

PERFORMANCE AUDIT
OF
WEST MICHIGAN COMMUNITY MENTAL HEALTH SYSTEM

AN AGENCY UNDER CONTRACT WITH THE
DEPARTMENT OF COMMUNITY HEALTH

June 2001

EXECUTIVE DIGEST

WEST MICHIGAN COMMUNITY MENTAL HEALTH SYSTEM

INTRODUCTION

This report, issued in June 2001, contains the results of our performance audit* of West Michigan Community Mental Health System (WMCMHS), an agency under contract with the Department of Community Health (DCH).

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are routinely conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.

BACKGROUND

WMCMHS was formed by the consolidation of the Lake County, Mason County, and Oceana County Community Mental Health Boards in 1996 and operates under the provisions of the Mental Health Code, being Sections 330.1001 - 330.2106 of the *Michigan Compiled Laws*.

WMCMHS, under provisions of the Mental Health Code (Section 330.1205), held a series of public hearings and was granted community mental health authority* status by Lake, Mason, and Oceana Counties and was recognized as an authority by DCH and the Department of State, effective January 1, 1998.

* See glossary at end of report for definition.

WMCMHS's mission* is to ensure customer-centered and resource-sensitive solutions to the behavioral health problems and needs of individual citizens from the three counties in its service area and to enhance the overall behavioral health status of the three-county community.

WMCMHS's operations are generally funded by State, federal, and local* funds. WMCMHS reported revenues of approximately \$13.1 million and \$12.9 million and expenditures of approximately \$12.2 million and \$10.7 million in fiscal years 1999-2000 and 1998-99, respectively.

As of September 30, 2000, WMCMHS had 135 employees and was serving 1,893 developmentally disabled* and mentally ill* consumers*.

**AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS**

Audit Objective: To assess WMCMHS's effectiveness and efficiency related to the delivery of services.

Conclusion: **WMCMHS was generally effective and efficient in the delivery of services.** However, we noted reportable conditions* related to criminal history background checks and case file documentation (Findings 1 and 2).

Noteworthy Accomplishments: WMCMHS reported several initiatives to improve its organization's operations to service the mental health needs of citizens in Lake, Mason, and Oceana Counties.

WMCMHS contracted with an independent consultant to review WMCMHS's operations to recommend improvements that would help ensure that it would successfully comply with all DCH and Joint Commission on

* See glossary at end of report for definition.

Accreditation of Health Organizations* (JCAHO) review standards. WMCMHS also wanted to increase effectiveness and efficiency in order to successfully bid on a contract to provide community health services in 2002. The independent consultant reviewed WMCMHS's operations and worked with its staff for approximately six months in fiscal year 1998-99 to incorporate these improvements.

Partially based on the results of the independent consultant's review, WMCMHS developed an infrastructure to encourage improved performance to further its continuous quality improvement* process. The infrastructure includes a performance appraisal process, a variable compensation plan, an information system, and the development of an organizational structure to assist in the implementation of a sophisticated continuous quality improvement process. WMCMHS also developed various monitoring tools, including a performance improvement plan and a performance improvement oversight committee, specific outputs and standards, the Michigan Mission Based Performance Indicator System*, and surveys of consumers and community stakeholders.

In April 2000, WMCMHS became one of 18 organizations, nationally, to receive accreditation as a managed care organization* from JCAHO. JCAHO also accredited WMCMHS for the delivery of mental health services. However, WMCMHS is now able to oversee the delivery of mental health services among providers. WMCMHS is one of 10 mental health care providers currently in Michigan with this certification; 5 of these 10 are community mental health care providers receiving State funds.

* See glossary at end of report for definition.

Audit Objective: To assess WMCMHS's effectiveness in accounting for capitated payments* and associated expenditures.

Conclusion: WMCMHS was generally effective in accounting for capitated payments and associated expenditures. However, our assessment disclosed a material condition* related to WMCMHS's financial reporting of capitated payments and associated expenditures:

- During fiscal year 1998-99, WMCMHS notified DCH that it had established a reserve account for land improvements in order to fund future capital outlay projects. WMCMHS then allocated the estimated costs of two future capital outlay projects to its contract with DCH. However, reporting costs that have not yet been incurred is not in compliance with the Mental Health Code, the terms of WMCMHS's contract with DCH, or federal Medicaid financing guidelines. As a result, DCH reimbursed WMCMHS approximately \$1 million for costs that WMCMHS did not incur and were not allowable according to State and federal regulations. (Finding 3)

WMCMHS disagreed with our conclusion regarding the establishment of a reserve account. WMCMHS responded that prudent and exhaustive efforts were made to communicate with DCH throughout the process of establishing the reserve account and that, at no time, was WMCMHS told that establishing the reserve account was contrary to relevant laws and accounting guidelines (see agency preliminary response to Finding 3 in the body of this report).

* See glossary at end of report for definition.

WCMCHS added that copies of the correspondence between WCMCHS and relevant parties (DCH and its public accounting firm) are available from WCMCHS.

Audit Objective: To assess WCMCHS's effectiveness in monitoring services provided by contract organizations.

Conclusion: **WCMCHS was generally effective in monitoring services provided by contract organizations.** However, we noted a reportable condition pertaining to specialized residential services provider* contract administration (Finding 4).

Audit Objective: To assess the effectiveness of WCMCHS's transition to, and operation as, a community mental health authority.

Conclusion: **WCMCHS made an effective transition to, and effectively operated as, a community mental health authority.**

AUDIT SCOPE AND
METHODOLOGY

Our audit scope was to examine the program and other records of West Michigan Community Mental Health System. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

To accomplish our objectives, we examined WCMCHS's records and activities for the period October 1, 1998 through September 30, 2000. We reviewed consumer case files to determine whether admissions and

* See glossary at end of report for definition.

discharges were completed in accordance with specified rules and whether services provided were based on a consumer's individual plan of service*. We also reviewed WMCMHS's goals* and objectives* and related performance measures. In addition, we surveyed consumers and referral sources (survey summaries are presented as supplemental information) and analyzed their feedback. Further, we reviewed WMCMHS's efforts to ensure that criminal history background checks of WMCMHS and contractors' employees were completed and we obtained criminal history background checks of WMCMHS and contractors' employees who have direct contact with consumers.

