PERFORMANCE AUDIT
OF

SOUTHGATE CENTER

DEPARTMENT OF COMMUNITY HEALTH

March 1999

39-335-98

EXECUTIVE DIGEST

SOUTHGATE CENTER

INTRODUCTION	This report, issued in March 1999, contains the results of our performance audit* of Southgate Center, 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	The Center operates under the jurisdiction of DCH. The Center's mission* is to provide the highest standard of residential care through comprehensive supports and services to individuals with developmental disabilities*. This is achieved through a person-centered approach designed to increase self-determination and independence, which will enhance the maximum quality of life, thus enabling the person to live in the least restrictive environment. To facilitate its mission, the Center provides a comprehensive range of services to children and adults. The services include psychological; medical; nursing;

* *See glossary on page 28 for definition.*

social work; psychiatric; occupational, speech, and physical therapy; recipient education; dental; dietary; and vocational services.

The Center is certified as an intermediate health care facility for the mentally retarded. For fiscal year 1996-97, Center expenditures totaled approximately $14.8 million. As of September 30, 1997, the Center had 78 recipients* and 202 full-time equated positions.

AUDIT OBJECTIVES, CONCLUSIONS, AND NOTEWORTHY ACCOMPLISHMENTS

Audit Objective: To assess the effectiveness of the Center's continuous quality improvement* (CQI) initiatives.

Conclusion: We concluded that the Center's CQI initiatives were of limited effectiveness. Our assessment disclosed one reportable condition* related to the Center's CQI program (Finding 1).

Audit Objective: To assess the effectiveness and efficiency of the Center's treatment delivery and discharge planning processes.

Conclusion: We concluded that the Center's treatment delivery and discharge planning processes were generally effective and efficient. However, our assessment disclosed reportable conditions related to person-centered planning*, restrictive treatment techniques*, and residential placement needs (Findings 2 through 4).

Noteworthy Accomplishments: The Center reported that, since October 1, 1995, it has provided treatment to 189 recipients and has successfully placed 108 of these recipients in community residential settings. Of the 66

* *See glossary on page 28 for definition.*

individuals admitted to the Center for treatment since October 1, 1995, most had a primary diagnosis of developmental disability with a secondary diagnosis of mental illness*. The Center also reported that it improved its ability to provide services to this unique population by hiring three psychiatrists and several registered nurse supervisors with psychiatric experience. In addition, services were expanded to include behavioral programming* and use of the most currently available antipsychotic drugs.

Audit Objective: To assess the Center's effectiveness in protecting the rights of its mental health recipients.

Conclusion: We concluded that the Center was generally effective in protecting the rights of its mental health recipients. However, our assessment disclosed reportable conditions related to the initiation and completion of suspected recipient rights violation investigations and complaint acknowledgment letters and status reports (Findings 5 and 6).

Audit Objective: To assess the effectiveness and efficiency of the Center's pharmaceutical purchasing practices.

Conclusion: We concluded that the Center's pharmaceutical purchasing practices were generally effective and efficient. However, our assessment disclosed a reportable condition related to pharmaceutical purchasing, administration, and return functions (Finding 7).

Audit Objective: To assess the effectiveness of the Center's reimbursement billing and collection processes.

* *See glossary on page 28 for definition.*

Conclusion: We concluded that the Center's reimbursement billing and collection processes were generally effective. However, our assessment disclosed a reportable condition related to collection procedures (Finding 8).

AUDIT SCOPE AND METHODOLOGY

Our audit scope was to examine the program and other records of Southgate 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 the Center's records and activities for the period October 1, 1995 through June 30, 1998.

To accomplish our audit objectives, we reviewed applicable DCH and Center policies and procedures. We interviewed Center staff. We assessed the completeness of the Center's performance indicators* and performance standards*. We evaluated the effectiveness of the Center's data collection and reporting systems.

We assessed the Center's person-centered planning efforts and evaluated its compliance with selected Mental Health Code requirements related to treatment delivery. We assessed the adequacy of the Center's discharge planning process.

