rather than reducing the existing programs.

- **The Center Has Lost Funding For Adolescent Substance Abuse Services**

The Center has lost a total of \$105,000 of funding from the Texas Commission on Alcohol and Drug Abuse (TCADA) because monthly program expenditures did not indicate that the total amount of the contracts would be expended during fiscal years 1992 and 1994. The grants were used to provide adolescent substance abuse outpatient treatment programs. TCADA reduced the 1992 contract by \$73,000, while the 1994 contract was reduced by \$32,000. After the funding was reduced in 1992, the Center solicited and obtained a \$40,000 grant from the City of El Paso to help offset the loss of funding from TCADA.

TCADA requires that sufficient funds be spent each month to equal the annualized amount of the contract. Management has stated that difficulty in hiring staff contributed to its inability to provide a level of services sufficient to maintain full funding. Fifty-seven children could be provided outpatient substance abuse services for one year for \$65,000.

- **Inadequate Planning Resulted in the Loss of Potential Funding For Children's Mental Health Services**

Life Management Center was unable to acquire as much as \$400,000 in competitive funding from TDMHMR for children and adolescent services for fiscal years 1992 and 1993. This primarily occurred because the proposal submitted for review and evaluation indicated deficiencies in the Center's Long-Term Strategic Plan. Life Management Center, along with the other 34 Community Centers, submitted its proposals regarding the provision of children and adolescent services in response to an October 1991 request for proposal from TDMHMR.

For fiscal years 1990-1991, the Center's proposal ranked third in its category of applicants. For fiscal years 1992-1993 the proposal submitted ranked last in its category and in the bottom 20 percent among all community centers. The largest portion of the scoring by TDMHMR resulted from deficiencies in Life Management Center's long-range plan, service implementation plan, and identification of personnel needs.

In each year, Life Management Center, like many other community centers, received the minimum amount provided by TDMHMR, \$100,000 in fiscal year 1992 and \$125,000 in fiscal year 1993. Only the two or three top ranking proposals in each category received the maximum funds available. For Life Management Center's category, the maximum funding available for fiscal year 1992 and 1993 would have amounted to \$625,000. Starting in fiscal year 1994, TDMHMR has allocated state general revenue designated for the Texas Children's Mental Health Plan to each community center based on the percentage of the State's population in its catchment area (El Paso County).

Section 1-C:

The Center's Strategic Planning Process Should Be Improved By Including Objectives, Strategies, Prioritized Long-Term Goals, Or Performance Measures

Life Management Center does not have a comprehensive strategic planning process that helps to ensure that management's goals will be accomplished. Fundamental elements of the planning process are missing. These elements, provided in the box below, help to outline an explicit path between the Center's present state and its vision of the future. Delays in beginning new programs have occurred, and service level increases have been slowed at least in part as a result of a lack of comprehensive

Figure 4
Elements Missing From Life Management Center
Strategic Plan

Objectives Objectives further define goals into time-specific statements of accomplishment. Without consideration of time, there is no assurance that goals can be accomplished within the strategic timeframe.

Strategies Strategies are the specific methods that link goals with the actions necessary to accomplish the goals. Without strategies, there is no assurance that goals will be accomplished.

Prioritized Long-Term Goals Goals should be prioritized to reflect the relative importance between the Center's numerous services. Without stated priorities, there is no clear direction governing the use of limited resources to accomplish the goals most essential to fulfilling the Center's mission.

Performance Measures Performance measures quantify the results of actions and the impact of the results on goal accomplishment. Currently, the Center cannot accurately gauge the progress made toward goal accomplishment.

Internal Environmental Assessment An internal assessment should include consideration of the personnel and fiscal requirements necessary to accomplish the goals. Delays in hiring personnel needed to provide services have occurred.

strategic planning. Adjustments to the Center's long-term strategic plan have not been formally incorporated into the plan. New initiatives such as the Texas Children's Mental Health Plan and operation of residential treatment facilities for mentally ill adolescents have not been incorporated into the strategic plan which has not been reviewed or monitored since June 1992. Fundamental changes in Life Management Center's strategies and objectives have occurred, but have not been considered in the strategic framework with the result that effective overall guidance is not provided for short-term and unit-level planning.

Expenditures on services for children and adolescents have increased significantly in the past several years. Operation of residential treatment facilities for adolescents will require significantly more financial resources than the mental health programs currently provided by Life Management Center. An in-patient service such as residential treatment is more expensive to

operate than any of the outpatient services that have previously been offered by Life Management Center.

In addition to the funds specifically allocated to mental health services for children and adolescents, Life Management Center has seen total funding increase from \$12.5 million to \$16.6 million (32 percent) between 1991 and 1993 to provide mental health and mental retardation services to adults and adolescents of El Paso County. The impact of these changes on the Center and the services and programs it provides highlights the importance of periodic review and adjustment of the long-term strategic plan so that it can provide appropriate guidance as new and expanded initiatives are implemented.

Life Management Center has undergone two reorganizations since 1992, yet the June 1992 organization chart remains in the current strategic plan.

Strengths of the Plan Life Management Center's strategic planning process does include a significant effort to solicit input from a variety of interested parties. Center

staff, advocacy groups, clients, government agency employees, and various mental health professionals were all included in the process. For instance, a press release was issued requesting input from the general public and public hearings were conducted. All of this input was forwarded to executive management and the Board of Trustees for consideration.

Life Management Center's strategic plan also includes some important elements that provide a good start to developing a successful plan. A mission statement, long-term goals, external policy environmental assessment, and short-term priorities and goals are included in the plan. Additionally, the Center history and organization, description of service areas and needs, and service philosophy and principles are included.

Section 1-D:

Planning for Human Resources Needs Should Be Strengthened

Life Management Center's strategic plan includes limited consideration of human resources. At \$12.4 million, personnel costs account for 70 percent of Life Management Center's operating budget and is the single most important factor in providing services to clients. However, there is no link between Life Management Center's long-term goals and the human resources that are needed to accomplish the goals. As a result, services that could have been provided have been delayed because personnel are not brought on-line quickly enough.

Long-term human resource planning is not conducted within the human resources department. Staffing needs are determined at the unit level on a short-term basis only. Staff recruitment is then accomplished primarily through classified advertising.

Management has stated that hiring and retaining qualified personnel has been the major obstacle in providing services in El Paso. Efforts to solve this problem could be improved. By focusing on one primary recruiting source, the population of potential applicants is reduced. Improving relationships with colleges and universities in the region will improve and increase the population of potential applicants. College students actively seeking employment provide a pool of talent that is not sufficiently being tapped into.

About 25 percent of the Center's employees resign every year. As a result, service provision may be disrupted and recruitment and training costs are increased. Life Management Center does not use human resource information to improve retention. Attrition rates are not monitored for trends and the results of exit interviews are not used to improve personnel policies.

Life Management Center did not conduct annual employee performance evaluations during fiscal year 1994. Management has indicated that the performance evaluations have been delayed until job descriptions have been revised. Evaluations can be used to determine employee pay, promotion, training, and development. Evaluations can also be used to support personnel decisions made by management if legal issues should arise.

Section 1-E:

Management Controls Over Children And Adolescent Services Should Be Enhanced

Controls over children and adolescent programs can be strengthened to help ensure that services are efficiently and effectively provided. Policies and procedures for children's programs have not been approved by management. In addition, the children and adolescent services unit does not have a short-term plan which should include a unit mission, prioritized goals, and objectives.

While policies and procedures have been developed by the children's unit coordinator, they have not yet been approved by management nor have staff been made aware of them. The quality of provided services depends upon consistent actions taken by employees on behalf of clients. Employees have experienced confusion while performing assigned duties and have notified supervisors about the need for procedures. Policies are necessary to provide general guidelines for solving problems while procedures standardize daily operations to ensure consistent processing of recurrent tasks.

Section 1-F:

Development Of Adolescent Residential Treatment Services Should Be Continued

A long-term residential treatment center for adolescents in El Paso will did not open on October 24, 1994, as planned. Delays in obtaining a facility to lease will prevent the opening until at least January 1995, according to management. However, short-term crisis stabilization services for adolescents are now being provided at the El Paso State Center. Some El Paso adolescents will still be sent out of El Paso County for services because the currently planned capacity for these facilities will not be adequate to meet the current needs of El Paso County.

Life Management Center and Texas Department of Mental Health and Mental Retardation are providing funding for 10 beds for intermediate level care at the El Paso State Center and 16 beds for intensive, long-term care at a leased facility. Currently, the average population of committed adolescents is 57. There are approximately six new referrals per month. Management envisions that in the future, 70 beds will be available in El Paso County to provide residential treatment services to intermediate and severely mentally ill adolescents.

