

## EXECUTIVE DIGEST

### KALAMAZOO COUNTY COMMUNITY MENTAL HEALTH SERVICES BOARD

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**INTRODUCTION** This report contains the results of our performance audit of the Kalamazoo County Community Mental Health Services Board, Department of Mental Health (DMH), for the period October 1, 1990 through September 30, 1993.

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

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**BACKGROUND** The Kalamazoo County Community Mental Health Services Board, re-established in February 1993, operates under the provisions of the Mental Health Code, being Sections 330.1001 - 330.2106 of the *Michigan Compiled Laws* (Act 258, P.A. 1974). In 1985, the Kalamazoo County Board of Commissioners disbanded the then-existing community mental health services board and established a human services board to provide mental health and other human services to the residents of Kalamazoo County. An Attorney General's opinion issued in 1989 concluded that the commissioners' action placed the community mental health program out of compliance with the Mental Health Code. Legislation was enacted in 1990 to allow county human services

boards which were established prior to January 1, 1990 to assume, on a three-year demonstration basis, the powers and duties of the community mental health services boards. The authority to operate a human services board as a community mental health services board, under that legislation, expired effective December 31, 1992.

The current board is an agency of county government and is not a State agency. However, the board is subject to oversight by DMH in accordance with the Mental Health Code.

The board is located in Kalamazoo. It directly operates and/or contracts with community-based organizations for outpatient clinics, day programs, emergency services, case management, and residential care programs for the mentally ill and developmentally disabled.

For fiscal year 1992-93, the board expended approximately \$46.7 million. As of September 30, 1993, the board had 173 employees and contracted with 15 providers to deliver services to approximately 2,800 clients.

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**AUDIT OBJECTIVES, CONCLUSIONS, AND NOTEWORTHY ACCOMPLISHMENTS**    *Audit Objective:* To assess the effectiveness of the board's program evaluation system for monitoring and evaluating its efforts to meet program objectives contained in annual plans submitted to DMH.

*Conclusion and Noteworthy Accomplishments:* The board should be commended for its efforts to establish measurable program objectives. Also, the board should be commended for conducting client surveys to help improve its system of service

delivery to its clients. However, the board's program evaluation system did not effectively monitor and evaluate board efforts to meet its program objectives. Our assessment disclosed one material deficiency:

- The board did not routinely determine the disposition of, or establish a formal process to monitor, its program objectives contained in the annual plans submitted to DMH. Without an effective program evaluation system, the board cannot be assured that its resources are achieving the planned outputs and outcomes contained in the annual program objectives. (Finding 1)

The board informed us that the audit examined the board's evaluation system during the midpoint of implementation. The board explained that its program evaluation plan, approved in late 1991, will be implemented over the next several years. Also, the board stated that it was receiving and using valuable information from this evaluation system and will continue to make enhancements to this system.

**Audit Objective:** To assess the board's and DMH's compliance with the terms of the DMH full management contract.

**Conclusion:** The board and DMH were generally in compliance with the terms of their full management contract. However,

our assessment disclosed two instances of material noncompliance:

- The board did not always ensure that public accounting firms' audits of its providers assessed compliance with the fiscal requirements of board contracts. DMH and the board rely on the financial audit reports to verify the accuracy of provider expenditures and revenues reported to the board and to assess provider compliance with fiscal requirements. However, we concluded that the financial audits did not always report on fiscal compliance. (Finding 2)

The board informed us that it implemented a process to ensure that the financial audits of its providers assessed the fiscal compliance of their board contracts beginning with fiscal year 1992-93 audits.

- DMH did not ensure that the board was able to exercise its authority to screen all involuntary admissions to the Kalamazoo Regional Psychiatric Hospital (KRPB). Subsequent reviews by board staff estimated that between 5% and 18% of the 183 admissions made by area police officers and physicians in our review period were possibly not necessary. (Finding 3)

DMH informed us that it has taken action to ensure that processes are in place which allow for board screening of all potential hospital admissions. KRPB and the board are negotiating a formal agreement to ensure that these practices and processes continue and that DMH will

monitor future performance and provide any additional assistance as may be necessary.

Our assessment also disclosed instances of noncompliance regarding recipient rights policies and procedures and DMH advances for State inpatient and residential care (Findings 4 and 5).

**Audit Objective:** To assess the board's controls and procedures for administering and monitoring contracts with mental health service providers.

**Conclusion:** The board generally had controls and procedures for monitoring and administering contracts with its service providers. However, the board had not established objective and measurable entry and exit criteria for its partial day and specialized residential programs (Finding 6). Also, the board did not always implement contract requirements that it screen all client admissions to adult day programs administered by its contract providers (Finding 7). In addition, the board did not always enforce contract provisions that required providers to submit program evaluation reports (Finding 8).

**Audit Objective:** To evaluate the board's reimbursement system related to billing and collecting for mental health services.

**Conclusion and Noteworthy Accomplishment:** The board had established a system for monitoring and providing direction for the

providers' third party reimbursement activities. However, our evaluation disclosed one material deficiency:

- The board did not annually update its reimbursement rates to accurately reflect the cost of providing mental health services in accordance with *Michigan Administrative Code R 330.8230*. As a result, the board overbilled Medicaid by an estimated \$684,136 during fiscal year 1991-92 and underbilled Medicaid by an estimated \$600,563 during fiscal year 1992-93 for selected programs we reviewed (Finding 9).

The board informed us that it is now at least annually updating its reimbursement rates. The board explained that the unreliable data system noted in the audit report was corrected as soon as possible. Also, the board informed us that it believes that the audit finding strongly supports the board's decision to retain the old rates during the period of implementing a reliable automated data system.

Our evaluation also disclosed that the board improperly billed Medicaid for day program services (Findings 10 through 12). Further, the board lost third party reimbursements because it did not always prepare or update an individual plan of service for each client and bill DMH for services provided to Omnibus Budget Reconciliation Act program clients (Findings 13 and 14).

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**AUDIT SCOPE AND** Our audit scope was to examine the program and other records  
**METHODOLOGY** of the Kalamazoo County Community Mental Health Services Board for the period October 1, 1990 through September 30,

1993. 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 such auditing procedures as we considered necessary in the circumstances.

To accomplish our audit objectives, we conducted a preliminary survey of board and contract agency programs and operations, reviewed the board's annual program plans and budget reports submitted to DMH, and reviewed the board's contracts with DMH and its service providers. Also, we reviewed board meeting minutes, policies, procedures, and client case files. In addition, for the board and its contract agencies, we reviewed program records, interviewed personnel, and reviewed and analyzed expenditure and revenue data and audited financial statements.

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AGENCY RESPONSE Our audit report includes 14 findings and 18 recommendations. The agency preliminary response prepared for our audit conference indicated concurrence with most of the recommendations.

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