We reconciled capitated and general fund* payment amounts and tested expenditures to determine if they were matched to the correct funding source. Also, we analyzed contract language and visited three residential services providers to determine whether consumer case files were current and WMCHMS staff were monitoring contract terms. In addition, we analyzed, documented, and tested procedural requirements of the Mental Health Code to assess WMCMHS's transition to a community mental healthy authority.

AGENCY RESPONSES

Our audit report includes 4 findings and 5 corresponding recommendations. WMCMHS's preliminary response indicated that it generally agreed with 3 of the findings and disagreed with 1 finding. In addition, WMCMHS responded that it had initiated or completed corrective actions for the recommendations with which it agreed.

* See glossary at end of report for definition.

June 8, 2001

Mr. Harold Madden, Chairperson
West Michigan Community Mental Health System Board of Directors
606 North Harrison
Ludington, Michigan
and
Kim Halladay, Ph.D., Executive Director
West Michigan Community Mental Health System
920 Diana Street
Ludington, Michigan
and
Mr. James K. Haveman, Jr., Director
Department of Community Health
Lewis Cass Building
Lansing, Michigan

Dear Mr. Madden, Dr. Halladay, and Mr. Haveman:

This is our report on the performance audit of West Michigan Community Mental Health System, an agency under contract with the Department of Community Health.

The report contains our executive digest; description of agency; audit objectives, scope, and methodology and agency responses; comments, findings, recommendations, and agency preliminary responses; charts showing revenues, expenditures, and unduplicated consumer headcount and survey summaries, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's written comments and oral discussion subsequent to our audit fieldwork.

We appreciate the courtesy and cooperation extended to us during the audit.

AUDITOR GENERAL

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Description of Agency

West Michigan Community Mental Health System (WMCMHS) was formed by the consolidation of the Lake County, Mason County, and Oceana County Community Mental Health Service Boards in 1996 and operates under the provisions of the Mental Health Code, being Sections 330.1001 - 330.2106 of the *Michigan Compiled Laws*.

WMCMHS, under provisions of the Mental Health Code (Section 330.1205), held a series of public hearings and was granted community mental health authority status by Lake, Mason, and Oceana Counties and was recognized as an authority by the Department of Community Health and the Department of State, effective January 1, 1998.

WMCMHS's mission is to ensure customer-centered and resource-sensitive solutions to the behavioral health problems and needs of individual citizens from the three counties in its service area and to enhance the overall behavioral health status of the three-county community.

WMCMHS has service locations in Baldwin (Lake County), Ludington (Mason County), and Hart (Oceana County). WMCMHS's administrative office is located in Ludington. WMCMHS's Board of Directors is composed of 12 members, with 2 residing in Lake County and 5 each residing in Mason and Oceana Counties. Board members are appointed to three-year, staggered terms.

WMCMHS's operations are generally funded by State, federal, and local funds. WMCMHS reported revenues of approximately \$13.1 million and \$12.9 million and expenditures of approximately \$12.2 million and \$10.7 million in fiscal years 1999-2000 and 1998-99, respectively.

As of September 30, 2000, WMCMHS had 135 employees and was serving 1,893 developmentally disabled and mentally ill consumers.

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

Our performance audit of West Michigan Community Mental Health System (WCMCHS), an agency under contract with the Department of Community Health (DCH), had the following objectives:

1. To assess WCMCHS's effectiveness and efficiency related to the delivery of services.
2. To assess WCMCHS's effectiveness in accounting for capitated payments and associated expenditures.
3. To assess WCMCHS's effectiveness in monitoring services provided by contract organizations.
4. To assess the effectiveness of WCMCHS's transition to, and operation as, a community mental health authority.

Audit Scope

Our audit scope was to examine the program and other records of West Michigan Community Mental Health System. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

Our audit procedures were performed between July and September 2000 and included an examination of WCMCHS's records and activities for the period October 1, 1998 through September 30, 2000.

To accomplish our first objective, we reviewed applicable statutes, administrative rules, and WCMCHS policies and procedures. We interviewed agency employees and evaluated internal control*. We reviewed a sample of consumer case files to determine

* See glossary at end of report for definition.

whether admissions and discharges were completed in accordance with specific rules and whether services were provided based on a consumer's individual plan of service. We also reviewed WMCMHS's goals and objectives and related performance measures used to evaluate programs. We examined outcomes* to determine if WMCMHS met its stated goals and objectives. Also, we surveyed consumers and referral sources (survey summaries are presented as supplemental information) and analyzed their feedback. In addition, we reviewed WMCMHS's efforts to ensure that criminal history background checks of WMCMHS and contractors' employees were completed. Further, we obtained criminal history background checks of WMCMHS and contractors' employees who have direct contact with consumers. These checks were completed by the Michigan Department of State Police, which matched criminal activity to individuals by social security number, name, and date of birth.

To accomplish our second objective, we met with WMCMHS staff to obtain an understanding of the capitated payment process. We reconciled capitated and general fund payment amounts and tested expenditures to determine if they were matched to the correct funding source. Also, we tested WMCMHS compliance with DCH financial reporting requirements.

To accomplish our third objective, we obtained and reviewed a listing of WMCMHS's current contracts and documented controls used to obtain bids and award contracts. We analyzed contract language and met with WMCMHS staff to determine the type of standards used to measure contractor performance. Also, we visited three residential services providers to determine whether consumer case file records were current, support coordinators were making regular contact with consumers, and WMCMHS staff were monitoring contract terms.

To accomplish our fourth objective, we met with WMCMHS staff to identify the benefits and disadvantages of becoming an authority. We analyzed, documented, and tested procedural requirements of the Mental Health Code to assess WMCMHS's transition to a community mental health authority. In addition, we interviewed WMCMHS staff and reviewed documentation to determine that consumers were not adversely affected by the transition.

* See glossary at end of report for definition.

