Measurement of Risks Arising from Utilization of Funds Allocated for the Alcoholism and Drug Addiction Prevention Program

Compendium of the Audit Operations

The State Audit Office audited the utilization of funds allocated for the "Alcoholism and Drug Addiction Prevention Program in 1997-2007" (henceforth the Program) and the control system established for the prevention of abuse and exploitative abuse of the funds of the program at the Ministry of Social Affairs and Health Education Center.

The purpose of the audit was to measure whether the Ministry of Social Affairs and Center of Health Education had managed the mains risks and whether some of the funding allocated for the program had been exploitatively abused, but also provide some recommendations aimed at avoiding such abuse in the future.

The program is funded from the state budget. During the year under audit - in 2001 - 6.37 million kroons were allocated for alcoholism and drug prevention. In 2002, 6.25 million kroons were allocated for that purpose.

In 2001, the decisions related to the selection of projects to be funded were taken by the Program Council, located at the Ministry of Social Affairs. The decisions taken by the Council were used as the basis for concluding contracts with the implementing agencies by Estonian Center of Health Education (state agency administrated by the Ministry of Social Affairs); the latter had also concluded contract with the Estonian Drug Prevention Foundation.

The activities of the Program Council at the ministry were terminated in 2002. The final selection of projects is currently carried out at the Center of Health Education. The Council of Experts exercising advisory rights has been established at the Center of Health Education with the purpose of analyzing the projects funded within the framework of the program and making respective selections.

In course of the audit we found out that 1.5 million kroons of the program funding have been exploitatively abused[1]. We have come to a conclusion that both the organizational aspects and management of the program have facilitated the abuse and exploitative abuse of the funds.

1. Although the Government is responsible for the implementation of the program, it has failed to define the objectives and expected outcome of the program during a given financial year. This was also not done by the Ministry of Social Affairs although the program was implemented within the jurisdiction of the ministry. The task of the definition of the annual objectives and expected outcome of the program was laid with the project administrator - Center of Health Education - that was supposed to concert these with the Program Council.

2. The Program Council had adopted no criteria for the selection of the projects; the selection process was vague; no analysis of the cost-benefit ratios of the projects were carried out. All the decisions taken at the Council were not documented.

3. The funding was made available for the Drug Prevention Foundation from the program resultant of public procurement. Both the ministry and Center of Health Education had no control over the utilization of some of the funds (the Foundation also failed to submit respective information to the State Audit Office).

None of the public materials explained - and couldn't explain for the reasons given above - what did the ministry and other levels do to reduce drug addiction and related damages. These main conclusions are supported by the omissions found in course of the audit performed:

- There were two institutions, allocating the funds in accordance to the decisions taken by the Program Council - Center of Health Education and Drug Prevention Foundation. As the Chairman of the Supervisory Board of the Foundation was simultaneously the member of the Program Council that allocated money and appeared as a sub-contractor and project partner arising from the agreement concluded with the Foundation there was a conflict of interests.

- Center of Health Education, acting as the program managing authority, spent 10% of the total program budget for project administration (the Minister had only allocated 2,5% as the expenditures of the managing authority; respective changes in the budget were not made during the accounting year but later).
- Drug Prevention Foundation kept 871,500 kroons or 21% of the total funding made available for the institution (4.07 million kroons) for project management while the reasonable amount would have been 5%.
- Drug Prevention Foundation concluded contracts with hospitals of Ida-Viru county that were terminated later and were provided no financing. The audit team was unable to find any track the amount of 120,000 kroons allocated for the contracts.
- In seven occastions (the respective amount being 445,400 kroons), Drug Prevention Foundation concluded sub-contracts persons whose projects were not approved by the Program Council or rejected altogether by the Council.
- Drug Prevention Foundation failed to give any evidence concerning the utilization of a part of the program funding, amounting to 325,000 kroons[2].

Recommendations Made by State Audit Office

State Audit Office makes the following recommendations to the Minister of Social Affairs, aimed at solving the problems specified above:

- The objectives of the program should be defined and approved each year, accompanied by the resources allocated for achieving these objectives.
- Elaboration of projects required for the implementation of the program, arising from the number (size) of risk groups and prevalence of drug addiction.
- Wording of the criteria used for selection of projects submitted for funding and requirements for the information to be supplied by the applicant. Establishment of requirements for on-the-sport control of the potential beneficiary.
- Establishment of well-justified standard expenses for program administration.
- Establishment of requirements for centers of rehabilitations and licensing of the providers of the services.
- Public disclosure of all the projects, amounts paid, persons that have received the funding, expenditures and outcome of the efforts.
- Elaboration and implementation of sanctions in case the contracting parties participating in contracts concluded with the purpose of drug prevention have failed to meet their obligations.
- Reclamation of amounts received during the period the contract was violated from Drug Prevention Foundation.

The Ministry of Social Affairs admitted the omissions and deficiencies stated above in its letter sent to the State Audit Office as a response to the inspection report and intends to apply regulations and control mechanisms aimed at elimination of such omissions. The Ministry has started the elaboration of positions for prevention and rehabilitation activities, standards for the provision of certain services and requirements to be laid down for licensing of providers or treatment and rehabilitation services.

This year, the Ministry has established a monitoring commission responsible for controlling the quality of management and expediency of all the health care programs.

In 2002, no contract was concluded with the Drug Prevention Foundation and the organization was denied the role of a cooperation partner within the framework of the program. State Audit Office expects the intended changes to provide a better basis for program management but is still not convinced whether the reorganization carried out shall prevent exploitative abuse of the funds in the future. The Minister of Social Affairs should review both the program management systems and issues raised by the implementing agencies.

State Audit Office considers it necessary for the Minister of Social Affairs to submit the Government of the Republic a report on the implementation of the drug prevention program, extending to 6 years. This report should be used by the Government for up-dating the aims and purposes of the program and planning activities for the next years. Some considerations should be given to segregation of activities related to alcoholism as a separate program as presently too little attention has been given to alcoholism issues within the framework of the program.

State Audit Office has decided to transfer the materials obtained to investigative bodies to have the doubts concerning the exploitative abuse of the funds by Drug Prevention Foundation investigated, but also for obtaining a more specific opinion whether there were corruptive relations between the Program Council and management of the Foundation that may have influenced the allocation of the funds.

Jüri Kõrge
Head of Department of Audit of Operational Risks