In the past, long-term residential treatment facilities have not been available in El Paso County to provide mental health services to severely ill adolescents. The Juvenile and Probate courts have been required to send committed adolescents 330 miles away to Big Spring State Hospital to receive services. Some adolescents have been sent to other cities in Texas that are farther away, while others have been sent out of state.

In the past, Texas Department of Mental Health and Mental Retardation has not

provided funding to Life Management Center and other community centers to offer such services. Recently, Texas Department of Mental Health and Mental Retardation has begun to work with community leaders in El Paso, and now state funding will be available for intermediate and long-term residential treatment for adolescents in El Paso County.

Recommendations:

- Reevaluate the present strategic planning process and implement a comprehensive process that will help to ensure that the Center's mission is fulfilled. A comprehensive process includes well defined objectives, strategies, prioritized long-term goals, performance measures, and an internal environmental assessment. Human resource planning should be integrated into the strategic planning process.

The planning process should include periodic reviews of the plan. Revisions to the plan should be made to ensure relevancy of the plan. Short-term and operational planning efforts should be linked to the strategic plan. As Life Management Center continues to grow and provide assistance in an continually changing environment, consideration should be given to acquiring outside assistance or allocation of additional internal resources to help improve the planning process.

- Implement long-term planning for human resources. The process should include a review of the strategic, operational, and financial plans to determine their impact on future staffing needs. Policies and procedures should be developed to establish recruiting relationships with regional colleges and universities to meet hiring needs and reduce the service delays. Additional recruiting sources and methods should also be evaluated. The operating environment should be monitored and corresponding adjustments to the plan should be made.

Results from turnover data and exit interviews should be routinely reported to management. Management should evaluate the information received and consider changes in existing policies and procedures to improve Center operations.

- Implement a short-term (operational) plan for children's services that includes unit mission, goals, and objectives. The plan should include benchmarks, assignment of responsibility, resource availability, and timetables for goal accomplishment. The plan should be linked to the Center's strategic plan.
- Approve and distribute policies and detailed procedures governing all of the children and adolescent services to employees. Policies and procedures should be included in future training sessions. A periodic review of the policies and procedures should be conducted, and feedback from employees should be considered for possible revisions.

- Continue efforts to help develop and operate residential treatment facilities that will provide services to intermediate-level and severely ill adolescents in El Paso County. The goals, objectives, and strategies should be formally documented, approved by the Board of Trustees, and included in Life Management Center's long-term strategic plan.

Section 2:

Monitoring And Evaluating The Outcomes Of Services Should Be Improved

Prior to fiscal year 1994, Life Management Center did not have a formal mechanism that would allow management to assess the outcomes of services that are provided directly by the Center and through contracted service providers. The internal quality assurance staff has not performed any audits since April 1994. Processes to evaluate the quality and outcomes of services will help management provide assurances to taxpayers that the services currently being provided are meeting the needs of consumers and that Life Management Center is getting what it is paying for.

Life Management Center has recently begun to develop a process to evaluate the impact and outcomes of services provided to consumers. The Center has hired a part-time employee to develop a mechanism which will measure the quality of and outcomes of the services and programs offered. Appendix 4 provides a list of the services and programs offered by the Center. It also includes a brief description of the service or program and the intended beneficiary.

The most recent Standards and Quality Assurance (SQA) Review for Mental Retardation services performed by Texas Department of Mental Health and Mental Retardation in December 1993, reported that the Center was not meeting mandatory levels of compliance standards. However, significant improvements had been made since its last review in 1990. A mental health SQA review is currently scheduled for fiscal year 1995.

The internal quality assurance function provides Management with useful information to improve the quality of programs and services provided by Life Management Center and serves as an early warning system to identify and prevent significant problems in service quality and delivery.

Recommendation:

Continue development and implementation of mechanisms to monitor and evaluate the outcomes of services provided to consumers directly by Life Management Center and through contractors. Staff should be assigned to the internal quality assurance function as soon as possible. The information provided by the quality assurance staff and available as a result of evaluating outcomes will be valuable to management as efforts are made to improve existing services, developing new services, when allocating limited resources among the various initiatives, and when determining who to contract with for services.

Section 3:

Internal Controls Should Be Strengthened To Help Ensure Compliance With State Laws And Regulations

Life Management Center's internal controls can be enhanced to help ensure that services provided to consumers are efficient, effective, and in compliance with state laws and regulations. Controls over assets can be improved to ensure that assets are properly safeguarded and used for intended purposes. As the Center continues to grow, it will be imperative that controls are in place and operating effectively.

Section 3-A:

Formal Policies And Procedures For Entering Into Contracts For Services Should Be Developed And Implemented

Policies and procedures for entering into contracts for services for consumers are not always followed. During a test of Accounts Payable for fiscal year 1994, the Internal Auditor found payments totaling approximately \$35,000 (26 percent of the total amount paid to consultants) made to 13 service providers for which no contractual agreements exist. Supporting documentation for payments to these providers include purchase orders which give a brief description of services to be provided and invoices submitted along with a request for payment signed by a member of management.

Most of the service providers had been selected from a vendor pool that was developed by members of the Community Management Team (CMT) of El Paso. The CMT is described in Appendix 3. The CMT provides guidance for the delivery of mental health services to children and adolescents. The CMT had obtained a copy of the service providers licenses and evidence of insurability at the time the vendor pool was created. Organizations that are members of the CMT could obtain services on an as needed basis from any of the providers in the pool.

Life Management Center, by not following its own process of contracting for services, did not obtain important information (i.e. the currency of the providers license and whether the provider was properly insured). Management is not assured that these providers, at the time of entering into a contractual relationship, were in compliance with state laws and regulations related to licensure, insurability, and health standards. In addition, because there are no contracts, these providers may not be completely knowledgeable about payment provisions and billing limits.

Section 3-B:

Controls Over Assets Should Be Strengthened

Internal controls over the purchasing system, vehicles, the payroll system, and petty cash can be strengthened. Over the past several years external and internal auditors have made recommendations to improve controls in these areas. It should be noted that some improvements have been made to strengthen controls to the purchasing system.

- Currently there are 43 petty cash funds in operation by Life Management Center. Each petty cash fund is authorized for an amount between \$150 and \$500. Annually, total transactions through these accounts is approximately \$45,000 each year. Consolidation of petty cash accounts used for emergency and non-emergency purposes will help to reduce risk that funds will be used inappropriately.
- Weaknesses in the purchasing system noted by the external and internal auditors include the lack of a centralized vendor purchasing system, the lack of segregated duties, and bid policies not always being followed.
- Supervisory personnel are required to approve leave when taken by staff members. However, supervisors do not provide review or signatory approval of an employee's monthly time report. This control is necessary when employees have an incentive to not report leave taken. Life Management Center has policies which allow employees to convert a portion of their accumulated sick and vacation leave to pay if certain requirements are met. Life Management Center can improve controls to help ensure that employees accurately report actual time worked during a reporting period.
- Vehicle mileage and maintenance logs are not kept updated by some employees who are assigned responsibility for vehicles. The mileage and use logs provide evidence of services provided to consumers by staff members. In addition, periodic review of the mileage log can discourage inappropriate use of vehicles by employees.

Properly maintained vehicle mileage and maintenance records can provide information to management when making decision regarding vehicle replacement and repair. Efforts are being made by Life Management Center to control repair and maintenance costs incurred. Management is working to identify and develop agreements with selected repair shops for repair and maintenance. Quantity discounts should be available for routine maintenance (i.e. oil and filter changes) of vehicles.

Section 3-C:

Allegations Indicate Areas Where Controls Should Be Improved

Specific allegations were made to us regarding several issue areas. Resolution of the significant allegations indicates some areas where internal controls can be strengthened.

- During fiscal year 1993, three cash payments out of an emergency petty cash fund were used to pay a doctor for psychiatric evaluations of consumers (patients) who needed medication. This same doctor had been paid via check in three previous instances during fiscal year 1993. It is not illegal to make cash payments to service providers. However, controls over purchasing and

cash are weakened when cash payments are made.