Agency Responses

Our audit report includes 4 findings and 5 corresponding recommendations. WCMCHS's preliminary response indicated that it generally agreed with 3 of the findings and disagreed with 1 finding. In addition, WCMCHS responded that it had initiated or completed corrective actions for the recommendations with which it agreed.

The agency preliminary response which follows each recommendation in our report was taken from WCMCHS's written comments and oral discussion subsequent to our audit fieldwork.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS AND EFFICIENCY OF THE DELIVERY OF SERVICES

COMMENT

Audit Objective: To assess West Michigan Community Mental Health System's (WMCMHS's) effectiveness and efficiency related to the delivery of services.

Conclusion: WMCMHS was generally effective and efficient in the delivery of services. However, we noted reportable conditions related to criminal history background checks and case file documentation.

Noteworthy Accomplishments: WMCMHS reported several initiatives to improve its organization's operations to service the mental health needs of citizens in Lake, Mason, and Oceana Counties.

WMCMHS contracted with an independent consultant to review WMCMHS's operations to recommend improvements that would help ensure that it would successfully comply with all Department of Community Health (DCH) and Joint Commission on Accreditation of Health Organizations (JCAHO) review standards. WMCMHS also wanted to increase effectiveness and efficiency in order to successfully bid on a contract to provide community health services in 2002. The independent consultant reviewed WMCMHS's operations and worked with its staff for approximately six months in fiscal year 1998-99 to incorporate these improvements.

Partially based on the results on the independent consultant's review, WMCMHS developed an infrastructure to encourage improved performance to further its continuous quality improvement process. The infrastructure includes a performance appraisal process, a variable compensation plan, an information system, and the development of an organizational structure to assist in the implementation of a sophisticated continuous quality improvement process. WMCMHS also developed various monitoring tools, including a performance improvement plan and a performance improvement oversight committee, specific outputs and standards, the Michigan Mission

Based Performance Indicator System, and surveys of consumers and community stakeholders.

In April 2000, WMCMHS became one of 18 organizations, nationally, to receive accreditation as a managed care organization from JCAHO. JCAHO also accredited WMCMHS for the delivery of mental health services. However, WMCMHS is now able to oversee the delivery of mental health services among providers. WMCMHS is one of 10 mental health care providers currently in Michigan with this certification; 5 of these 10 are community mental health care providers receiving State funds.

FINDING

1. Criminal History Background Checks

WMCMHS should improve its procedures to ensure that criminal history background checks of employees are performed and evaluated prior to and periodically during employment and to require that contractors complete similar reviews of their employees. This information will allow WMCMHS to better ensure the safety of its consumers.

Section 330.1708 of the *Michigan Compiled Laws* states that mental health services shall be provided in a safe, sanitary, and humane treatment environment. Further, *Michigan Administrative Code R 400.14201* (Adult Foster Care Small Group Home Rules) states that a licensee (a contractor licensed to provide specialized residential services) shall provide the name of any employee or volunteer who is under the direction of the licensee who is on a court-supervised probation or parole or who has been convicted of a felony.

To determine the extent that criminal history background checks were completed by WMCMHS or its residential services providers, we reviewed the personnel functions of WMCMHS. We also reviewed criminal history background check procedures of four residential services providers who were regulated by *Michigan Administrative Code R 400.14201*. We reviewed 9 current employee files for documentation of criminal history background checks. Further, we obtained criminal history background checks for 128 of WMCMHS's employees and also for 6 employees of WMCMHS's residential services providers. Our review disclosed:

- a. WMCMHS policy did not require that criminal history background checks be obtained for its employees prior to employment. Our review of WMCMHS

personnel files disclosed that criminal history background checks had not been performed for 5 (56%) of the 9 current employees in our review. However, WMCMHS staff informed us that, beginning in April 2000, they began requiring job applicants to complete and sign a driver license check and consent for background check form. This form authorizes the release of driving record and criminal conviction information prior to employment. Based on the results of this check, WMCMHS may revoke the offer of employment.

- b. WMCMHS did not periodically perform criminal history background checks of employees after they were hired. Our review of criminal history background checks, obtained as part of our audit, disclosed that 9 of 128 current WMCMHS employees had felony convictions, 4 of which had occurred after they were hired by WMCMHS.
- c. Two of the 4 (50%) residential services providers were not conducting criminal history background checks of all their employees. They stated that they did not realize that criminal history background checks were required by their contract with WMCMHS. The two residential services providers that completed criminal history background checks did so because of their own internal policy requirements.

A felony conviction would not preclude an individual from working for WMCMHS or its residential services providers. WMCMHS management indicated that, generally, employees convicted of felonies relating to serious crimes would not be allowed to have direct contact with WMCMHS's consumers. By obtaining criminal history background checks and monitoring contractors' employees with a felony background, WMCMHS could better ensure that its consumers are receiving services in a safe environment.

RECOMMENDATION

We recommend that WMCMHS improve its procedures to ensure that criminal history background checks of employees are performed and evaluated prior to and periodically during employment and to require that contractors complete similar reviews of their employees.

AGENCY PRELIMINARY RESPONSE

WMCMHS responded that, while there is no mandated requirement to conduct criminal history background checks and although it has become routine practice to engage in this practice for several years, WMCMHS agreed with the finding.

WMCMHS also indicated that a formal policy has been developed and approved by its governing board to conduct criminal history background checks at the time of hiring, as well as periodically throughout employment for all employees. WMCMHS added that the policy also requires its contracted providers to conduct criminal history background checks on their employees.

FINDING

2. Case File Documentation

WMCMHS needs to improve its case file documentation to help ensure that consumer case files are complete and accurate and that consumers receive appropriate services.

Section 330.1712 of the *Michigan Compiled Laws* specifies that WMCMHS use a person-centered planning process* to develop written plans of services and that consumers be actively involved in planning and setting their own goals. At WMCMHS, case managers* link consumers to the public mental health system and coordinate various services for the purpose of achieving successful outcomes. Case managers are responsible to the consumer for five general activities: 1) assessing consumer needs; 2) planning the consumer's individual plan of service; 3) referring the consumer to the needed service; 4) monitoring service delivery to the consumer; and 5) advocating for the service delivery system on the consumer's behalf. Consequently, all consumer case files must contain appropriate documentation to show that WMCMHS provided appropriate services to its consumers.