We analyzed selected recipient rights complaints and assessed the Center's timeliness in initiating and completing recipient rights investigations and its timeliness in issuing

* *See glossary on page 28 for definition.*

complaint acknowledgment letters and status reports. We evaluated the appropriateness of the remedial action taken by the Center as a result of substantiated rights complaints*. We assessed the effectiveness of the Center's efforts to prevent recipients' unauthorized leaves of absence.

We evaluated the effectiveness of the Center's internal control structure* over pharmaceutical purchasing, administration, and return functions. We analyzed selected pharmaceutical purchases and assessed the appropriateness of the contracted pharmacy's charges along with the completeness of the Center's pharmaceutical administration records.

We documented and assessed the effectiveness of the Center's internal control structure over reimbursement billing and collection. We reviewed selected billings and assessed their accuracy and completeness. We assessed the appropriateness of the Center's financial liability determinations.

AGENCY RESPONSES

Our audit report contains 8 findings and 8 corresponding recommendations. The agency preliminary response indicated that DCH agrees with all 8 findings.

* *See glossary on page 28 for definition.*

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Mr. James K. Haveman, Jr., Director
Department of Community Health
Lewis Cass Building
Lansing, Michigan

Dear Mr. Haveman:

This is our report on the performance audit of Southgate Center, Department of Community Health.

This report contains our executive digest; description of agency; audit objectives, scope, and methodology and agency responses; comments, findings, recommendations, and agency preliminary responses; 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 responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

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

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

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TABLE OF CONTENTS

SOUTHGATE CENTER
DEPARTMENT OF COMMUNITY HEALTH

INTRODUCTION

	Page
Executive Digest	1
Report Letter	7
Description of Agency	10
Audit Objectives, Scope, and Methodology and Agency Responses	11

COMMENTS, FINDINGS, RECOMMENDATIONS,
AND AGENCY PRELIMINARY RESPONSES

Continuous Quality Improvement	14
1. CQI Program	14
Treatment Delivery and Discharge Planning	16
2. Person-Centered Planning	17
3. Restrictive Treatment Techniques	18
4. Residential Placement Needs	20
Recipient Rights	21
5. Initiation and Completion of Suspected Recipient Rights Violation Investigations	22
6. Complaint Acknowledgment Letters and Status Reports	23
Pharmaceutical Purchasing	24
7. Pharmaceutical Purchasing, Administration, and Return Functions	25
Reimbursement Billing and Collection	26
8. Collection Procedures	27

GLOSSARY

Glossary of Acronyms and Terms	28

Description of Agency

Southgate Center operates under the jurisdiction of the Department of Community Health. The Center's mission is to provide the highest standard of residential care through comprehensive supports and services to individuals with developmental disabilities. This is achieved through a person-centered approach designed to increase self-determination and independence, which will enhance the maximum quality of life, thus enabling the person to live in the least restrictive environment.

To facilitate its mission, the Center provides a comprehensive range of services to children and adults. The services include psychological; medical; nursing; social work; psychiatric; occupational, speech, and physical therapy; recipient education; dental; dietary; and vocational services.

The Center is certified as an intermediate health care facility for the mentally retarded. For fiscal year 1996-97, Center expenditures totaled approximately $14.8 million. As of September 30, 1997, the Center had 78 recipients and 202 full-time equated positions.

Audit Objectives, Scope, and Methodology and Agency Responses

Audit Objectives

Our performance audit of Southgate Center, Department of Community Health (DCH), had the following objectives:

1. To assess the effectiveness of the Center's continuous quality improvement (CQI) initiatives.

2. To assess the effectiveness and efficiency of the Center's treatment delivery and discharge planning processes.

3. To assess the Center's effectiveness in protecting the rights of its mental health recipients.

4. To assess the effectiveness and efficiency of the Center's pharmaceutical purchasing practices.

5. To assess the effectiveness of the Center's reimbursement billing and collection processes.

Audit Scope

Our audit scope was to examine the program and other records of Southgate 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.

Audit Methodology

Our audit procedures were performed during March through June 1998 and included examining the Center's records and activities for the period October 1, 1995 through June 30, 1998.