- A Form 1099 was not submitted to the Internal Revenue Service (IRS) in 1993 for the doctor described above. A Form 1099 is required to be submitted if annual payments to a contractor exceed \$600. This doctor in 1993 received payments in cash and check totaling \$700. The \$300 paid in cash was not recorded to either of the Consultant Services accounts maintained by Life Management Center. Currently, there are no procedures in place to identify contractors and service providers paid in cash for whom Form 1099's should be prepared and submitted to the IRS. The Center may be subject to penalties by the IRS for not submitting a Form 1099 from some service providers and contractors that are paid in excess of \$600 in any year.
- Doctors who provide psychiatric evaluation of consumers are not required by this Center to be Board Diplomats in Psychiatry. State law only requires that these particular service provider be licensed and have a degree from an accredited institution. All physicians who provide psychiatric evaluations for the Center meet these minimum standards.
- Life Management has a policy regarding sexual harassment. At the time of our audit, two complaints had been made. Procedures were being followed to address complaints. A complaint had not been made for the specific allegation made to us. Review of the policy indicated that minor revisions should be made and the policy reissued to employees. The policy was last revised in fiscal year 1990.
- Our review of a casefile which was alleged to have been "doctored" revealed that two progress notes which had conflicting comments were prepared on the same date. The consumer had been released from a state facility. It appeared that a correction was made by the caseworker at the request of her supervisor to reflect why an assessment of the consumer was not completed.

Recommendations:

Continue efforts to improve all internal controls. As Life Management Center continues to grow it becomes imperative that strong internal controls be in place to ensure that state funds are protected and used appropriately. Specifically, we recommend the following:

- Develop and implement controls over contracts for consultant services to help ensure that Life Management Center is in compliance with laws and regulations.
- Consider consolidating the emergency and regular petty cash funds at each of it's locations.
- Revise timekeeping procedures to require that supervisors review and

approve monthly time reports of each staff member. This change will place more responsibility on supervisory personnel to ensure that employee time reports are accurate.

- Ensure that vehicle mileage and maintenance logs are maintained and kept updated. Periodic review by management will encourage custodial employees to maintain them.
- Avoid cash payments to service providers, contractors, and others.
- Develop and implement procedures to help ensure identification of service providers, contractors and others that receive payments which exceed the threshold established by the IRS for submitting a Form 1099. Payments made in cash and by check should be captured when making this assessment.
- Review the sexual harassment policy, make revisions that are considered necessary, and ensure that all employees are aware of the policy and management's position regarding sexual harassment.
- Review policies and procedures for making adjustments to casefiles. Revisions should address the documentation and approvals necessary for making adjustments.

Section 4:

Evaluate Policies And Current Operations For Potential Cost Savings

Cash management policy changes and cost savings ideas that could potentially make additional funds available to provide greater levels of service or enable management to increase the number of mental health and mental retardation programs to the community have been identified. Continually evaluating the effectiveness of policies and procedures as well as programs offered should help to ensure that funds are being utilized in an effective manner and provide the most benefit to the community.

Section 4-A:

The Cash Management Policy May Be Restricting The Use Of Funds

At August 31, 1993, Life Management Center's Cash Management Policy required that \$1.3 million be maintained in reserve to meet cash flow requirements. Reserved cash has increased 31 percent since fiscal year 1991. According to Life Management Center records, actual monthly cash flow requirements were \$700,000 during fiscal year 1993. A less stringent policy might have made additional funds available for other purposes.

The Board of Trustees has implemented a cash management policy that requires funds equal to the greater of one month's operating expenditures or working capital be kept

in reserve to meet cash flow needs. Life Management Center has been maintaining a reserve balance equal to one month's operating expenditures.

An effective cash management system should be based on the estimated cash flow needs to provide funds adequate to meet legal obligations and support operations while maximizing cash availability. Inadequate cash reserves can have severe consequences on the continuing operations of an organization and the intent of the current policy is to provide assurance that the cash position remains strong. The intention is consistent with prudent management practices. However, the holding of excess cash reserves can result in loss of services to consumers.

Issues which will impact the amount of reserves necessary at the present and in the future include the following:

- A large portion, approximately 60 percent, of annual revenues received by Life Management Center are provided by Texas Department of Mental Health and Mental Retardation in advance of expenditure. With such a secure source of funding, maintaining a high reserve balance may not be necessary.
- Life Management Center has designated \$700,000 of the reserve balance for capital (i.e. buildings, vehicles, and equipment) replacement. However, no systematic and rational process for estimating future capital needs supports the amounts that have been reserved for these purposes. In fact, when the annual budget is prepared, capital expenditures for that year are included in the departmental budgets. These funds that are currently designated for capital expenditures in future years may be greater than actually needed or currently planned.
- Increases in the amount of revenue generated by fees for services and the anticipated operation of the psychiatric center in fiscal year 1996 will require that management reassess its cash management policy and the amount of reserves needed. It is currently anticipated that a portion of the psychiatric center's operating cost, currently estimated to be approximately \$15 million per year, will be supported by fees charged to consumers. As reliance on fee generated revenue increases, management feels that it may be necessary to maintain a larger reserve balance.

Section 4-B:

Other Cost Saving Opportunities Exist

The following examples highlight specific programs, in addition to other Life Management Center policies noted during our review, that should be evaluated for opportunities to provide more funding for mental health and mental retardation services and programs.

- The Center's policy of converting a portion of an employee's accumulated sick leave to pay costs the center approximately \$50,000 per year.

Elimination of this policy as well as the policy of paying employees for all accumulated sick leave at termination/resignation could provide additional dollars to pay for services to people who are mentally ill and mentally retarded.

- The methadone program, which is supposed to be self-sufficient, has required financial support totaling approximately \$60,000 from Life Management Center in fiscal years 1993 and 1994. As participation in this program continues to decline, it is imperative that Center management assess the cost-benefit of providing this service to the community. This program, which is not a core service required by Texas Department of Mental Health and Mental Retardation, has seen participation decrease from 166 to 113 since 1992.
- The Center has recently entered into a contract for fiscal year 1995 with a new pharmacy to dispense prescriptions to mentally ill consumers. It is currently estimated that the cost of this new contract will exceed the prior year contract expenditures by approximately \$80,000. Life Management Center was required by the Board of Pharmacy to enter into new a contractual arrangement for its pharmacy operation. Management feels that this is a good opportunity to offer additional services and convenience to consumers. However, complete analysis to support the inclusion of additional services (i.e. 24-hour availability, and multiple locations) in the request for proposals is not available. Although the new contract meets the requirements established by management, there is no supporting documentation to indicate that consumers have requested these new services and the cost/benefit of providing these new services.

Recommendations:

Periodically evaluate the cash management policy and implement a formal process to more accurately determine future capital outlays and cash flow needs. The Center's independent auditor should review and approve the process and agree with any proposed changes to ensure that the Life Management Center's cash position remains strong. Cash reserves in excess of these requirements should be allocated to provide additional mental health and mental retardation services.

Evaluate the cost/benefit of policies such as the sick pay conversion policy and programs such as the methadone program. In addition, documentation and analysis should be available to support management decisions to expend greater amounts for services and programs. Without such information management cannot assure the community that funds are being utilized in the most prudent manner.

An Inaccurate Project Proposal And Major Obstacles Have Led To Cost Overruns And Delays In Construction Of The El Paso Psychiatric Center

Texas Department of Mental Health and Mental Retardation will be required to provide up to \$1.5 million in additional funding to help ensure that the Psychiatric Center will be built to meet the needs of El Paso County. Texas Department of Mental Health and Mental Retardation will be using funds previously allocated for repair and maintenance of state centers, hospitals, and schools to cover the anticipated funding shortfall.

Legislators who are presented with construction projects that are community initiatives are not assured that all costs have been included in construction proposals. The primary reasons for the anticipated cost overrun are 1) the El Paso Crisis Resources Coordinating Council (Council) submitted to the Legislature a project proposal that included an incomplete budget when requesting state funding for project in 1991, and 2) technical assistance was not provided to the Council by Texas Department of Mental Health and Mental Retardation as they developed the project proposal. See the box below for an explanation of the Council's purpose and a listing of its members.

What is the Council?

The El Paso Crisis Resources Coordinating Council (Council) is a consortium of five agencies that provide mental health and chemical dependency service in El Paso. Council members include: Life Management Center, The El Paso State Center, R. E. Thomason Hospital, Texas Tech Health Sciences Center, and El Paso County Alcohol and Drug Abuse Treatment Services.

The Council was created to improve and enhance crisis stabilization and aftercare service for persons with mental illness, mental retardation and/or substance abuse problems in El Paso. One of its main purposes is to implement mental health crisis stabilization or aftercare services. These services have taken the form of the El Paso Psychiatric Center project, which will be located next to R.E. Thomason Hospital.

The Council developed the original program needs and cost estimate of \$8,704,681 for the project. The current project needs could be as much as \$10,204,681. After the initial funding of \$8,704,681 was approved, it became Texas Department of Mental Health and Mental Retardation's responsibility to administer the project from architectural planning through completion of construction. Planning has been coordinated with the Council through each step of the process since the initial funding was approved. It should be noted that bids for construction of the Psychiatric Center have not been received yet and could be more or less than anticipated.