* See glossary at end of report for definition.

To determine whether services delivered to consumers were properly documented, we reviewed the case files of 40 consumers. Our review disclosed:

- a. Four (10%) case files did not include an annual revision of the consumer's individual plan of service. The plan revisions for these cases were 16 to 24 months overdue. The Medicaid Services Administration Manual requires annual updating of the plans to ensure that consumer treatment is properly monitored.
- b. Three (8%) case files did not contain a signed treatment consent form. This form documents consumers' awareness of their course of treatment. It also provides documentation that consumers were informed of their recipient rights.
- c. One (3%) case file did not include a signed medication treatment consent form when physicians prescribed medication. *Michigan Administrative Code R 330.1758(8)(a)* requires that a service provider shall not administer prescribed psychotropic medications to a consumer unless the consumer consents. Proper documentation would ensure that the consumer did consent to the medication treatment.
- d. Three (8%) case files did not document that consumers received treatment services within required time frames. WMCMHS procedures provide specific time frames for the delivery of program services. For example, when services are determined to be urgent, disposition is required within 24 hours. For services determined to be routine, disposition is required within 14 days, with the consumer receiving ongoing services within 15 days of assessment.
- e. Seven (18%) case files did not include documentation that WMCMHS's Access Program performed follow-up with consumers after discharge. These case files were closed from 2 to 6 months and the files did not contain documentation of the case dispositions. Proper documentation would help ensure that consumers were provided effective care consistent with DCH standards.

To effectively monitor consumers' progress and provide appropriate services, staff need access to complete and accurate consumer case files.

RECOMMENDATION

We recommend WMCMHS improve its case file documentation to help ensure that consumer case files are complete and accurate and that consumers receive appropriate services.

AGENCY PRELIMINARY RESPONSE

WMCMHS responded that the charting errors identified through the audit have been corrected for all but two of the items, one of which was not returned and one of which was regarding consent, which WMCMHS would need to obtain from a customer who has been out of WMCMHS's service delivery system for two years. WMCMHS added that it has improved its process for monitoring clinical record documentation, which includes peer review and the oversight of WMCMHS's Performance Improvement Committee to integrate record review and documentation compliance information with its continuous quality improvement system in order to increase accountability and improve staff performance. WMCMHS further stated that it has also embarked on the implementation of an electronic clinical records system that in time will provide enhanced documentation reporting and tracking against documentation completion standards.

CAPITATED PAYMENTS AND ASSOCIATED EXPENDITURES

COMMENT

Audit Objective: To assess WMCMHS's effectiveness in accounting for capitated payments and associated expenditures.

Conclusion: **WMCMHS was generally effective in accounting for capitated payments and associated expenditures.** However, our assessment disclosed a material condition related to WMCMHS's financial reporting of capitated payments and associated expenditures.

FINDING

3. Financial Reporting

WMCMHS established a reserve account for land improvements that was not in compliance with the Mental Health Code or its contract with DCH and funded the reserve account by allocating costs for future capital outlay projects to its contract

with DCH during fiscal year 1998-99. As a result, DCH reimbursed WMCMHS approximately \$1 million for costs that WMCMHS did not incur and were not properly reported as required by State and federal regulations.

In accordance with the Mental Health Code, WMCMHS was granted status as a community mental health authority. Section 330.1205(4)(h) of the *Michigan Compiled Laws* allows community mental health authorities to establish reserve accounts for specified purposes. However, this does not include establishing a reserve for land improvements. The Mental Health Code would allow WMCMHS to establish a reserve for depreciation, which would allow WMCMHS to depreciate existing capital assets and then charge depreciation expenses to its contract with DCH. However, allocating costs for future construction projects is not allowable under the provisions of the Mental Health Code or WMCMHS's contract with DCH.

WMCMHS established the reserve to finance the future construction of a day program facility and to make improvements to a WMCMHS parking lot. WMCMHS obtained the funds for this reserve account during fiscal year 1998-99 by allocating the expected construction costs of these projects to its contract with DCH.

WMCMHS staff informed us that they believed that the reserve established for land improvements was allowable under the Mental Health Code. WMCMHS notified DCH that it had established a reserve for future land improvements and WMCMHS reported the reserve account in its financial status reports, submitted quarterly to DCH.

Prior to establishing the reserve, WMCMHS contacted a public accounting firm and DCH in fiscal year 1998-99 to determine if, as a community mental health authority, it could establish a reserve account for land improvements and allocate to its contract with DCH the estimated costs of two capital improvement projects. WMCMHS staff reported that WMCMHS's public accounting firm told them that establishing this reserve account was allowable and also that they believed that they had received DCH's approval to establish this reserve account and to allocate the expected costs of the capital improvement projects to the contract with DCH. However, based on our review of DCH's written response and on discussions with DCH staff, we concluded that DCH had not approved WMCMHS's request.

DCH provides revenue to WMCMHS based on the terms of DCH's managed specialty supports and services contract. This contract requires WMCMHS to

submit financial status reports, on a quarterly basis, for each fiscal year. Because most of WCMHS's fiscal year 1998-99 expenditures were for Medicaid eligible consumers, these costs were charged to both State and federal funding sources and were, therefore, subject to both State and federal funding guidelines.

Also, in accordance with Section 330.1242(c) of the *Michigan Compiled Laws*, any cost item that does not represent or constitute a "real or actual expenditure" is not eligible for State financial support. Consequently, the costs reported by WCMHS that had not yet been incurred did not qualify for State financial support. Federal cost principles (U.S. Office of Management and Budget Circular A-87) specify that costs must be necessary and reasonable and also not prohibited under State laws and regulations to be eligible for federal financial support. Because these costs are prohibited by State law, they do not qualify for federal financial support.

RECOMMENDATIONS

We recommend that WCMHS ensure that reserve accounts are established and funded in compliance with the Mental Health Code and its contract with DCH.

We also recommend that WCMHS return reimbursements received from DCH that were not based on actual costs.