To accomplish our first audit objective, we reviewed the Center's CQI related policies and procedures and its CQI manual. We interviewed Center staff responsible for implementing the Center's CQI program. We assessed the completeness of the Center's performance indicators and performance standards. We evaluated the effectiveness of the Center's use of its management information system for data collection and analysis. We reviewed and also evaluated the effectiveness of the Center's data collection and reporting systems.

To accomplish our second objective, we assessed the Center's person-centered planning efforts. Also, we evaluated the Center's compliance with selected Mental Health Code requirements related to treatment delivery. We assessed the Center's efforts at obtaining the necessary consents and approvals for treatment. We also assessed the adequacy of the Center's discharge planning process. We evaluated the effectiveness of the Center's process for notifying applicable parties of its residential placement needs.

To accomplish our third objective, we reviewed Mental Health Code requirements and DCH and Center policies and procedures related to recipient rights. We analyzed selected recipient rights complaints and assessed the Center's timeliness in initiating and completing recipient rights investigations and its timeliness in issuing complaint acknowledgment letters and status reports. We evaluated the appropriateness of the remedial action taken by the Center as a result of substantiated rights complaints. We assessed the timeliness of recipient rights training provided to Center staff. We also assessed the effectiveness of the Center's efforts to prevent recipients' unauthorized leaves of absence.

To accomplish our fourth objective, we evaluated the effectiveness of the Center's internal control structure over pharmaceutical purchasing, administration, and return functions. This evaluation included interviews with the Center's contracted pharmacist and Center nursing and accounting staff. We also evaluated the appropriateness of the terms of the Center's pharmacy contract. We analyzed selected pharmaceutical purchases and assessed the appropriateness of the contracted pharmacy's charges along with the completeness of the Center's pharmaceutical administration records. We determined whether all unadministered pharmaceuticals were returned to the pharmacy for credit. We assessed whether generic pharmaceuticals were provided to the Center, when available.

To accomplish our fifth objective, we documented and assessed the effectiveness of the Center's internal control structure over reimbursement billing and collection. We reviewed selected billings and assessed their accuracy and completeness. We also assessed the appropriateness of the Center's financial liability determinations.

Agency Responses

Our audit report contains 8 findings and 8 corresponding recommendations. The agency preliminary response indicated that DCH agrees with all 8 findings.

The agency preliminary response which follows each recommendation in our report was taken from the agency's 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 DCH to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

CONTINUOUS QUALITY IMPROVEMENT

COMMENT

Audit Objective: To assess the effectiveness of Southgate Center's continuous quality improvement (CQI) initiatives.

Conclusion: We concluded that the Center's CQI initiatives were of limited effectiveness. Our assessment disclosed one reportable condition related to the Center's CQI program.

FINDING

1. CQI Program

The Center's CQI program did not effectively monitor and improve the quality, effectiveness, and efficiency of the Center's service delivery system.

The Mental Health Code (Section 330.1116(2)(f) of the *Michigan Compiled Laws*) requires the Department of Community Health (DCH) to review and evaluate the quality, effectiveness, and efficiency of the mental health services it provides. To this end, the Center established a CQI program.

Current CQI literature supports a CQI program that includes: performance indicators for measuring inputs* , outputs*, and outcomes*; performance standards describing the desired level of performance consistent with the best of peer group performance; a management information and data collection system to accurately gather performance data for assessment; a comparison of actual performance data to desired performance data; a reporting of the comparison results to management; an analysis of the performance gaps that exist between the actual and desired performance; and proposals of program modifications to improve effectiveness and efficiency.

* *See glossary on page 28 for definition.*

Our review of the Center's CQI program disclosed:

a. The Center did not establish sufficient performance indicators and performance standards to assess the effectiveness and efficiency of its service delivery system. We surveyed Center management and were informed that reductions in the use of psychotropic medications, restraints, and special staffing; reduced incidences of property destruction, maladaptive behaviors, and staff and recipient injuries; and increased recipient satisfaction and functioning would constitute some valid indicators of the success of the Center's service delivery system.