Completion of the Psychiatric Center construction has been delayed approximately six months since the architects were hired in October 1992. Current plans, which are optimistic in our opinion, call for construction of the Psychiatric Center to be completed January 1996. Overall, the project is approximately two and one-half years behind the Council's original schedule. The Psychiatric Center is expected to open for service to the community approximately three months after completion of construction.

Section 5-A:

Total Project Costs May Exceed The Amount Appropriated By The Legislature By As Much As \$1.5 Million

The total project cost to construct the El Paso Psychiatric Center is expected to exceed the amount appropriated in Constitutional Amendment No.4 by the 72nd Legislature, 1st Called Session, by as much as \$1.5 million. The primary reasons for the cost overruns are provided.

Figure 5
Construction Budget Comparison

PROJECT COSTS	EPCRCC Proposal (a)	TDMHMR Analysis** (b)	Current (c)	Difference (c-b)
Construction (hard costs)	\$7,946,074	\$7,300,000	\$8,361,839	\$1,061,839
Administrative (soft costs)	\$758,607*	\$1,404,681 ***	\$1,842,842	\$438,161
Total	\$8,704,681	\$8,704,681	\$10,204,681	\$1,500,000

* Includes only estimate of architectural/engineering fees.

** Analysis is completed after passage of Constitutional Amendment No. 4.

*** \$547,500 of this amount is allocated to architectural/engineering fees.

- The original appropriation of \$8,704,681 did not include most "soft costs" (i.e. project administration costs, other consultants, surveys, material testing and quality control/quality assurance, contingencies, and escalation costs). Typically these costs, as well as others that may be project specific, are considered part of the total project cost. The architectural/engineering fees were the only "soft costs" included in the project proposal submitted by the Council to the Legislature.

Analysis of the construction proposal by Texas Department of Mental Health and Mental Retardation after passage of Constitutional Amendment No. 4 by voters in November 1991 indicated that \$1.4 million of the \$8.7 million appropriated should have been allocated for construction "soft costs." Table

III provides a comparison of the current allocation of project costs to the allocations made by the Council and Texas Department of Mental Health and Mental Retardation.

The worksheet at Appendix 5 provides a detailed analysis that all construction projects should go through to ensure that all costs are captured. This sample Construction Project Proposal Analysis is based on Texas Department of Mental Health and Mental Retardation's and the General Services Commission's project analysis formats.

- Estimates developed by the architectural design firm were inaccurate. For this project the design architect used only in-house estimators with minimal assistance from subcontractors. On a case-by-case basis, Texas Department of Mental Health and Mental Retardation's requires that architects subcontract with an independent estimator during construction planning of complex or some large projects. Outside estimators provide an objective review of construction plans and budgets. See the information provided in the box which provides the phases of construction planning and project cost estimating.

Planning Phases of Construction

These are generally considered to be the principal phases of the planning process for a construction project:

- Conceptual Design Phase
- Schematic Design Phase
- Design Development Phase
- Construction Plan Phase

Cost estimates should be prepared at each of these planning phases. As the planning progresses, the cost estimates should become more accurate because the level of plan detail increases. As detail increases, it becomes easier to pin down costs.

- The size and scope of the project was not reduced so that total project costs would fall within the \$8.7 million originally appropriated by the Legislature. Texas Department Mental Health and Mental Retardation and the Council did not want to build a facility that would not meet the needs of the community. According to a 1992 need analysis conducted by Texas Tech Health Sciences Center, 90-110 beds was the minimum necessary to adequately serve the community's psychiatric needs. The current approved plan shows a facility which encompasses 90,000 square feet and that will provide 85 beds for psychiatric services.

- There is currently no process in place to ensure that community action groups such as the Council are provided appropriate technical assistance during the early planning phases for such a project. There was no indication that technical assistance was provided to the Council by Texas Department of Mental Health and Mental Retardation. Such

assistance may have prevented the consortium from submitting an incomplete proposal to the Legislature. Two members of the Consortium, The El Paso State Center (a TDMHMR facility) and Life Management Center (a TDMHMR contractor) were involved in this project that will provide psychiatric services to El Paso. TDMHMR which has ultimate responsibility for providing mental health services in the State should have been more proactive and provided the necessary technical assistance to the Council.

- The consortium members and the project coordinator had limited experience in planning construction projects. Representatives of the consortium members worked together to plan this project while performing duties in their full-time professions. Additional background information about the Psychiatric Center can be found in Appendix 3. The project coordinator selected had previously worked as an administrator in private psychiatric offices and served on the Board of Trustees for Life Management Center.

The current approved construction budget, exclusive of "soft costs," is \$8,361,839 (see Table III). The most recent cost estimate, developed by the design architect's El Paso consultant, is \$8,101,853. This estimate is based on 95 percent completed construction drawings.

Organizing the consortium to come together and focus on planning for the Psychiatric Center project has been an extremely complex process. Notwithstanding the initial planning mistake of an incomplete budget in

addition to difficulties in obtaining some agreements, coordination of the planning process seems to be adequate. Many planning meetings have been held throughout the process with mental health advocacy groups and the community. This project appears to be a true effort of the community.

Reductions in total project cost have resulted because the Council was able to acquire from R.E. Thomason Hospital a 98-year land lease for the Psychiatric Center at minimal cost. In addition, R.E. Thomason allocated parking spaces to the Psychiatric Center when it's new parking garage was built. The Psychiatric Center will not be charged for these parking spaces.

Section 5-B:

Major Stumbling Blocks Have Delayed Construction By Six Months Since Beginning The Schematic Design Phase

There have been major stumbling blocks which have delayed construction of the Psychiatric Center by six months since the beginning of the schematic design phase of construction planning.

The project has experienced delays in all phases of the planning process. The current project schedule shows construction to be completed in January 1996, which we consider to be optimistic for a project of this size and complexity. This current completion date is two and one-half years beyond the completion date the Council originally planned in 1991. Some of the causes for the delays include the following:

- Until passage of Constitutional Amendment No. 4, the Council did not know that bond money appropriated for construction would not be available until September 1992, rather than November 1991, the date for approval of selling general obligation bonds by the Legislature. The schematic design phase could not begin for 10 months.
- At passage of the Amendment, Council members were made aware that the State, through TDMHMR, would retain ownership of the psychiatric center when construction was completed. State ownership was necessary in order to collateralize the bond issue. Planning was slightly delayed when one consortium member disagreed with this arrangement.
- The first work session of the schematic design phase was held four months after the architect was hired because approval of the land lease agreement for the project site by R.E. Thomason Hospital was delayed. Selling of the State's general obligation bonds that would fund the project could not occur until the land lease agreement was made.. The architect was hired in October 1992, but the first work session was held in February 1993. TDMHMR did not send a draft of the land lease agreement to R.E. Thomason until October 1992 after holding discussions with Thomason officials regarding the land lease in March of 1992. The site was originally offered to TDMHMR in December 1991, one month after passage of legislation. R.E. Thomason

Hospital and the TDMHMR had difficulty coming to agreement on the land lease terms.

- The design architect's underestimation of construction costs resulted in a major redesign of the project near the end of the design development phase. An additional month was added to allow for revision of the floor plan and to incorporate other cost reductions. It is highly unusual for a project that has progressed this far in the design process to undergo a significant change such as this.
- There were delays in establishing agreements with R.E. Thomason Hospital for thermal services (i.e. mechanically chilled and heated water used in the building for air conditioning and plumbing systems) which delayed the completion of the design development stage. If no agreement was reached with the hospital, TDMHMR and the Council would have been required to include a physical plant in the design, thus increasing the cost of an already under-funded project. Between December 1993 and April 1994, TDMHMR sought an agreement with the hospital for thermal services. In April 1994, the Hospital Board of Managers voted in favor of the thermal agreement for the Psychiatric Center.

Recommendations:

- TDMHMR should provide technical assistance to community action groups such as the Council when they are developing proposals for construction projects that will be funded by the State through TDMHMR. The amount of technical assistance necessary will differ based on the experience and knowledge of the group. Technical assistance could be as little as providing these groups with a copy of a construction project cost analysis with explanations. See Appendix No. 5 for a copy of the Construction Project Cost Analysis. Such technical assistance will provide assurance to legislators that requests for state funding are reasonably accurate and complete.
- The Construction Project Proposal Analysis can also be used by Legislators and analysts with the Legislative Budget Office as they assess and evaluate construction project proposals submitted by community action groups. This proposal analysis can be used for any type of construction project (i.e. prison, MHMR facility, school, or road) that will be funded by state dollars.
- Consideration should be given to the development of a two phase appropriation approval process which can be used by the Legislature with community action groups that are seeking state funding for the construction of mental health and mental retardation facilities in their communities. The first phase would require authorization of funding by the Legislature for TDMHMR to provide or acquire technical assistance for community action groups to develop cost/benefit analysis, needs analysis, and conceptual project designs. The second phase would require that community groups

present their funding request and data to the Legislature for approval. This process would be another method by which Legislators could be provided assurance that requests for state funding of construction projects are complete and that such projects are needed in the community.