AGENCY PRELIMINARY RESPONSE

WCMHS disagreed with this finding. WCMHS responded that, as a community mental health authority, it was not allowed to borrow funds during this time and that it needed to plan financing to construct a replacement developmental disability day activity program as well as to make parking lot improvements. Because WCMHS was allowed to establish an internal service fund for future expenditures, WCMHS asked DCH for approval for the establishment of a similar reserve account under Section 205(4)(h) of the Mental Health Code (Section 330.1205(4)(h) of the *Michigan Compiled Laws*) for these projects. WCMHS indicated that it believed that DCH investigated this and confirmed compliance with the Mental Health Code as well as its contract with DCH and confirmed its approval in writing to WCMHS, as it historically had done. WCMHS added that it then established these accounts, believing it had received DCH's approval and that these accounts are, therefore, allowable.

MONITORING OF CONTRACTED SERVICES

COMMENT

Audit Objective: To assess WCMHS's effectiveness in monitoring services provided by contract organizations.

Conclusion: **WCMHS was generally effective in monitoring services provided by contract organizations.** However, we noted a reportable condition pertaining to specialized residential services (SRS) provider contract administration.

FINDING

4. SRS Provider Contract Administration

WCMHS should improve its procedures for administering and monitoring contracts for SRS to ensure that contracts are executed on a timely basis and that payments are made in accordance with contract provisions.

During fiscal years 1999-2000 and 1998-99, WCMHS contracted with 12 SRS providers to operate 14 homes. Total payments on these contracts were approximately \$2.4 million for each fiscal year.

We reviewed WCMHS's administration and monitoring of SRS contracts and noted:

- a. WCMHS and SRS providers did not renew contracts on a timely basis. We selected 3 SRS providers that had contracts effective during both fiscal years 1999-2000 and 1998-99 and noted that the delays in executing these contracts ranged from 127 to 336 days after the effective date of the contracts.

The contracts reviewed were renewals of prior year contracts. The terms of 2 of these contracts allowed WCMHS to extend the contracts for up to 90 days. We noted that 2 of these contracts were extended for 127 and 336 days, respectively. However, there was no documentation in the contract files explaining why the contracts were extended beyond the 90 days allowed. The third contract was extended from fiscal year 1997-98 to fiscal year 1999-2000 for a total of 554 days. This resulted in no new contract for fiscal year 1998-99. The timely execution of contracts helps to ensure the protection of WCMHS's consumer population and safeguard the interests of WCMHS.

- b. WMCMHS did not make payments in accordance with contract provisions to SRS providers operating staffed group homes. WMCMHS advanced payments to these SRS providers at the first of each month instead of paying them for actual services at the end of the month. As a result, WMCMHS did not verify that services were actually provided.

WMCMHS's contracts with these SRS providers require each of them to submit to WMCMHS, within 8 days after the end of each month, a monthly occupancy report along with an invoice. After review and comparison of the occupancy reports and invoices for appropriateness, WMCMHS should remit payments to the SRS providers.

- c. WMCMHS did not reimburse one SRS provider in accordance with the terms of the SRS contract.

WMCMHS's contract with one SRS provider specified a per diem rate to be paid to the SRS provider for each consumer placed in the home. WMCMHS had initially placed 6 consumers in this home. However, in January 1999, one of these consumers passed away and WMCMHS did not move another consumer into the home. From February 1999 through September 2000, WMCMHS continued to pay the SRS provider for 6 consumers, even though there were only 5 consumers in the home. WMCMHS staff informed us that the original contract per diem rate had been based on the expectation that there would be 6 consumers in the home.

As of September 30, 2000, 21 months had elapsed with only 5 consumers in the home. During this period, WMCMHS paid the SRS provider approximately \$100,000 for services that had not been delivered as specified by the SRS contract. WMCMHS should have either placed a sixth consumer in the home or amended the terms of the SRS contract.

- d. WMCMHS did not monitor consumer leaves of absence from SRS homes.

WMCMHS's SRS contracts required SRS providers to report consumer leaves of absence on a monthly basis and to confirm with WMCMHS the appropriateness of leaves of absences proposed by consumers. In accordance with the SRS contract, WMCMHS will pay SRS providers for all consumer absences that are of less than 10 consecutive days.

One of the 3 SRS providers reviewed did not report consumer leave of absence days to WCMCHS. The SRS provider indicated that it was unaware of this reporting procedure. The procedure requires WCMCHS to monitor the number of days each consumer is actually at the facility. However, our review disclosed that the provider did not report any consumer absences of 10 or more consecutive days.

- e. WCMCHS did not document that employees of SRS providers had received recipient rights training required by the SRS contracts.

WCMCHS's SRS contracts required that all individuals providing direct care to its consumers receive training on recipient rights from WCMCHS's Office of Recipient Rights. WCMCHS indicated that it did provide training to SRS employees but did not keep records of the names of individuals who received the training.

RECOMMENDATION

We recommend that WCMCHS improve its procedures for administering and monitoring contracts for SRS to ensure that contracts are executed on a timely basis and that payments are made in accordance with contract provisions.

AGENCY PRELIMINARY RESPONSE

Overall, WCMCHS generally agreed with the finding but acknowledged that there had been some outstanding issues that resulted in the exceptions noted in the finding, including a change in payment methodologies, a switch over from the Muskegon Alternative Intermediate Services Consortium, contractual changes, and delays in the return of contracts, etc. WCMCHS stated that these issues have since been dealt with and that conversions and systems changes have been completed, including withholding payments without a signed contract. WCMCHS added that it has continuously either maintained extensions or made contracts retroactive (a methodology also used by DCH in dealing with community mental health services programs).

In addition, WCMCHS responded that part b. of the finding involved a continuation of the funding methodology that was applied by the State of Michigan and has been corrected as of April 2001.

WMCMHS responded that part c. of the finding would be corrected effective October 2, 2001, as all contracts with WMCMHS have been changed to reflect variable rates based upon occupancy. Rates for fiscal year 2000-01 were negotiated with each staffed group corporation to reflect a 5-, 6-, or 7-person occupancy, depending on the contract and license for number of beds. For fiscal year 2000-01, staffed group home contracts will be paid a reduced rate for an empty bed, based on fixed costs that do not change with occupancy, for each home.