   However, the Center did not establish performance indicators and performance standards and compile and analyze performance data relative to these items.

b. The Center did not obtain performance data from peer groups for comparison with its performance data. Comparing performance with peer groups helps facilitate the development of benchmarks for standard setting and helps to identify best practices for replication, in conformance with an effective CQI process.

c. The Center did not fully utilize the capabilities of its management information system to compile and analyze performance-related data. Our review disclosed that the Center compiled very little performance-related data on its management information system. In addition, the Center could not summarize and analyze some of the performance-related data that it compiled because the data was recorded in narrative format.

   Data compilation and analysis is necessary to identify potential problems, initiate and measure process improvements, provide feedback, and set priorities.

d. Center staff frequently did not assemble and submit the required performance data to the CQI coordinator for compilation and analysis. We noted that Center staff failed to compile and submit to the CQI coordinator 161 (89%) of the 180 required monthly/quarterly performance reports that we selected for

review. We also noted that the CQI coordinator failed to compile and analyze information from reports received and to report the results to Center management.

Management's lack of commitment to the CQI process contributed to its ineffectiveness. This lack of commitment was exemplified by the failure of the CQI Steering Committee and the Core Staff/Executive Committee to meet since February 1997. These committees, comprised of upper management, were responsible for providing continuous review of the monitoring and evaluation activities of the departments, programs, and committees; assisting the Center's director in clarifying the mission, vision, and quality statement; and developing the organization's quality strategy.

RECOMMENDATION

We recommend that the Center improve the effectiveness of its CQI program to monitor and improve the quality, effectiveness, and efficiency of the Center's service delivery system.

AGENCY PRELIMINARY RESPONSE

DCH and the Center agree with the finding. The Center reported that, under the leadership of the acting director as of June 1, 1998, it took immediate action to clarify the mission of the Center and to develop goals and objectives to continually improve the Center's overall operation. The Center expects to have a fully implemented CQI program in place by January 1999.

TREATMENT DELIVERY AND DISCHARGE PLANNING

COMMENT

Audit Objective: To assess the effectiveness and efficiency of the Center's treatment delivery and discharge planning processes.

Conclusion: We concluded that the Center's treatment delivery and discharge planning processes were generally effective and efficient. However, our assessment disclosed

reportable conditions related to person-centered planning (PCP), restrictive treatment techniques, and residential placement needs.

Noteworthy Accomplishments: The Center reported that, since October 1, 1995, it has provided treatment to 189 recipients and has successfully placed 108 of these recipients in community residential settings. Of the 66 individuals admitted to the Center for treatment since October 1, 1995, most had a primary diagnosis of developmental disability with a secondary diagnosis of mental illness. The Center also reported that it improved its ability to provide services to this unique population by hiring three psychiatrists and several registered nurse supervisors with psychiatric experience. In addition, services were expanded to include behavioral programming and use of the most currently available antipsychotic drugs.

FINDING

2. Person-Centered Planning

The Center did not document its efforts in developing recipients' treatment plans using PCP.

The Mental Health Code (Section 330.1712 of the *Michigan Compiled Laws*) requires mental health service providers to develop recipients' treatment plans using PCP. PCP allows recipients and their representatives to direct the treatment planning process with a focus on the recipients' wants and needs. The Mental Health Code also requires that mental health service providers maintain a complete record of information pertinent to the services provided to each recipient. To meet this requirement, the Center should document, among other things, that it surveyed recipients to determine whom they desired to participate in their treatment planning and that surveyed recipients and their representatives had input into the services to be delivered to the recipient.

In the absence of written documentation to assess the effectiveness of the Center's PCP efforts, we surveyed the guardians of 8 Center recipients. Our

discussions with these individuals disclosed that the Center needs to improve its efforts at using PCP in treatment planning. We were informed:

a. The Center did not invite the guardian of 1 recipient to the recipient's initial treatment planning meeting and, therefore, the guardian was not provided the opportunity to have input into the initial services provided to the recipient.

b. The Center did not ensure that the guardians of 2 recipients who were unable to attend the recipients' initial treatment planning meetings were aware that they had the option to reschedule these meetings.

