

## EXECUTIVE DIGEST

### ADULT FOSTER CARE PROGRAM

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#### **INTRODUCTION**

This report contains the results of our performance audit of the Adult Foster Care Program, Departments of Social Services (DSS) and Mental Health (DMH), for the period October 1, 1992 through September 30, 1994.

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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 adult foster care (AFC) program provides shelter, food, and protective oversight to dependent adults who do not live in their own homes. AFC home providers (home operators) are licensed by the State and provide personal care and supervision to persons in need of a residential setting. Such persons, who are unable to live independently but do not require nursing care, include aged, disabled, mentally ill, and developmentally disabled adults.

Standards for AFC homes are primarily regulated by DSS's AFC licensing staff. As of August 1994, DSS had licensed approximately 4,700 AFC homes throughout the State. These homes were serving nearly 35,000 State residents. The operations of some homes are funded by residents' personal resources, supplemental security income, and social security benefits. Other AFC homes receive substantial State and federal Medicaid funding through contracts with DMH or community mental health (CMH) boards for specialized residential services. These homes include alternative intermediate services (AIS) homes and community living facility (CLF) homes. Medicaid funds are also used to pay for mental health clinical services related to residents of AFC homes.

A joint DSS and DMH investigative task force was created in 1992 to address issues of monitoring and accountability related to AFC homes and to recommend improvements. In 1993, a joint cooperative effort by staff from DSS, DMH, the Department of Public Health, and the Office of the Auditor General (OAG) reviewed AFC issues and recommended this audit. Legislative appropriations acts for DMH for fiscal years 1993-94 and 1994-95 state that DMH, in conjunction with the OAG, is to develop uniform audit requirements for DMH and CMH specialized residential services contracts.

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**AUDIT  
OBJECTIVES  
AND  
CONCLUSIONS**

**Audit Objective:** To assess AFC homes' compliance with licensing standards related to the quality of care and housing provided to residents.

**Conclusion:** We concluded that AFC homes generally complied with licensing standards related to the quality of care and housing for residents.

**Audit Objective:** To assess the effectiveness of DSS licensing standards and its ongoing process for regulating AFC homes.

**Conclusion:** We concluded that DSS licensing standards provided a reasonably effective process for regulating AFC homes. However, we did identify reportable conditions related to conducting licensing inspections and completing complaint investigation reports (Finding 1), screening persons involved in AFC home operations (Findings 2, 3, and 4), and assessing the financial stability of AFC licensees (Findings 5 and 6).

**Audit Objective:** To assess the effectiveness of DSS and DMH audit coverage and monitoring related to AFC homes.

**Conclusion:** We concluded that DSS and DMH audit coverage and monitoring related to AFC homes were generally effective. However, we noted reportable conditions related to audit coverage of DMH-funded AFC homes, audit coverage of CMH residential services contracts, cost parameters for specialized AFC home operations, and oversight of food stamp revenues (Findings 7 through 10).

**Audit Objective:** To determine whether there was sufficient oversight to ensure accountability for funds of AFC home residents.

**Conclusion:** We concluded that there was not sufficient oversight to ensure accountability for resident funds. We identified reportable conditions related to control procedures for resident funds and representative payees for residents' supplemental security income payments (Findings 11 and 12).

**Audit Objective:** To assess the effectiveness of DSS's and DMH's internal control structures over Medicaid payments for services provided to AFC home residents.

**Conclusion:** We concluded that DSS's and DMH's internal control structures did not provide sufficient accountability for the Medicaid payments made by the State for services provided to AFC home residents. We identified the following material weaknesses:

- DSS and DMH had not developed control procedures to help ensure accountability for Medicaid reimbursement payments related to services provided to AFC residents of DMH and CMH contract homes (Finding 13).

DSS and DMH agreed with the corresponding recommendations and were working on developing additional control procedures.

- DSS control procedures did not effectively detect and prevent duplicate Medicaid reimbursement payments for services provided to residents of AFC homes (Finding 14).

DSS agreed with the corresponding recommendations and had started system modifications to address this issue.

We also noted reportable conditions related to the Medicaid Management Information System (Finding 15) and personal care services (Finding 16).

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**AUDIT SCOPE  
AND  
METHODOLOGY**

Our audit scope was to examine the program and other records of the adult foster care program for the period October 1, 1992 through September 30, 1994. 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 audit objectives, we reviewed DSS, DMH, and CMH policies and procedures; federal laws and regulations; State statutes; and administrative rules. We also reviewed our previous audit reports, audit reports prepared by other entities, reports from other states, and various studies related to AFC. In addition, we reviewed documentation related to the AFC licensing process and interviewed DSS staff in selected local DSS offices. We also reviewed documentation related to licensing requirements, including criminal history record clearances, complaint investigations, resident funds, and financial stability.

We reviewed the audit coverage and results of selected audits of DMH contract homes and CMH contract homes.

We examined financial records and related documentation at selected general AFC homes, DMH contract homes, and CMH contract homes in five larger counties. We also examined controls over Medicaid payments and food stamp benefits as they relate to AFC residents. In addition, we reviewed documentation related to resident care, including evidence supporting services provided and corresponding Medicaid payments.

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**AGENCY  
RESPONSES**

Our report contains 16 findings and 21 recommendations. DSS and DMH agreed with all of the audit findings and stated that they had complied with 2 of the recommendations and intend to comply with the other 19 recommendations.

DSS and DMH noted that one of the report objectives deals with a major program performance issue: quality of care and housing of AFC residents, which initially impelled the review. The report concludes that AFC homes generally complied with licensing standards for the quality of care and housing of residents. DSS and DMH encourage readers of the audit report to keep this overriding operating concern in mind while putting into perspective the findings dealing with management oversight, such as completing complaint investigation reports, screening persons involved in AFC operations, assessing the financial stability of licensees, and the audit coverage and monitoring of the homes.

The review of DSS's licensing standards concluded that the process was a reasonably effective one for regulating AFC

homes. The reportable condition related to conducting inspections and completing complaint reports is resource based. During the audit period, DSS added staff to address these concerns. DSS is addressing reported conditions related to the screening of persons involved in AFC operations, with efforts to clarify statutes and rules regarding good moral character, and with monitoring and analysis of criminal record checks. DSS is also addressing conditions cited related to control procedures for licensee financial stability with a comprehensive policy change during the audit period. Other improvements are under consideration. Although audit coverage was considered generally effective, corrective action is being undertaken for reported conditions related to DSS and DMH audit coverage, development of cost parameters for specialized care, and oversight of food stamp revenues.

The audit concluded that there was not sufficient oversight to ensure accountability of resident funds. DSS licensing staff will improve the documentation of this aspect of licensing inspections and communicate the results to appropriate DMH and CMH staff. Further, DSS will review the audit exceptions noted and determine if oversight accountability should be strengthened.

Both DSS and DMH are working on strengthening control procedures to ensure accountability for Medicaid reimbursement payments related to services provided to AFC residents of DMH and CMH contact homes. DSS is also working on strengthening controls to prevent duplicate Medicaid payments.

The agency preliminary response which follows each recommendation in our report was taken from the agencies' written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require DSS and DMH to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

This performance audit had no applicable prior audit; thus, there were no prior audit findings to follow up.