- TDMHMR should reassess its policy regarding independent cost estimates during the construction planning process. We recommend that TDMHMR adopt a policy requiring architectural firms that it contracts with to provide independent cost estimates at schematic, design development, 50 percent construction, and 95 percent construction phases of the planning process.

This policy should apply to all large or complex projects. We recommend that \$5 million be the threshold for decision-making. However, if \$5 million is too high, consideration should be given to a lower amount for effective implementation of this policy.

Appendix 1:
Management's Response To Detailed Issues



LIFE MANAGEMENT CENTER FOR MH/MR SERVICES

People Serving People

Michael D. Nash, Ph.D., M.P.A.
Executive Director

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**HELPLINE
(915) 779-1800
24 Hour Crisis Counseling
Service**

November 8, 1994

Barbara Hankins
Office of the State Auditor
206 East Ninth St., Suite 1900
Austin, Texas 78701

Dear Ms. Hankins:

Enclosed are our responses for the summary and for the appendix of your audit report.

Please let me know if you have any questions or concerns.

Sincerely,

Michael D. Nash, Ph.D., M.P.A.
Executive Director

MDN/lc

A United Way Agency, A Member of the El Paso Community Foundation.
Serving the El Paso Community since 1966
AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER



(Response for Appendix)

Findings reported but not emphasized

We appreciate the opportunity to comment on report findings that were made in the body of the report, but were not emphasized in the "key facts and findings" or the "Executive Summary" section.

- ◆ In Texas, funding for children's services has lagged behind funding for similar services for adults. Despite legislative encouragement to fund "core services" for adults first, we have allocated discretionary general revenue to fund services for children and adolescents, i.e., like other Centers, we have done more than is required.
- ◆ Long term residential treatment is not considered a priority service for children's programs in Texas and TDMHMR has not provided funding to LMC and other Centers to offer long-term residential services.
- ◆ Inpatient services are more expensive to operate than outpatient (this means that estimates as to how many persons could be served with a given amount of money depend upon the type of service referenced, e.g., while 117 children could be served in outpatient for \$144,000, only 2 children could be served in residential treatment for the same amount. It is this phenomenon that is primarily responsible for the reduction in number of children served from 1990 to 1992).
- ◆ Our planning has included a significant effort to solicit input from staff, advocacy groups, consumers, and public and private caregivers (we wish to add the fact that there were no public requests for long term residential treatment made during input for our June, 1992 plan).
- ◆ We concur that consideration should be given to acquiring outside assistance or allocation of additional internal resources to help improve the planning process. (Prior to the initiation of this audit the Board had hired an outside consultant to address this very need).
- ◆ We had already begun a process to evaluate the impact and outcomes of services provided to consumers prior to the initiation of this audit (we wish to add that outcome evaluation is a new endeavor for all Texas Centers and for the entire Health Care industry, for that matter).
- ◆ LMC internal controls have included the presence of an internal auditor (for 9 years). We wish to add that recommendations made in the State Audit are consistent with the practices of the overall LMC audit program. Under the direction of the full time Internal Auditor, LMC strives to restrict issues to those that are non-material in nature, and are of isolated scope. Currently the Center is not aware of any internal control issues which deviate from these AIMS, nor have we been made aware of any issues from this report that would cause us to believe otherwise.

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People Serving People



◆ LMC has maintained a reserve balance in accord with Board policy. We wish to add that the Center follows a prudent approach to overall financial management for a multifunded system that is intended to insure adherence with the following objectives:

- Expenditures do not exceed revenues and under expended funds are to be kept at a reasonable level.
- The loss of funds should be minimized
- Funds are to be expended for only intended purposes.
- Reserves are established and maintained at prudent levels.

During the four year period evaluated in this report the total amount of funds expended for children/adolescent services (excluding children/adolescent programs for mental retardation and alcohol abuse) was \$1,715,732. This amount represents 93% of expenditures planned for this period. As noted in the report, of the \$144,000 of unexpended funds for the same four year period, \$64,000 was carried forward and budgeted in the next fiscal period for children/adolescent programming and the balance of the \$80,000 was placed in Center reserves.

From the Center's point of view we feel that our objectives, as stated above, were met, e.g., expenditures did not exceed revenue; no funds were lost or returned; the 7% of the funds that were carried forward over the 4 year period appears reasonable. It should be noted that there was no standard noted in the report that would cause us to believe otherwise. Finally, all funds targeted by external sources for the purpose of children/adolescent programming have been expended in that area and no exceptions to this were noted in the State report.

Observations About the Scope of the Audit

In addition to the description of the scope of the audit provided in Appendix 1, we wish to emphasize the following:

- ◆ The letter of notification of the audit included "Procedures will be designed to provide reasonable assurance of detecting material errors, irregularities, or illegal acts that would have a direct and material effect on the results of this review." In addition, the auditors followed-up on several allegations that have been registered by a few LMC employees. There were no significant findings noted in the report of inappropriate LMC actions. We concur that internal controls can always be strengthened and will continue to improve in these areas.


Issues Associated with Planning

In addition to the positive comments made about the LMC planning process and in the spirit of our commitment to improve the planning process we must augment the record with the following:



- ◆ We emphatically disagree that the LMC planning process resulted in the loss of any funds. The \$400,000 "loss" referenced in the report was due to a grant submission that scored low, but that elicited 75% of its negative comments from technical inadequacies, not on review criteria that relate to planning. (It should be noted that since the submission of that proposal, the leadership of children/adolescent services has changed and that the new leadership submitted a grant to TCADA in FY'94 that ranked first in the state and that brought \$241,000 to El Paso).
- ◆ We cannot concur that the failure of our proposal or that the reduction in two grants are indication of overall weak planning. Of the overall budget of \$19 million, the Center currently manages over 40 grants, contracts and special funding projects that total over \$8,000,000 per year for all services. The evaluation of "lost dollars" should be done in the overall context of Center efforts, including the \$494,000 of children/adolescent grant and special requests that were added because of Center initiatives in FY'94.
- ◆ We wish to clarify that all dollars earmarked by external sources for children/adolescents have been expended on services to that population. As is the practice throughout the state, sometimes dollars are carried forward from one fiscal year to the next.
- ◆ Regarding comparisons to other Centers on the percentage of dollars allocated to children/adolescent services, we appreciate the acknowledgment that our percentage grew from 5% to 7% in FY'94 and wish to point out that it has become 10% in our FY'95 budget. While comparing us to other major cities may be one customary practice, we wish to point out that other FY'93 comparisons could have been made, e.g.;
 1. Our 5% compares favorably to the 1.2% allocated in the TDMHMR Budget (State facilities and community Center's combined).
 2. When compared to the other five West Texas community Centers, we rank second highest. The average for the other five is 2.2%
 3. Our 5% compares favorably to the 3.6% of the other large (\$19 million budget) Center on the Mexico border.
- ◆ We concur that human resource efforts already initiated with the El Paso Community college and with UTEP will be continued and enhanced. We will consider the cost/benefits to be derived from expanding this effort to regional colleges and universities such as Texas Tech University in Lubbock.

MEMORANDUM

TO: Lawrence Alwin, State Auditor
FROM:  Helen Bowie, Coordinator
RE: Response to Special Report on El Paso Psychiatric Center
DATE: November 7, 1994

We appreciate the efforts of the State Auditor's office to outline some of the difficulties the Council encountered and concur with the recommendations contained in the report regarding technical assistance to community action groups, such as ours, organized to solve a major community problem.

We feel that our initial cost estimates were based upon the best information available to us at the time and that certain factors were outside of our control and/or information was not made available to us in making these projections.

- (a) The authorizing legislation called for the bonds to be sold one year beyond our original estimated time for beginning the project with a corresponding decrease in value of 4% per year due to inflation.
- (b) The failure to be informed that approximately 9.5% of the total amount allocated would go to TX MH/MR for administrative costs over and above the "soft costs" which we had projected.
- (c) We acknowledge that TX MH/MR is using previously allocated funds to cover the estimated shortfall. However, the 73rd Legislature authorized the Department to use "funds appropriated above [in the Department's budget] to purchase furniture and equipment and hire staff ... to ensure the facility is ready to receive patients within three months following acceptance of the facility from the contractor." Since the project completion has been delayed into the 1996-1997 biennium, the expenditure of these funds will not be necessary during the current biennium.