Documenting its efforts to develop recipients' treatment plans using PCP would provide the Center the ability to monitor and improve upon the effectiveness of its PCP efforts.

RECOMMENDATION

We recommend that the Center document its efforts in developing recipients' treatment plans using PCP.

AGENCY PRELIMINARY RESPONSE

DCH and the Center agree with the finding. The Center reported that, under the leadership of the acting director as of June 1, 1998, it has taken progressive steps to ensure appropriate implementation of the PCP process. These steps have included clarification of staff responsibilities and PCP policy revision. Continued development, training, and implementation of the PCP initiative is ongoing.

FINDING

3. Restrictive Treatment Techniques

The Center frequently included restrictive treatment techniques in recipients' treatment plans without first obtaining the written consent of the recipients' guardians and the approval of the Center's Behavior Management Committee (BMC).

We reviewed 10 recipient case files and noted:

a. The Center did not obtain written consent to use restrictive treatment techniques from one recipient's guardian. In addition, the Center did not obtain written consent from 2 recipients' guardians until 32 and 138 days, respectively, after it included restrictive treatment techniques within the recipients' treatment plans.

   Title 42, Part 483, section 440(f)(3)(ii) of the *Code of Federal Regulations* requires that mental health providers obtain guardians' written consent prior to using restrictive treatment techniques. Guardian approval is necessary to ensure that recipients are afforded due process in the planning of their treatment.

b. The Center did not obtain BMC's approval prior to including restrictive treatment techniques in 3 recipients' treatment plans. In addition, the Center implemented 4 recipients' treatment plans that included restrictive treatment techniques from 13 to 37 days prior to BMC approving the plans. Finally, BMC disapproved the use of restrictive techniques in 1 recipient's treatment plan. However, the treatment team did not remove them from the plan.

   Center policy requires BMC to review and approve/disapprove the planned use of all restrictive treatment techniques. Prior BMC approval is needed to determine whether the planned use of the techniques is behaviorally sound and the chance for success with the techniques is good.

RECOMMENDATION

We recommend that the Center obtain the written consent of the recipients' guardians and the approval of its BMC prior to including restrictive techniques in the recipients' treatment plans.

AGENCY PRELIMINARY RESPONSE

DCH and the Center agree with the finding. The Center reported that it has implemented steps to ensure compliance with the applicable federal regulations and, as of September 21, 1998, has revised Center policies. Continued development, training, and implementation of quality assurance monitoring is ongoing.

FINDING

4. Residential Placement Needs

The Center did not provide Detroit-Wayne County Community Mental Health Agency (DWCCMHA) and Wayne Community Living Services, Inc. (WCLS), with consistent information related to the community residential placement needs of Center recipients.

The Center provided DWCCMHA and WCLS (DWCCMHA's primary residential placement agency) with a monthly report stating the number of Center recipients who were clinically ready for discharge and in need of a residential placement. In addition, the Center provided WCLS with a discharge packet for each recipient who the Center deemed clinically ready for discharge. Also, Center staff met weekly with WCLS staff to match available placement options and to discuss the unmet placement needs of Center recipients deemed clinically ready for discharge. We reviewed these communications and noted:

a. The number of recipients discussed at the weekly meetings differed from the number of recipients identified as ready for placement in the monthly reports for 4 of the 4 months we reviewed. For example, in June 1998, the number of recipients discussed at the weekly meetings was 18. However, the number of recipients identified as ready for placement in the June 1998 monthly report was 2. The Center indicated that some of the differences may have been because of the changing clinical presentation of Center recipients. However, the Center could not fully account for the differences.

b. The number of Center-prepared discharge packets sent to WCLS differed from the number of recipients who were identified as ready for placement in the monthly reports. For example, in October 1997, the Center sent 47 discharge packets to WCLS. However, from October 1997 through August 1998, the highest number of recipients ready for placement noted on the monthly reports was 11. The Center indicated that some of the differences may have been because of the changing clinical presentation of Center recipients. However, the Center could not fully account for the differences.

