



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

109440

HUMAN RESOURCES
DIVISION



B-164031(5)

MAY 21, 1979

The Honorable William Proxmire
United States Senate

Dear Senator Proxmire:

As you requested on November 7, 1978, we investigated allegations that the Milwaukee Indian Health Board has mis-managed Federal funds. The complaints involved: *DLG 07624*

- Salary increases and bonuses for the executive director and similar increases for other employees.
- A consulting fee paid to the executive director before his employment.
- A reduced grant award.
- Overall poor management of Board funds.

SALARY OF THE EXECUTIVE DIRECTOR AND STAFF

Regarding the executive director, Board members told us that:

- The Board's policy is to review his performance following a 6-month probationary period and annually thereafter.
- Increases in his salary were based on assessments of his performance; reviews of the previous year's accomplishments; and increases in the size of the organization, its programs, and its funding level.
- Funds for the increases came from routine lapses of salary payments that occur through employee turnover.
- In view of the program's size and budget, his current salary of \$28,800 is in line with the salaries of other administrators in the Milwaukee area.



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--No Board members gained personally from granting the salary increases.

Although Board minutes do not document the factors considered in awarding the increases, we verified the increases in program budgets, the growth of the organization, and the comparability of the executive director's salary with the salaries of other program or organization administrators in the Milwaukee area.

As shown below, both the executive director's salary and the Board's budget have increased considerably in the past few years. The increases of April 1976 and April 1978 were paid in lump sums as bonuses.

| <u>Date of payroll action</u> | <u>Executive director's salary</u> | | | <u>Board's budget</u> | |
|-------------------------------|------------------------------------|-------------------------|--------------------------|-----------------------|--------------------------|
| | <u>Amount</u> | <u>Amount increased</u> | <u>Percent increased</u> | <u>Amount</u> | <u>Percent increased</u> |
| | (thousands) | | | | |
| 7/01/75 | \$15,500 | \$ - | - | \$ 87.5 | - |
| 4/01/76 | 17,500 | 2,000 | 13 | 87.5 | - |
| 7/01/76 | 20,000 | 2,500 | 14 | 97.0 | 11 |
| 7/16/77 | 24,000 | 4,000 | 20 | 350.0 | 260 |
| 4/07/78 | 28,800 | 4,800 | 20 | 1,800.0 | 414 |

We found that many local administrators of programs or organizations with budgets comparable to that of the Board received salaries larger than the executive director's.

According to an Indian Health Service project officer who monitors the Milwaukee program, the bonuses were attempts to keep the executive director from accepting other job offers. The executive director is an Indian with a master's degree in Public Health Administration, a combination of attributes that is necessary for the position and difficult to find.

The former fiscal controller denied the allegation that his resignation was prompted by pressures for unwarranted salary increases for the executive director. He said he had resigned to work full time on his master's degree.

To determine if other Board employees had received salary increases comparable to those of the executive director, we reviewed the personnel files of the 55 persons employed by the Board on March 1, 1979. Forty-four of the 55 worked full time. Of the 12 full-time employees who had worked for more than 1 year with the Board, 5 had received salary increases ranging from 23 to 39 percent. Of the 32 full-time employees with less than 1 year of employment, 3 had received salary increases ranging from 13 to 28 percent. The primary factor in all eight salary increases was a change in position with attendant changes in duties. (Other employees received smaller percentage increases in salary based on their performance.)

The executive director and the supervisors under him are responsible for employee salary increases. Their policy is to evaluate performance following a 6-month probationary period and annually thereafter. A personnel committee is developing a formal policy on staff salary increases.

CONSULTING FEE PAID TO
THE EXECUTIVE DIRECTOR

Board records show that the executive director was paid \$586--\$322 for consultant services and \$264 for travel costs--for a week of visits and observations of Indian health clinics in California. The executive director performed this service before reporting to duty in Milwaukee. According to the Board, the executive director, who was in California completing his master's program, benefited from reviewing a more mature project before coming to work in Milwaukee.

FUNDING CUTBACK

However
DLG 01/16/24
According to the allegation, the Board's funding had been reduced partly because of mismanagement. We believe the funding reduction referred to involves a grant award from the Wisconsin Department of Health and Social Services for maternal and child health services. The Board applied for a \$786,000 grant but was awarded only \$150,000.

A representative of that State department explained that the Board had not been singled out for a grant reduction. Funds available to Wisconsin for maternal and child health program services during fiscal year 1979 had been reduced, while the number of applicants had increased. The Board received the 7th largest of 60 grants.

According to the executive director, he was unaware of the reduced funding and continued to hire personnel until the drastic cutback became evident 5 days before the beginning of fiscal year 1979. The executive director said that, if he had not hired staff and continued operations in accordance with the expected funding level, the program would have become immobilized.

OVERALL MANAGEMENT

As for allegations of poor management of funds:

- Fiscal year 1978 telephone costs totaled \$11,370. Telephone and paging equipment is leased at an annual cost of \$6,718. The lease period covers 3 years, and costs would be much higher if leases were not used.
- Travel expenses during fiscal year 1978 were approximately \$20,000, as alleged by the complainants. These expenses included local and out-of-town car mileage, per diem, car rentals, taxi fares, telephone calls, and other costs.

A June 1977 trip to San Francisco, questioned by the complainants, was to attend a 3-day meeting of the American Indian Health Care Association. Minutes of a board of directors meeting show that five persons were chosen to attend: the executive director, another employee, and three members of the board of directors. The board of directors explained that, because its members are not health experts, they need to attend such meetings to learn about national health care issues. The executive director said the meeting was held in California because over one-fourth of all urban programs funded by the Indian Health Service are located there, as is the American Indian Health Care Association--the leading national policymaker for urban Indian programs.


Questions were also raised about whether (1) the executive director used sound administrative practices in operating a separate department and (2) skilled personnel were allowed to do the work for which they had been hired. We were unable to pursue the matter of a separate department because we could

neither identify the department in question nor locate the person who apparently made the allegations. In response to the complaint of questionable use of skilled personnel, officials said such employees work in the areas for which they were hired.

During 1978, the Board was audited by an independent certified public accountant and the Wisconsin Department of Health and Social Services and evaluated in program or technical reviews, by representatives of the Department of Health, Education, and Welfare's Urban Health Initiative Program, the Aberdeen Area Indian Health Service, and the Maternal and Child Health Consultants. Although none of these reviews disclosed mismanagement, one program report questioned the funding of a maternal and child health demonstration project by the State Department of Health and Social Services because the grant application lacked precise information about services to be provided. Another review, however, indicated that the Board could serve as a model for other urban projects starting and organizing a comprehensive Indian health program.

We believe that this letter satisfies your request. As agreed with your office, we are sending copies to the Milwaukee Indian Health Board and to the Director, Indian Health Service, Department of Health, Education, and Welfare.

Sincerely yours,


Gregory J. Ahart
Director