Life Management Center for MH/MR Services • The El Paso State Center
Texas Tech University Regional Academic Health Center at El Paso • Thomason Hospital
El Paso County Alcohol and Drug Abuse Services



November 29, 1994

Lawrence Alwin
State Auditor
Office of the State Auditor
P.O. Box 12067
Austin, Texas 78711-2067

Dear Mr. Alwin:

Thank you for the opportunity to comment on the special report on the Life Management Center for MHMR Services of El Paso. We agree with the recommendations in your report, especially the recommendation that funding for planning and technical assistance precede and inform the actual appropriation for community-based initiatives for construction projects.

We have already implemented your recommendation for independent cost estimates during construction. We are assessing the cost thresholds for making this an absolute requirement. At this point \$5 million does seem too high for new construction.

As regards your report of findings, we are in general agreement with the report. There are a couple of areas where the emphasis could lead to misunderstanding. You make it clear that the original estimates and schedules for the project were fundamentally flawed from the beginning, but make several references to the project being "behind schedule" and to "cost overruns". These phrases may weaken the earlier point. Also, the issue of technical assistance needs to be clarified to the extent that until the appropriation was included in the pattern for the Texas Department of MHMR, the local planners did not envision such a leadership role for the state agency. Technical assistance was made available as soon as the auspices for the project were established. We agree that it should be made available to all local planning councils according to their need. The sample project format you recommend should help this situation.

Finally, the delay you discuss regarding the approval of the land lease for the site had considerably more complexity than the report notes. Our records show that the first substantive discussions with Thomason occurred in July of 1992, although the subject had been discussed in March. Delays included

extensive research on the effect of leasing on the bond funding of the proposal. The draft lease was sent in October to Thomason, and a verbal "counter proposal" was received by the Department in December. Final negotiations took another two months.

Again, we appreciate your investigation of these issues and your thoughtful recommendations. Should you have questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Hale". The signature is fluid and cursive, with the first name "Karen" and the last name "Hale" clearly distinguishable.

Karen Hale
Acting Commissioner

Objective, Scope, And Methodology

Objective

The objectives for our audit of the Life Management for Mental Health and Mental Retardation Services of El Paso include the following.

- Assess planning for development and implementation of mental health programs for children and adolescents.
- Perform a limited review of the financial and internal controls of Life Management Center.
- Review the planning process for construction of the El Paso Psychiatric Center.
- Provide assistance as requested for the management audit of Life Management Center being performed by Fredrico Souflee, Ph.D. for Probate Judge Max Higgs.

Scope

The scope of this audit encompassed review of planning, development, and implementation of mental health programs for adults and children/adolescents by Life Management Center for fiscal years 1990 through 1994. Life Management Center had a budget totaling \$16,870,517 in 1993 to provide mental health services to the people of El Paso.

We performed a limited review of significant internal control structures: payroll, purchasing, fixed assets (i.e. buildings, vehicles, and equipment), and consulting services that impact the provision of services by Life Management Center.

We determined the reasons for the cost overrun expected to be incurred as a result of building the El Paso Psychiatric Center, as well as the reasons for the delays in completing construction of the psychiatric center.

Dr. Souflee is completing a management audit of the Center that has been requested by Probate Judge Max Higgs. We provided assistance related to financial issues as requested by Dr. Souflee.

Methodology

The methodology used on this audit consisted of collecting information, performing audit tests and procedures, and analyzing information.

Information collected to accomplish our objectives included the following:

- Interviews with selected members of the Board of Trustees, management and staff of the Center, and the Project Coordinator for the El Paso Psychiatric Center

- Examination of documentary evidence such as:
 - 1) Program specific policies and procedures related to children and adolescent services
 - 2) 1990 - 1996 Life Management Center Strategic Plan
 - 3) Applicable state statutes and guidelines (i.e. Children's Mental Health Plan, Government Code 534; Community Management Team, Government Code 533)
 - 4) Reports issued by TDMHMR Internal Audit Department and Standard and Quality Assurance Division
 - 5) Management Letters and Opinions issued by the Life Management Center's external auditors
 - 6) Reports and Memoranda issued by the Center's internal auditor
 - 7) Center Policy and Procedures
 - 8) Documentation related to planning construction of the El Paso Psychiatric Center

Criteria used:

- (Texas Tomorrow, Instructions for Development of Strategic Plan)
- Construction Project Proposal Analysis developed by the State Auditor's Office (adapted from similar documents utilized by The General Services Commission and TDMHMR)
- Standard auditing criteria

Fieldwork was conducted in El Paso from August 15, 1994, through September 2, 1994. The audit was conducted in accordance with applicable professional standards, including:

- Generally Accepted Government Auditing Standards
- Generally Accepted Auditing Standards

There were no significant instances of noncompliance with these standards.

The audit work was performed by the following members of the State Auditor's staff:

- Marshall McDade, Jr., CPA (Project Manager)
- Lucien E. Hughes
- Clint B. Loeser, CPA
- Barbara S. Hankins, CPA (Audit Manager)
- Deborah L. Kerr, Ph.D. (Audit Director)

Background

Life Management Center For Mental Health And Mental Retardation Services Of El Paso (Life Management Center)

In 1965, the Texas Legislature authorized Texas Department of Mental Health and Mental Retardation to establish nonprofit community mental health and mental retardation centers (community centers). The community centers were established in local communities throughout Texas to provide mental health and mental retardation services to persons most in need of those services (priority population). The driving principle was that persons with mental illnesses and persons with mental retardation should be educated and live, work, and play in the same settings as all Texans. The role of the system is to make this possible by providing services that support and assist persons in the priority population. The relationship between community centers and TDMHMR is a collaborative effort which links state facilities and community centers.

Life Management Center was founded in June 1966 and serves El Paso County. Life Management Center was created by and reports to a board of trustees that was appointed by local officials. The majority of the funds utilized by community centers to provide mental health and mental retardation services to the priority population are provided through TDMHMR. TDMHMR allocates state general revenue to community centers through annual performance contracts. These funds are utilized to provide an array of core services to the mentally ill and mentally retarded priority populations. Additional funding is provided by other state agencies, local governmental entities (i.e. city and county), and other private and nonprofit entities.

The fiscal year 1993 operating budget of Life Management Center totaled \$16,870,517. The Center budgeted for 403.7 full-time equivalent employees to administer the programs offered to the community.

The Legislature created the Texas Children's Mental Health Plan in fiscal year 1989. Funding for the Plan began that same year. It is the State's efforts to begin providing mental health services to a sometimes forgotten segment of the State population, mentally ill children and adolescents. Through TDMHMR, Life Management Center is allocated a portion of the State's general revenue which has been specifically allocated for providing services to mentally ill children and adolescents. Between fiscal years 1991 and 1994, Life Management Center's allocation has increased from \$100,000 to \$441,000.

The El Paso Community Management Team (CMT) provides leadership in the development and implementation of the community plan of the Texas Children's Mental Health Plan in El Paso County. Locally, the CMT reports to the Board of Trustees of Life Management Center.

The Community Management Team provides guidance and direction relating to the types of programs and services that are to be offered by Life Management Center.

Residential Treatment Facilities For Children And Adolescents In El Paso

El Paso is the largest Texas city without residential treatment facilities for mentally ill adolescents. Adolescents are currently transported to Big Spring State Hospital for intermediate-level care while more seriously ill children are placed in Big Spring and facilities throughout the State and country.

Long-term residential treatment is not considered a priority service for children's programs in Texas. Residential treatment is the most restrictive and expensive service and is necessary for only the most seriously-ill children. Government Code, Section 534.053, emphasizes early intervention services for children before institutionalization is necessary. The Texas Children's Mental Health plan states that treatment should be provided in the "least restrictive environment appropriate."

The Texas Children's Mental Health Plan recognized that available funds were not sufficient to finance a full continuum of comprehensive programs during the 1992-93 biennium. A full continuum of services would include residential programs. A primary goal of the Plan is "to develop community-based continuum of care while decreasing reliance on inpatient treatment and long-term residential treatment. Except for crisis residential beds, funds cannot be used for psychiatric hospitalization."

The Center has appropriately recognized that it has the responsibility for determining mental health and mental retardation service needs for El Paso. The Center's strategic plan states "while supporting and highly prioritizing the mission of TDMHMR, Life Management Center recognizes that a full range of community mental health and mental retardation services extends beyond TDMHMR purview."

In June 1994, a local probate court judge issued an order to Life Management Center to develop residential treatment facilities in El Paso County to serve the County's intermediate-level and severely mentally ill children and adolescents. Life Management Center has contracted for some residential treatment services in the past. Intermediate-level care was provided through a private, non-profit organization until 1990, when that organization decided to discontinue the services. The Center has made unsuccessful attempts to contract with vendors from 1990 to this date. In July 1994, the Center began plans to operate its own residential treatment facility.