Consistent information related to the community residential placement needs of Center recipients is essential for DWCCMHA and WCLS to effectively plan for recipients' residential placement needs. The exchange of accurate and consistent information in a timely manner could result in DWCCMHA deciding to expand its residential program, which would help ensure the placement of Center recipients in a timely manner. Timely placement is important for two reasons:

(a) Treatment in a community residential setting is less restrictive than treatment at the Center. The Mental Health Code (Section 330.1708 of the *Michigan Compiled Laws*) requires individuals to be served in the least restrictive setting.

(b) It is generally less expensive to provide treatment in a community residential placement than at the Center. For example, in fiscal year 1996-97, DCH calculated that the Center's cost to treat a recipient was approximately $410 per day. Whereas, the Center's primary residential placement agency informed us that it treated recipients in alternative intermediate services homes for an average of $223 per day.

RECOMMENDATION

We recommend that the Center provide DWCCMHA and WCLS with consistent information related to the community residential placement needs of Center recipients.

AGENCY PRELIMINARY RESPONSE

DCH and the Center agree with the finding. The Center is working to refine the format of reporting, which will promote consistency and more clearly approximate information in the weekly and monthly reports to DWCCMHA and WCLS.

RECIPIENT RIGHTS

COMMENT

Audit Objective: To assess the Center's effectiveness in protecting the rights of its mental health recipients.

Conclusion: We concluded that the Center was generally effective in protecting the rights of its mental health recipients. However, our assessment disclosed reportable conditions related to the initiation and completion of suspected recipient rights violation investigations and complaint acknowledgment letters and status reports.

FINDING

5. Initiation and Completion of Suspected Recipient Rights Violation Investigations

DCH's recipient rights officer assigned to the Center did not initiate and complete investigations of suspected recipient rights violations in a timely manner.

The Mental Health Code (Section 330.1778(1) of the *Michigan Compiled Laws*) requires the immediate initiation of all investigations of abuse, neglect, serious injury, or death. It also requires that all rights investigations be completed not later than 90 days after the date of the suspected violation.

We reviewed 18 suspected rights violation cases opened between May 1, 1996 and April 30, 1998 and noted:

a. The recipient rights officer initiated the investigation for 3 (23%) of the 13 suspected rights violations involving abuse, neglect, serious injury, or death between 7 and 12 days after the date of the alleged incident. Timely investigation of suspected rights violations is important to help ensure recipients' safety, to secure physical evidence, and to notify law enforcement agencies on a timely basis, if necessary.

b. The recipient rights officer completed 4 (22%) of 18 investigations between 120 and 285 days after the suspected rights violation. Failure to complete investigations in a timely manner could delay the implementation of corrective actions designed to prevent future rights violations.

The recipient rights officer attributed the delays in initiation and completion of complaint investigations, in part, to the shared-time status of the recipient rights position assigned by DCH to the Center.

RECOMMENDATION

We recommend that the recipient rights officer assigned to the Center initiate and complete investigations of suspected recipient rights violations in a timely manner.

AGENCY PRELIMINARY RESPONSE

DCH and the Office of Recipient Rights agree with the finding. The Office of Recipient Rights reported that it initiated a monthly monitoring process in May 1998 to evaluate the performance of its field offices' rights protection process. Status reports for the Center field office indicate that all objectives have been fully met since July 1998.

FINDING

6. Complaint Acknowledgment Letters and Status Reports

DCH's recipient rights officer assigned to the Center did not issue complaint acknowledgment letters and status reports to complainants in accordance with the Mental Health Code.

We reviewed investigation files for 18 suspected rights violations cases opened between May 1, 1996 and April 30, 1998 to determine whether the recipient rights officer issued the letters and reports required by the Mental Health Code (Sections 330.1776(3) and 330.1778(4) of the *Michigan Compiled Laws*).