WMCMHS also stated that, as noted in part d. of the finding, the provider did not report any consumer absences of 10 or more consecutive days and that, at a recent residential service stakeholders meeting, contract providers were reminded of this contractual agreement.

WMCMHS further responded that recipient rights training for contracted providers has been held and that, in the future, copies of attendance will be kept with WMCMHS's recipient rights officer.

TRANSITION TO AN AUTHORITY

COMMENT

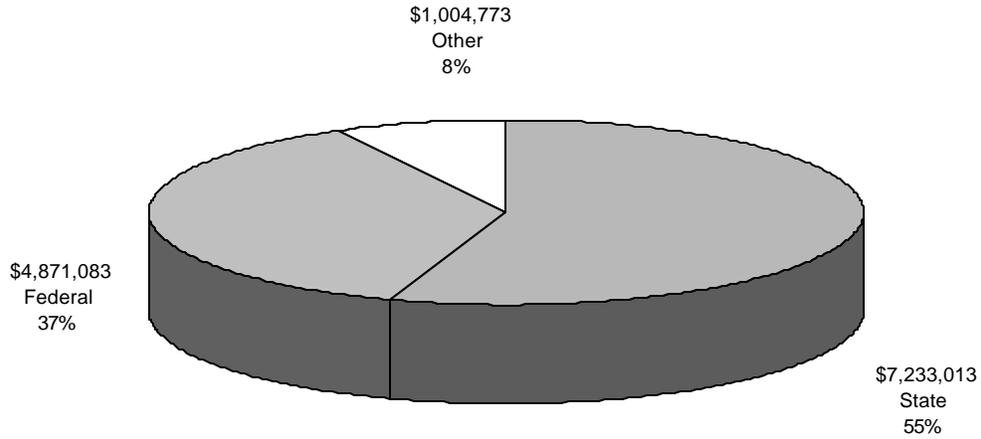
Audit Objective: To assess the effectiveness of WMCMHS's transition to, and operation as, a community mental health authority.

Conclusion: WMCMHS made an effective transition to, and effectively operated as, a community mental health authority.

SUPPLEMENTAL INFORMATION

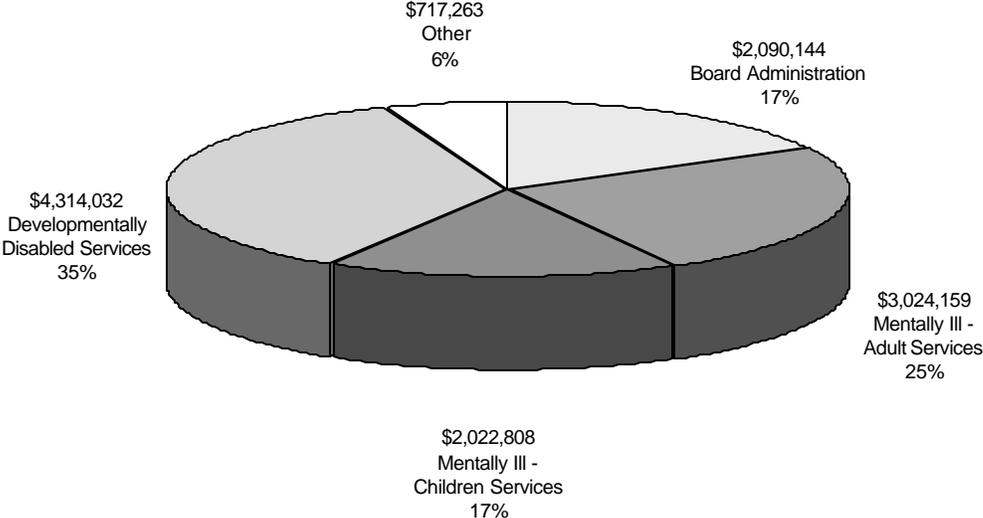
UNAUDITED

WEST MICHIGAN COMMUNITY MENTAL HEALTH SYSTEM
Revenues
For the Fiscal Year Ended September 30, 2000



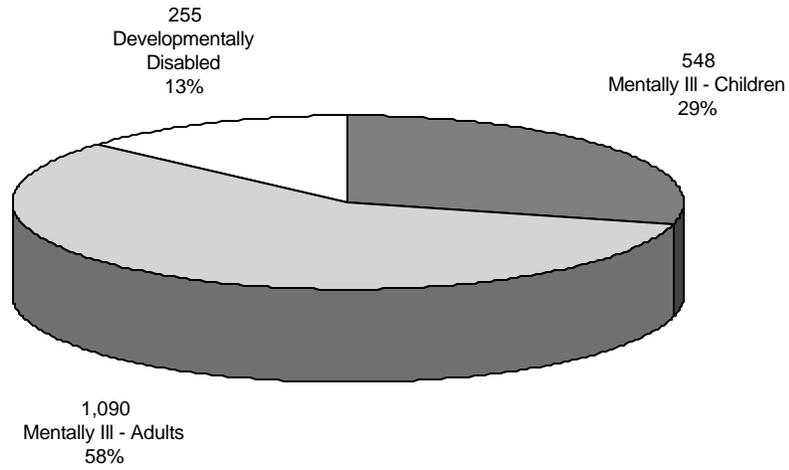
	<u>Amount</u>
State	\$ 7,233,013
Federal	4,871,083
Other	<u>1,004,773</u>
Total Revenues	<u>\$ 13,108,869</u>

WEST MICHIGAN COMMUNITY MENTAL HEALTH SYSTEM
Expenditures
For the Fiscal Year Ended September 30, 2000



	<u>Amount</u>
Board Administration	\$ 2,090,144
Mentally III - Adult Services	3,024,159
Mentally III - Children Services	2,022,808
Developmentally Disabled Services	4,314,032
Other	<u>717,263</u>
Total Expenditures	<u>\$ 12,168,406</u>

WEST MICHIGAN COMMUNITY MENTAL HEALTH SYSTEM
Unduplicated Consumer Headcount
For the Fiscal Year Ended September 30, 2000



	<u>Headcount</u>
Mentally III - Children	548
Mentally III - Adults	1,090
Developmentally Disabled	<u>255</u>
Total	<u><u>1,893</u></u>

**West Michigan Community Mental Health System (WCMCHS)
Consumer and Guardian Survey Summary**

Summary Overview

We sent surveys to 100 consumers or guardians of consumers who had received services at some point during the period from January 1, 2000 through June 30, 2000. Fifteen surveys were returned as undeliverable mail. We received 26 responses from the 85 delivered surveys, a response rate of 31%. Our survey was of both mentally ill and developmentally disabled individuals.