El Paso Psychiatric Center

In 1988, a task force composed of community mental health service providers and advocacy groups determined that El Paso needed a community-based psychiatric facility to provide emergency care, short-term (less than two-three weeks) in-patient care, and out-patient services.

The El Paso Psychiatric Center (Center) is an initiative of the El Paso Crisis Resources Coordination Council (Council). This consortium is composed of five agencies that provide mental health and chemical dependency service in El Paso. The Council members include: Life Management Center, The El Paso State Center, R.E.

Thomason Hospital, Texas Tech Health Sciences Center, and El Paso County Alcohol and Drug Abuse Treatment Services. Each of these entities was a member of the 1988 task force which determined that El Paso needed such a facility. The Council developed a proposal requesting state funding for construction of a psychiatric hospital in El Paso that would encompass 105,000 square feet of space and provide 85 beds for short-term, in-patient care.

Construction of the Center is funded through a rider to TDMHMR's appropriation for the 1992-1993 biennium. The funding source was Constitutional Amendment No. 4, which passed in November 1991. The 72nd Legislature, 1st Call Session, authorized \$440 million in general obligation bonds " . . . for acquiring, constructing, or equipping new corrections institutions, mental health and mental retardation institutions, and youth correction institutions . . ." Of the \$440 million, \$8.7 was earmarked for the El Paso Psychiatric Center. This amendment will also fund the construction of community psychiatric centers for Tarrant, Lubbock, and Webb counties.

Organization for Children's Services

TDMHMR made significant organizational changes to adapt to the increased emphasis on children's mental health programs. The position of Coordinator of Child and Adolescent Services was elevated to an Assistant Deputy Commissioner on the Executive Committee. For the first time, children were separately identified as a priority population to be served by TDMHMR. Nine state agencies cooperated in the revision of the plan for children's services which included new goals and objectives. In October 1991, the nine cooperating agencies issued a request for proposal to the mental health centers to distribute the \$22.1 million appropriation for children's services.

The Center did not make significant organizational changes until fiscal year 1994. A children's and adolescent unit coordinator was hired in December 1993 and a children and adolescent services unit was approved in June 1994.

Mental Health And Mental Retardation Services Provided By Life Management Center During Fiscal Year 1994

Program Title	Program Type	Program Description	Service Provided to:
Adolescent Substance Abuse Outpatient Treatment	MH	Provides individual, peer group, and family counseling services to adolescent substance abusers ages 13-17	youth
Children & Adolescents Mental Health Programs (CHAMPs)	MH	<p>Provides mental health services to individuals with "severe emotional disturbances."</p> <ul style="list-style-type: none"> • 24-hour emergency screening and crisis response system, assessment and treatment planning, case management, family preservation, and advocacy. • Services available through contract include counseling, medications monitoring, psychiatric and psychological evaluations, and therapeutic foster care. 	youth
Crisis Rape Outreach	MH	<p>Aids victims of sexual assault and their families through crisis; extending from the initial outcry and continuing through the medical and therapeutic follow-up; through the legal process and concluding when the victim is strong enough physically and mentally and feel they no longer are in need of our service.</p> <p>Training to hospital staff, police academy recruits, the district attorney's office, and professionals from other agencies.</p>	adults
Crisis HelpLine	MH	Telephone counseling, 24-hours, 7 days a week to consumers and the general community of El Paso.	both
Drug Abusers Services "Methadone Program"	MH	Utilizes methadone as a treatment medication in order to minimize illicit narcotic usage. The long-term goal is to detoxify the consumer from methadone and for the consumer to achieve a drug free state.	adults

Program Title	Program Type	Program Description	Service Provided to:
Helping Kids Cope Prevention Program	MH	Prevention/intervention program for youth who reside in a family/household where alcohol or drug abuse is a problem. Twelve curriculum-based support group sessions are provided which address such topics as substance abuse education, self-esteem enhancement, coping skills, career/vocational aspirations, communications skills, cultural pride and awareness, and parent/child bonding.	youth; ages 5-17
Homeless Outreach Team	MH	Provides assistance to homeless and at-risk persons who are either severely mentally ill, or mentally ill with chronic alcohol and other drug problems. Provides outreach services, screening and diagnostic treatment, services habitation and rehabilitation services, community mental health services, referral for primary health services, and job training.	adults
Memorial Park Community Support Program	MH	A psychosocial club house program which provides skill training on-site. Pre-vocational training, contract employment, as well as support employment services are offered to consumers. Program goal is to assist consumers to become successful in the community.	adults
Outpatient Clinics	MH	Medication, counseling, family education, and support services are provided to consumers who have been referred to the one of three clinics located in El Paso from the Screening and Assessment Unit (SANAR).	both
SANAR: Liaison	MH	Serves as the state facility liaison unit. Assesses consumer for appropriate in-patient treatment and stabilization, provides continuity of care for consumers discharged from state facilities, as well as those that are committed by the court for treatment.	adults
SANAR: Screening/Assessment	MH	Screen and assess each applicant's eligibility for long-term services according to priority population guideline determined by TDMHMR.	adults
Substance Abuse Services	MH	Addresses alcohol and substance abuse as a family disease and provides services to any person with a substance disorder. The program goal is to enhance, promote sobriety/abstinence, psychological/familial, and rehabilitative stability of the substance abuser.	adults

Program Title	Program Type	Program Description	Service Provided to:
Day Activity Programs	MR	Assists adults with mental disabilities who are having difficulties severe enough to prevent them from effectively coping with everyday living activities. Assists individuals to maintain their current level of functioning and provides structured day programming.	adults
Foster Care	MR	Provides individuals with mental retardation foster families who are able to offer a safe and healthy home environment.	both
Group Homes	MR	Four group homes provide home-like environments for individuals with mental retardation. Help consumers with severe to mild ranges of retardation to develop sense of social responsibility and experience more independence than provided in a state facility.	adults; 16 and up
Home and Community-Based Services	MR	Help individuals with mental retardation to live in the community, whether it be in their families' home or their own homes.	adults
In-Home Respite	MR	This program provides family members with time periods away from each other. Provides families with support in acquiring supervised care of family members.	adults
MR Outpatient Support Services	MR	Staff, including psychologist, social workers, and nurses provide comprehensive diagnosis and evaluation to each consumer to determine his or her individual level of functioning, and recommend and locate appropriate services. Assistance in transitioning from state facilities to less restrictive environments is also provided.	both
Task Masters	MR	Provides time-limited vocational training for individuals that are mentally challenged. Training is designed to prepare the individual for community integrated employment.	adults

Program Title	Program Type	Program Description	Service Provided to:
Child Development Services	MR	Provides early childhood intervention services for children, birth to three years of age, who have developmental delays. A team of professionals assess each child's development and assists the family in defining specific outcomes related to enhancing the child's developmental progress. Services provided may include parenting, counseling, physical, speech and occupational therapy, as well as nutritional services.	youth
In-home and Family Support Program (Voucher Program)	MR	Individuals are assisted to live independently in situations most like those experienced by people without mental disabilities. Provides funds to eligible individuals and their families for services or items that will support the family in the community and to keep their relative at home.	adults

Source: Directory of Services produced by Life Management Center

Appendix 5:

Construction Proposal Project Analysis

Applicant		Agency with Oversight	
XYZ Community Group		ABC Agency	
Project Description			
Educational/Rehabilitation Facility		SAMPLE FORMAT	
Project Location			
Anywhere, Texas			
Funding Source		Total Funds Available =	\$10,000,000
Budget Information			
1. Site Acquisition		\$200,000	\$200,000
2. Utility Extensions		150,000	150,000
3. Street/Road Work		0	0
4. Site Construction Cost			
a) Preparation		\$80,000	
b) Improvements		50,000	
c) Other spec. cond.		0	
d) Landscaping		15,000	
			145,000
5. Building Construction Costs	Sq. Ft.	Unit Cost	
a) New or Addition	60,000	\$85.00	5,100,000
b) Rehabilitation			
1)	10,000	\$100.00	1,000,000
2)			
3)			
6. Contingency (4+5)	Percent =	10.00%	624,500
7. Subtotal (4+5+6)			\$6,869,500
8. Escalation	months	36	0.20%
			494,604
9. TOTAL CONSTRUCTION COSTS:			7,364,104
(4+5+6+8)			
10. Services, Other Fees			
a) Survey			\$5,000
b) Geotechnical			6,000
c) Testing Allowance			8,000
d) Architect/Engineer	Fee % @	6.50%	478,667
Fees (design)			
e) Project Admin. and		4.00%	294,564
Inspection			
f) Legal & Miscellaneous			15,000
g) Other Fees, Consult.			
1) Communications			80,000
2) Data Systems			
3)			
Total Cost of Services			887,231
11. Furniture & Equipment			1,500,000
12. TOTAL PROJECT COST			\$10,101,335