We noted the following:

a. The recipient rights officer did not issue acknowledgment letters to complainants for 9 (50%) of 18 applicable cases. The Mental Health Code requires that an acknowledgment letter be sent along with a copy of the complaint to the complainant within 5 business days. In addition to acknowledging receipt of the complaint, these letters inform complainants that the case has been assigned to a rights officer and that complainants have the right to request mediation to resolve the problem after the investigation is complete.

b. The recipient rights officer did not issue status reports to complainants for 4 (50%) of 8 applicable cases. In addition, the recipient rights officer issued status reports to 4 (50%) complainants between 34 and 302 days after receiving their complaints. The Mental Health Code requires that written status reports be sent to the complainant every 30 calendar days during the course of the investigation. These reports include a statement of the allegations; a statement of the issues involved; citations to relevant provisions of the Mental Health Code, rules, policies, and guidelines; investigative progress to date; and the expected date for completion of the investigation.

The recipient rights officer attributed the delays in completion of acknowledgment letters and status reports, in part, to the shared-time status of the recipient rights position assigned by DCH to the Center.

RECOMMENDATION

We recommend that the recipient rights officer assigned to the Center issue complaint acknowledgment letters and status reports to complainants in accordance with the Mental Health Code.

AGENCY PRELIMINARY RESPONSE

DCH and the Office of Recipient Rights agree with the finding. The Office of Recipient Rights reported that it initiated a monthly monitoring process in May 1998 to evaluate the performance of its field offices' rights protection process. Status reports for the Center field office indicate that all objectives have been fully met since July 1998.

PHARMACEUTICAL PURCHASING

COMMENT

Audit Objective: To assess the effectiveness and efficiency of the Center's pharmaceutical purchasing practices.

Conclusion: We concluded that the Center's pharmaceutical purchasing practices were generally effective and efficient. However, our assessment disclosed a reportable condition related to pharmaceutical purchasing, administration, and return functions.

FINDING

7. Pharmaceutical Purchasing, Administration, and Return Functions

The Center did not establish sufficient control procedures over its pharmaceutical purchasing, administration, and return functions.

In fiscal years 1996-97 and 1995-96, the Center expended a total of $1,148,217 to purchase 23,581 prescriptions and miscellaneous pharmaceutical services. Our review of the Center's internal control structure over these purchases disclosed:

a. The Center did not periodically verify the accuracy of the billings submitted by its contracted pharmacy:

(1) The Center did not verify that the contracted pharmacy's charge for pharmaceuticals complied with the terms of the contractual agreement. The contractual agreement stated that pharmaceutical charges would be based on the average wholesale price, listed in the *American Druggist Blue Book*, less a 15% discount.

To help prevent overcharges, the Center should obtain the *American Druggist Blue Book*, periodically compare a sample of the Center's prescription pharmaceutical costs to those reported in the *American Druggist Blue Book*, and resolve all discrepancies with its contracted pharmacy.

(2) The Center did not verify that it ordered and received all the pharmaceuticals that the contracted pharmacy billed it for. To help detect and prevent erroneous billings, the Center should, on a test basis, trace prescriptions billed by the contracted pharmacy to physicians' orders and packing slips.

b. The Center did not accurately record its administration of drugs and other pharmaceuticals by prescription number. As a result, neither we nor the

Center could accurately determine the quantity of unadministered drugs and pharmaceuticals that Center nursing staff should have returned to the contracted pharmacy for credit.

c. The Center did not prepare and maintain a record of the unadministered drugs and other pharmaceuticals that Center nursing staff returned to the contracted pharmacy for credit. We reviewed the Center's disposition of 21 prescriptions costing $1,206. We could not account for the disposition of unadministered drugs totaling at least $169 (see item b.). We were unable to determine whether Center nursing staff failed to return the unadministered drugs to the pharmacy or whether the pharmacy failed to properly credit the Center's account.

RECOMMENDATION

We recommend that the Center establish sufficient control procedures over its pharmaceutical purchasing, administration, and return functions.

AGENCY PRELIMINARY RESPONSE

DCH and the Center agree with the finding. The Center reported that it implemented procedures to establish control over the pharmaceutical purchasing in February 1998 and began using standard reference text beginning in June 1998. Also, the Center reported that it has undertaken steps to verify pharmaceuticals billed for and received. The medication policy and procedures are currently under revision with an expected implementation date of March 1999. The Center began reconciling its unadministered drugs beginning with its December 1998 invoice.