Following is a copy of the survey that includes the number of responses received for each item. The total number of responses for each item may not agree with the number of responses reported above because some respondents provided more than one response to an item and other respondents did not answer all items.

1. Please indicate the response that best describes who is completing this survey. I am a:

<u>10</u>	Current consumer of WCMCHS.
<u>5</u>	Former consumer of WCMCHS.
<u>7</u>	Relative of current or former WCMCHS consumer.
<u>5</u>	Guardian of current or former WCMCHS consumer.
<u>0</u>	Other

If you are a relative, guardian, or other interested party of a current or former WCMCHS consumer, please respond to the following questions on his/her behalf.

2. Please indicate how long you have received services from WCMCHS.

<u>6</u>	Less than or equal to 12 months
<u>19</u>	More than 12 months

3. Are there any mental health services that you are waiting to receive?

<u>4</u>	Yes	<u>21</u>	No
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4. I learned about WCMCHS through:

<u>3</u>	The local school district.
<u>5</u>	A doctor or other medical professional.
<u>2</u>	A referral from the Family Independence Agency.
<u>6</u>	Family/Friends.
<u>4</u>	Probate, district, circuit, or other local courts.
<u>10</u>	Other

5. Following your initial request for services, were you able to begin receiving services within a reasonable amount of time?

22 Yes 1 No 3 Not sure

6. Did the mental health services that you received help you to better handle the needs you sought services for?

17 Yes 6 No 3 Not sure

7. Are you satisfied with the amount of services you received from WCMCHS?

16 Yes 5 No 5 Not sure

8. Are you satisfied with the type of services you received from WCMCHS?

16 Yes 5 No 5 Not sure

9. Are you satisfied with the quality of services you received from WCMCHS?

16 Yes 5 No 5 Not sure

10. Were WCMCHS caregivers helpful in coordinating their services with services provided by other agencies?

14 Yes 6 No 4 Not sure

11. Did WCMCHS caregivers consider your preferences and opinions when selecting treatment program(s)?

19 Yes 4 No 1 Not sure

12. Did WCMCHS caregivers promptly address your complaints and concerns?

17 Yes 4 No 2 Not sure

13. Did WCMCHS caregivers treat you with dignity and respect?

22 Yes 1 No 2 Not sure

14. Did WCMCHS caregivers protect your rights to privacy and confidentiality?

20 Yes 0 No 5 Not sure

15. Did WCMCHS clearly and thoroughly inform you of your consumer rights?

16 Yes 6 No 3 Not sure

16. Did you use after-hours services?

9 Yes 17 No

If yes, was the worker helpful?

8 Yes 1 No

17. Did WCMCHS provide a pleasant, convenient, and safe environment?

22 Yes 1 No 2 Not sure

18. During the last 12 months:

a. Did the quality of services provided to you:

4 Improve? 3 Decline? 17 Remain the same? (please go to question 19)

b. If the quality of services provided improved or declined, was it because of (please check as many as apply) :

6 Involvement on the part of WCMCHS staff?
1 Lack of involvement on the part of WCMCHS staff?
2 A change in the quantity of services (the number of visits) received?
0 A program started?
0 A program ended?
0 Other

19. Please indicate the services that you are receiving or have received (check all that apply).

<u>3</u>	Access Center	<u>0</u>	Home-Based Children's Services
<u>3</u>	Assertive Community Treatment	<u>0</u>	Infant Mental Health Services
<u>3</u>	Behavioral Health Consultation	<u>5</u>	Inpatient and Crisis Residential
<u>11</u>	Client Services Management:	<u>2</u>	Jail Intervention and Support
<u>8</u>	Adult	<u>0</u>	Kidz First Program
<u>0</u>	Children	<u>10</u>	Office-Based Counseling
<u>3</u>	Developmentally Disabled	<u>1</u>	Older Adult Services
<u>5</u>	Community Employment Services	<u>0</u>	Prevention Services and Community Support
<u>2</u>	Community Support Services	<u>0</u>	West Michigan Child and Family Leadership Council Coordination
<u>4</u>	Day Activity Programs	<u>7</u>	Other (please identify):
<u>5</u>	Emergency Services	<u>2</u>	Respite Care
<u>3</u>	Family Support Services	<u>2</u>	Medication Management
<u>3</u>	Health Clinic Services	<u>1</u>	AFC Home Placement
		<u>2</u>	Psychiatric Evaluation

20. Would you recommend WCMHS to a close friend with needs similar to your own?

16 Yes 3 No 7 Not sure

21. If needed, would you return to WCMHS for services?

20 Yes 3 No 2 Not sure

22. If you are a former consumer, please respond to the following statements:

a. My WCMHS caregiver(s) and I mutually agreed to discontinue program services.

5 Yes 5 No 3 Not sure

b. My WCMHS caregiver(s) clearly explained to me the effect of discontinuing program services.

7 Yes 7 No 2 Not sure

**West Michigan Community Mental Health System (WCMCHS)
Referral Sources Survey Summary**

Summary Overview

We sent surveys to 40 referral sources who had professional interaction with WCMCHS. This included contractors and agencies that also provided mental health services in Lake, Mason, and Oceana Counties. Two surveys were returned as undeliverable mail. We received 24 responses from the 38 delivered surveys, a response rate of 63%.