SAMPLE FORMAT

Exdanation of terms:

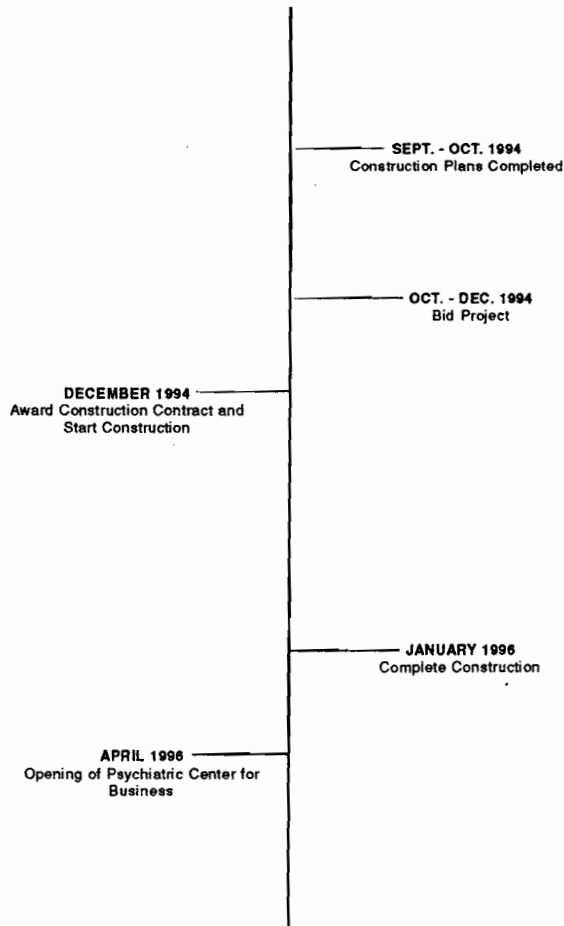
Site acquisition -	cost to obtain land for the structure to be built on
Utility extensions -	costs to bring water, sewer, electric, gas, etc. utilities to the site
Street/road work -	cost for any street or road extensions or modifications that are necessary to make the site work, also, could include traffic control work
Site construction costs:	costs directly related to the site which are required to construct the building
Preparation -	excavation and fill work, clearing the site, tree and vegetation protection, erosion control and other environmental measures required
Improvements -	parking lots, pavement, sidewalks, lighting, drainage systems, water and sewer, other utilities, other special site features
Landscaping -	permanent landscaping installation costs for the site
Building construction costs:	
New or Addition -	new structure to be built or structure to be added on to existing structure
Rehabilitation -	remodeling or renovation to existing structures
Contingency -	usually expressed as a percentage of costs to cover unexpected expenses that may arise
Escalation -	factored into construction building costs if construction is not expected to start right away - calculated by taking the current rate of inflation, dividing it by 12, and multiplying the result by the number of months until construction is expected to start
Services, other fees:	
Survey -	cost to survey the site where the project is to be located
Geotechnical -	report that describes the site soil conditions below the surface - this is necessary in order to design the foundation of the structure or paving
Testing allowance -	fees paid to a testing laboratory for materials testing and soil compaction tests throughout the project
Architect/Engineer fees -	fees paid to the design architect or engineer, usually a percentage of the construction cost
Project administration, inspection -	administrative costs to manage the construction process and to perform physical inspections, in addition to those performed by the design architect/engineer
Legal and miscel. -	legal fees associated with obtaining the site, utilities or any other aspect of planning that requires legal services
Other fees, consultants -	any other consultants that are necessary to complete any aspect of the project that are not normally included in design services Consultants could include communications - generally the owner or occupier of the project will hire this consultant to work in conjunction with the design architect
Furniture and equipment -	furnishings and equipment that will be a part of the project - they may be financed with the project or required to be included in the design of the project
Total construction costs -	all "hard cost" items that are constructed, fabricated or installed that result in the finished building, structure, facility, etc.
Total cost of services -	all "soft cost" items not part of building construction - the design and administrative aspect of the project
Total project cost -	the sum of all "hard costs" and "soft costs"

Timeline For El Paso Psychiatric Center Project

<p>Timeline For El Paso Psychiatric Center Project</p> <p><i>Actual Events: Through August 1994</i></p>	<p>FEBRUARY 1990</p> <p>Initial Proposal & Budget Developed For Psychiatric Facility</p>	<p>AUGUST 1988</p> <p>Exploratory Meeting/El Paso Advisory Task Force - Needs Cited For A Facility</p>
	<p>SEPTEMBER 1990</p> <p>Thomason Offers 6.1 AC. For Center Site</p>	<p>JANUARY 1991</p> <p>EPCRC Formed By Memo Of Understanding</p>
	<p>MARCH 1991</p> <p>Revised Program Needs & Construction Estimates Submitted To Senate Finance Committee</p>	<p>AUGUST 1991</p> <p>Ride Attached To MHMR Appropriations Budget For \$8,704,881 For New Psychiatric Facility</p>
	<p>NOVEMBER 1991</p> <p>Constitutional Amendment 4 Passes Authorizing Sale Of Bonds In Sept. 1992 For Psychiatric Facility</p>	<p>MARCH 1992</p> <p>* MHMR Reviews Site For Center * EPCRC Realizes Only \$7.3 M. Available For Construction</p>
	<p>OCTOBER 1992</p> <p>* MHMR Sends Draft Of Ground Lease For Site To Thomason For Approval * Architects Are Hired</p>	<p>JULY 1992</p> <p>MHMR Approves Site</p>
	<p>FEBRUARY 1993</p> <p>* Thomason Board Approves Lease * Bond Sale Occurs * 1st Work Session w/ Architects & EPCRC</p>	<p>JUNE 1993</p> <p>* Probable Cost Will Exceed Budget * Schematic Design Phase Submitted For 100% Approval</p>
	<p>OCTOBER 1993</p> <p>* Thermal Services Discussions Begin With Thomason * Architects Stop Work On Project Due To Decisions Needed On Thermal Services * Project Estimate Is \$275,693 Over Budget</p>	<p>AUGUST 1993</p> <p>Schematic Design Approved. Proceed To Design Development Phase Of Planning w/ Budget Cuts Incorporated Into Design Budget</p>
	<p>JANUARY 1994</p> <p>Probable Cost Estimate Is \$8,692,226</p>	<p>NOVEMBER 1993</p> <p>Architects Start Work Again, Use \$7.3 M. As Basis For Design Again</p>
	<p>MAY 1994</p> <p>Thermal Services Agreement Approved By Commissioner's Court</p>	<p>MARCH 1994</p> <p>* Architect Directed To Reduce Bldg. Space w/o Cutting Program * Redesign Of Floor Plan * Revised Project Schedule Due To Redesign</p>
	<p>JULY 1994</p> <p>Construction Budget Increased To \$8.3 M.</p>	<p>APRIL 1994</p> <p>* Work Stops Until Direction From Thomason On Thermal Services * MHMR Sends Letter Of Urgency To Thomason On Thermal Services</p>
		<p>JUNE 1994</p> <p>* \$9.3 M. Estimate From El Paso Estimate Firm * Design Development Documents Approved w/ Budget Cuts To \$7.3 M.</p>
		<p>AUGUST 1994</p> <p>* Construction Plan Schedule Accelerated * 50% Complete Construction Drawings Submitted</p>

Timeline For El Paso Psychiatric Center Project

Projected Events: September '94 - Opening



Copies of this report have been distributed to the following:

Legislative Audit Committee

Honorable James E. "Pete" Laney, Speaker of the House, Chair
Honorable Bob Bullock, Lieutenant Governor, Vice Chair
Senator John Montford, Chair, Senate Finance Committee
Senator Kenneth Armbrister, Chair, Senate State Affairs Committee
Representative Robert Junell, Chair, House Appropriations Committee
Representative Tom Craddick, Chair, House Ways and Means Committee

Governor of Texas

Honorable Ann W. Richards

Legislative Budget Board

Sunset Advisory Commission

Life Management Center For Mental Health and Mental Retardation Services Of El Paso

El Paso Crisis Resources Coordinating Council

Board Members, Chief Executive Officers, and Internal Auditors

Texas Department of Mental Health and Mental Retardation

Board Members
Karen Hale, Acting Commissioner
Olivia Flourney, Contract Manager
Tom Martinec, Director, Internal Audit