

EXECUTIVE DIGEST

CLOSURE OF JOSEPH M. SNYDER MACOMB-OAKLAND REGIONAL CENTER

INTRODUCTION

This report, issued in August 1999, contains the results of our performance audit* of the Closure of Joseph M. Snyder Macomb-Oakland Regional Center (MORC), 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 conducted on a priority basis related to the potential for improving effectiveness* and efficiency* .

BACKGROUND

MORC, located in Clinton Township, Michigan, was an agency of DCH. In July 1995, DCH initiated a process to transfer the systems of programs and services operated through MORC to a nonprofit entity called Macomb-Oakland Regional Center, Inc. (MORC, Inc.). On September 27, 1996, MORC ceased existence as a State agency. Effective September 28, 1996, MORC, Inc., began to deliver, either directly or through contract, the services previously delivered by MORC. MORC, Inc., operates its programs under contract with several county community mental health services programs.

MORC provided direct clinical support and housing development services* for both developmentally disabled* and mentally ill* recipients* and subcontracted for residential services*. Clinical support services included support coordination; nursing; psychology; occupational, speech, and recreation therapy; dietary; medical; psychiatry; and employment services.

As of September 27, 1996, MORC was serving approximately 1,600 developmentally disabled and 400 mentally ill recipients. MORC's fiscal year 1995-96 expenditures totaled approximately \$120 million.

AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENT

Audit Objective: To determine if DCH resolved appeals to and collected amounts due from its cost settlements* with MORC's residential services providers.

Conclusion: We determined that DCH did not resolve some appeals to, and did not collect amounts due from, its cost settlements with MORC's residential services providers. Our audit disclosed one material condition*:

- DCH, in conjunction with MORC, did not attempt to collect final cost settlement amounts due to the State from MORC's residential services providers (Finding 1).

DCH agrees with the finding and recommendation.

Our audit also disclosed a reportable condition* related to cost settlement appeals (Finding 2).

Audit Objective: To determine if DCH had adequate controls over MORC's real* and personal property*.

Conclusion: We determined that DCH had adequate controls over MORC's real property but did not have adequate controls over MORC's personal property. Our audit disclosed one reportable condition related to controls over personal property (Finding 3).

Audit Objective: To determine if the termination settlements for MORC's employees were accurate.

Conclusion: We determined that the termination settlements for MORC's employees were generally accurate. However, our audit disclosed one reportable condition related to sick and annual leave payoffs (Finding 4).

Audit Objective: To determine if DCH complied with selected laws, rules, and regulations in the closure of MORC.

Conclusion: We determined that DCH generally complied with selected laws, rules, and regulations in the closure of MORC. However, our audit disclosed one reportable condition related to conflict of interest* (Finding 5).

Audit Objective: To determine if DCH ensured that the rights of MORC's recipients were protected subsequent to the closure of MORC.

Conclusion: We determined that DCH ensured that the rights of MORC's recipients were protected subsequent to the closure of MORC.

Noteworthy Accomplishment: DCH, in conjunction with the Detroit-Wayne, Oakland, and Macomb county community mental health services programs, and MORC, Inc., directed the transition of MORC's service delivery system from MORC to MORC, Inc., in approximately 12 months. Throughout the transition, DCH ensured active family and recipient involvement in service planning, stability in the areas of housing, community, relationships, support systems, and funding. As a result, DCH accomplished the transition with little or no disruption in services to the recipients. The transition required, among other things, the assurance of a stable work force of over 350 employees, the transfer of responsibility for over 2,000 recipients, and the conversion of all functions associated with operating MORC. Some of these functions, including (but not limited to) accounting, financial reporting, and payroll and personnel, required extensive development because the State had provided the functions prior to the transition.

AUDIT SCOPE AND
METHODOLOGY

Our audit scope was to examine the program and other records of the Joseph M. Snyder Macomb-Oakland Regional Center. 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.

We examined MORC's records and activities for the period July 1995 through February 1999. To accomplish our objectives, we reviewed DCH, DMB, and the Department of Civil Service (DCS) policies and procedures, along with applicable laws, rules, and regulations. We interviewed DCH, DMB, DCS, and MORC, Inc., staff.

We examined selected cost settlements in the appeals process and evaluated DCH's efforts to resolve the appeals. We also examined selected final cost settlements and evaluated DCH's efforts to collect amounts due to the State.

We evaluated the appropriateness of DCH's efforts to account for equipment and furnishings being used by MORC, Inc. We conducted a limited physical inventory of State-owned equipment and furnishings used by MORC, Inc. We determined whether DCH executed leases with MORC, Inc., for its use of State-owned real property.

We evaluated the adequacy of DCH's internal control structure* over termination settlements. We also assessed the accuracy of selected employee termination settlements.

We interviewed community mental health services program staff and MORC, Inc., advocacy organizations. We assessed whether there were sufficient recipient rights staff to process recipient rights complaints in a timely manner. We evaluated whether recipient rights staff were adequately trained prior to assuming their duties. We examined selected recipient rights complaints to assess whether they were investigated and resolved in a timely and appropriate manner.

We evaluated DCH's compliance with boilerplate provisions of Act 151, P.A. 1995, and Act 352, P.A. 1996. We assessed whether participants in the closure process were free of conflicts of interest. We reviewed the legality of providing start-up funding to MORC, Inc., and of MORC,

Inc., using the name of the State agency without making payment to the State. We also determined whether DCH had any responsibility for ensuring that MORC employees who elected to work for MORC, Inc., received employment benefits similar to those that they received from the State.

**AGENCY RESPONSES
AND CLOSING
REVIEW FOLLOW-UP**

Our audit report includes 5 findings and 8 corresponding recommendations. DCH concurred with all of the findings and informed us that it has taken action or will take action to implement the recommendations.

DCH complied with 1 of the recommendations from our March 1997 closing review* of MORC that were included within the scope of this audit. We are repeating 1 recommendation in this report.