Following is a copy of the survey that includes the number of responses for each item. The total number of responses for each item may not agree with the number of responses reported above because some respondents provided more than one response to an item and other respondents did not answer all items.

1. Which of the following statements most accurately describes your level of knowledge and interaction with WCMCHS?

12	I am very familiar with and have regular contact with WCMCHS.
12	I am somewhat familiar with and have periodic contact with WCMCHS.
0	I am unfamiliar with and have little contact with WCMCHS.

2. Which one or more of the following best describes your agency's relationship with WCMCHS?

10	Contractual provider of services to WCMCHS
6	Contractual purchaser of services from WCMCHS
14	Referral source (to WCMCHS)
4	Referral source (from WCMCHS)
0	Other (please identify).

3. How many years has your agency had a working relationship with WCMCHS?

Responses ranged from 1 to 28 years.

For questions 4 through 18, please check the box for the response that best describes your opinion regarding each of the following statements. If your agency does not refer individuals to WCMCHS, please go to question 9.

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Not Applicable
4. WCMCHS responds promptly to referrals and requests for services.	5	8	4	3	1	3

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Not Applicable
5. WCMCHS helps referred individuals receive services consistent with their needs.	5	8	4	4	0	1
6. WCMCHS facilities are physically accessible.	6	9	4	0	0	4
7. WCMCHS facilities are conveniently located.	7	9	3	0	0	4
8. I would recommend WCMCHS to people who need mental health services.	3	11	3	5	0	1
9. WCMCHS responds promptly to requests for additional services.	4	8	6	5	1	0
10. WCMCHS provides adequate and meaningful responses to my agency's requests for technical assistance.	2	12	5	1	0	4
11. WCMCHS responds timely to my agency's request for technical assistance.	4	8	6	1	0	5
12. WCMCHS's reporting requirements and informational requests are reasonable and pertinent.	2	10	9	1	0	1
13. WCMCHS's reporting requirements are unduplicated.	3	7	11	1	0	1
14. WCMCHS asks us about our service needs when completing its annual program plan.	2	4	9	3	2	4

	<u>Strongly Agree</u>	<u>Agree</u>	<u>No Opinion</u>	<u>Disagree</u>	<u>Strongly Disagree</u>	<u>Not Applicable</u>
15. WCMCHS offers (either directly or through contractual arrangements with other providers) a continuum of services to benefit consumers with all levels of need.	7	6	5	4	0	2
16. WCMCHS evokes a positive image.	5	6	6	5	2	0
17. WCMCHS is effective in helping people.	5	11	3	3	0	0
18. Since October 1, 1998 (to coincide with the implementation of a capitation payment system), WCMCHS's availability of services has remained the same or improved.	3	5	8	5	2	1

Glossary of Acronyms and Terms

capitated payments	A monthly prepaid amount for each Medicaid eligible individual in a mental health provider's service area.
case managers	Individuals who intake, prescribe, and follow through on consumer mental health services.
community mental health authority	A separate governmental entity that operates independently from county governments and whose purpose is to comply with and carry out the provisions of the Mental Health Code.
consumers	Individuals who are receiving or have received mental health services.
continuous quality improvement	A system that defines the vision and mission of an organization and focuses on the needs and expectations of internal and external customers. It normally includes performance indicators and performance standards for measuring outputs and outcomes, the collection of data to measure performance in relation to the standards, and the use of the data to make modifications to improve program effectiveness and efficiency. It has an underlying philosophy that is team-oriented and open to making changes on a continuous basis to improve processes.
DCH	Department of Community Health.
developmentally disabled	An individual with disabilities that become evident in childhood; are expected to continue indefinitely; constitute a substantial handicap to the affected individual; and are attributed to mental retardation, cerebral palsy, epilepsy, or other neurological conditions.
effectiveness	Program success in achieving mission and goals.

efficiency	Achieving the most outputs and outcomes practical for the amount of resources applied or minimizing the amount of resources required to attain a certain level of outputs or outcomes.
general funds	State funding available for mental health services for non-Medicaid consumers. The amount that the agency receives is based on a DCH formula.
goals	The agency's intended outcomes or impacts for a program to accomplish its mission.
individual plan of service	A written plan of supports and services directed by the consumer, as required by the Mental Health Code. The plan may include both support and treatment elements.
internal control	The management control environment, management information system, and control policies and procedures established by management to provide reasonable assurance that goals are met; that resources are used in compliance with laws and regulations; and that valid and reliable performance related information is obtained and reported.
Joint Commission on Accreditation of Healthcare Organizations (JCAHO)	An organization that serves as a standards-setting and accrediting body. It promotes the delivery of quality services to people with disabilities and others in need of rehabilitation.
local funds	Funds provided by county appropriations, gifts, contributions, investment interest, and other sources to meet the agency's funding obligations.
managed care organization	An agency that uses financial incentives and management controls to direct consumers to services appropriate to their needs.

material condition	A serious reportable condition that could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the opinion of an interested person concerning the effectiveness and efficiency of the program.
mentally ill	An individual with substantial disorder of thought or mood that significantly impairs the individual's judgment, behavior, capacity to recognize reality, or ability to cope with the ordinary demands of life.
Michigan Mission Based Performance Indicator System	A performance measurement system, first implemented in fiscal year 1996-97, designed to clearly delineate the dimensions of quality that must be addressed by the public mental health system.
mission	The agency's main purpose or the reason that the agency was established.
objectives	Specific outputs a program seeks to perform and/or inputs a program seeks to apply in its efforts to achieve its goals.
outcomes	The actual impacts of the program. Outcomes should positively impact the purpose for which the program was established.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
person-centered planning process	A process for planning and supporting the consumer receiving services that builds upon the consumer's capacity

to engage in activities that promote community life and considers the consumer's preferences, choices, and abilities. The person-centered planning process involves families, friends, and professionals, as the consumer desires or requires.

reportable condition

A matter coming to the auditor's attention that, in the auditor's judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.

specialized residential services provider

An organization other than WMCMHS that provides, under contract, a service or the facilities for the provision of a service.

SRS

specialized residential services.

WMCMHS

West Michigan Community Mental Health System.