REIMBURSEMENT BILLING AND COLLECTION

COMMENT

Audit Objective: To assess the effectiveness of the Center's reimbursement billing and collection processes.

Conclusion: We concluded that the Center's reimbursement billing and collection processes were generally effective. However, our assessment disclosed a reportable condition related to collection procedures.

FINDING

8. Collection Procedures

The Center's billing agency (the reimbursement office at DCH's Walter Reuther Psychiatric Hospital) did not use available collection methods for pursuing the Center's past due accounts of first party payers.

DCH's Reimbursement Office Manual requires that agencies pursue past due accounts with follow-up telephone calls, reminder letters, and progressive collection letters. After exhausting these collection procedures, agencies are required to forward delinquent accounts to DCH for referral to the Collection Division, Department of Treasury.

Center accounts receivable that were six months or more past due from first party payers totaled approximately $155,741 as of April 1998, with accounts dating back to November 1994. Timely collection efforts increase the likelihood of collection.

Reimbursement staff at Walter Reuther Psychiatric Hospital informed us that they did not use the prescribed collection procedures during our period of review because of inadequate staffing in the reimbursement office.

RECOMMENDATION

We recommend that the reimbursement office at DCH's Walter Reuther Psychiatric Hospital use available collection methods for pursuing the Center's past due accounts of first party payers.

AGENCY PRELIMINARY RESPONSE

DCH and the Walter Reuther Psychiatric Hospital agree with the finding. The Hospital reported that in June 1998 it initiated actions to pursue past due accounts of first party payers in accordance with prescribed collection procedures. The Hospital expects its reimbursement office to be current with the collection efforts on past due accounts by March 1999.

Glossary of Acronyms and Terms

behavioral programming	Services designed to control behavior through the use of a variety of techniques including positive reinforcement, verbal direction, physical guidance, physical management, medications, and seclusion.
BMC	Behavior Management Committee.
continuous quality improvement (CQI)	A process that includes: performance indicators for measuring inputs, outputs, and outcomes; performance standards describing the desired level of performance consistent with the best of peer group performance; a management information and data collection system to accurately gather outcome data for assessment; a comparison of actual performance data to desired performance data; a reporting of the comparison results to management; an analysis of the performance gaps that exist between the actual and desired performance; and proposals of program modifications to improve effectiveness and efficiency.
DCH	Department of Community Health.
developmental disabilities	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.
DWCCMHA	Detroit-Wayne County Community Mental Health Agency.
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.
inputs	Resources (e.g., staff hours or expenditures) that a program consumes in producing outputs.
internal control structure	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.
mental illness	A substantial disorder of thought or mood which significantly impairs the individual's judgment, behavior, capacity to recognize reality, or ability to cope with the ordinary demands of life.
mission	The agency's main purpose or the reason the agency was established.
outcomes	The actual impacts of the program. Outcomes should positively impact the purpose for which the program was established.
outputs	The products or services produced by the program. The program assumes that producing its outputs will result in favorable program outcomes.
performance audit	An economy and efficiency audit or program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve the public accountability and to facilitate

	decision making by parties responsible for overseeing or initiating corrective action.
performance indicators	Information of a quantitative or qualitative nature indicating program outcomes, outputs, or inputs. Performance indicators are typically used to assess achievement of goals.
performance standards	A desired level of output or outcome as identified in statutes, regulations, contracts, management goals, industry practices, peer groups, or historical performance.
person-centered planning (PCP)	A process for planning and supporting an individual receiving services that builds upon the individual's capacity to engage in activities that promote community life and that honors the individual's preferences, choices, and abilities.
recipients	Individuals receiving mental health services.
reportable condition	A matter coming to the auditor's attention that, in his/her 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.
restrictive treatment techniques	Those techniques which, when implemented, will result in the limitation of the recipient's rights as specified in the Mental Health Code. Examples include restraint, prohibiting communication, and prohibiting ordinary access to meals.
substantiated rights complaints	A complaint investigation finding that a rights violation did occur.
WCLS	Wayne Community Living Services, Inc.