MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT

PERFORMANCE AUDIT
OF THE

BUREAU OF SUBSTANCE ABUSE AND ADDICTION SERVICES

DEPARTMENT OF COMMUNITY HEALTH

July 2005

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

39-670-03

"...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof."

– Article IV, Section 53 of the Michigan Constitution

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REPORT SUMMARY

Performance Audit
Bureau of Substance Abuse and Addiction Services
Department of Community Health

Report Number:
39-670-03

Released:
July 2005

The Department of Community Health (DCH) created the Bureau of Substance Abuse and Addiction Services (BSAAS) as part of a departmental reorganization in July 2003. This reorganization established BSAAS as the primary agency responsible for substance abuse prevention and treatment services in the State. DCH's substance abuse prevention and treatment programs were originally created by Act 368, P.A. 1978, a part of the Public Health Code.

Audit Objective:
To assess the effectiveness of BSAAS's efforts in evaluating substance abuse program outcomes for reducing and preventing the incidence of substance abuse.

Audit Conclusion:
We concluded that BSAAS's efforts were generally effective in evaluating, and requiring the coordinating agencies (CAs) and service providers to evaluate, substance abuse program outcomes. However, our assessment disclosed reportable conditions related to a program effectiveness evaluation system and the Substance Abuse Treatment Data Collection System (Findings 1 and 2).

Noteworthy Accomplishments:
BSAAS informed us that by working in conjunction with the CAs, BSAAS developed a detailed provider coding instructional manual that covers every filed report in the client quality improvement data. Additionally, an automated error-checking system for each submitted record was implemented. This system includes the application of over 400 edits to each submitted record. By implementing these efficiencies and quality improvements, the availability and use of data is enhanced for program oversight and accountability.

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Audit Objective:
To assess the effectiveness of BSAAS's monitoring of substance abuse prevention and treatment program providers to ensure compliance with contract requirements.

Audit Conclusion:
We concluded that BSAAS was generally effective in its monitoring of substance abuse prevention and treatment program providers to ensure compliance with contract requirements. However, we noted reportable conditions related to performance and progress reports, fees and collections, audit review procedures, and the monitoring of law enforcement grants (Findings 3 through 6).

Noteworthy Accomplishments:

BSAAS informed us that the Office of Drug Control Policy (ODCP) and Michigan State University developed the Michigan Juvenile Intervention Initiative project, which involves four police departments collaborating with juvenile courts and working with the Michigan Justice Statistics Center to identify and intervene with delinquent youth who are likely to develop more extensive criminal careers. BSAAS informed us that one program, the Grand Rapids Intervention Program, has emerged as a promising model in addressing serious youth violence.

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Audit Objective:

To assess the effectiveness of BSAAS's administration of public funds for substance abuse prevention and treatment programs.

Audit Conclusion:

We concluded that BSAAS was generally effective in administering public funds for substance abuse prevention and treatment programs. However, we noted reportable conditions related to funding methodology and restricted revenue from liquor license fees (Findings 7 and 8).

Noteworthy Accomplishments:

BSAAS informed us that in July 2002, ODCP released the Michigan Methamphetamine Control Strategy, which began the work of the Michigan Methamphetamine Task Force. The Task Force included BSAAS and ODCP; various federal, State, county, and city agencies; and others. In fiscal year 2003-04, BSAAS applied for and received a grant from the Substance Abuse and Mental Health Services Administration. The overall goal of this grant is to develop a Statewide multi-agency infrastructure for the purpose of implementing effective strategies for preventing, reducing, or delaying the use or spread of methamphetamine in high risk communities across the State.

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Agency Response:

Our audit report contains 8 findings and 11 corresponding recommendations. BSAAS's preliminary response indicated that it generally agrees with 10 of the recommendations and disagrees with 1 of the recommendations.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: http://audgen.michigan.gov

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AUDITOR GENERAL

July 15, 2005

Ms. Janet Olszewski, Director
Department of Community Health
Lewis Cass Building
Lansing, Michigan

Dear Ms. Olszewski:

This is our report on the performance audit of the Bureau of Substance Abuse and Addiction Services, Department of Community Health.

This report contains our report summary; description of agency; audit objectives, scope, and methodology and agency responses and prior audit follow-up; 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 response 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.

AUDITOR GENERAL

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DEPARTMENT OF COMMUNITY HEALTH

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Description of Agency

The Department of Community Health (DCH) created the Bureau of Substance Abuse and Addiction Services (BSAAS) as part of a departmental reorganization in July 2003. This reorganization established BSAAS as the primary agency responsible for substance abuse prevention and treatment services in the State and also provided that BSAAS report to both the director of the Office of Drug Control Policy (ODCP) and to the director of Mental Health and Substance Abuse Administration.

DCH's substance abuse prevention and treatment programs were originally created by Act 368, P.A. 1978, a part of the Public Health Code (Sections 333.6101 - 333.6523 of the *Michigan Compiled Laws*). The responsibility for substance abuse prevention and treatment services had been shared by several different agencies before the creation of BSAAS in July 2003.

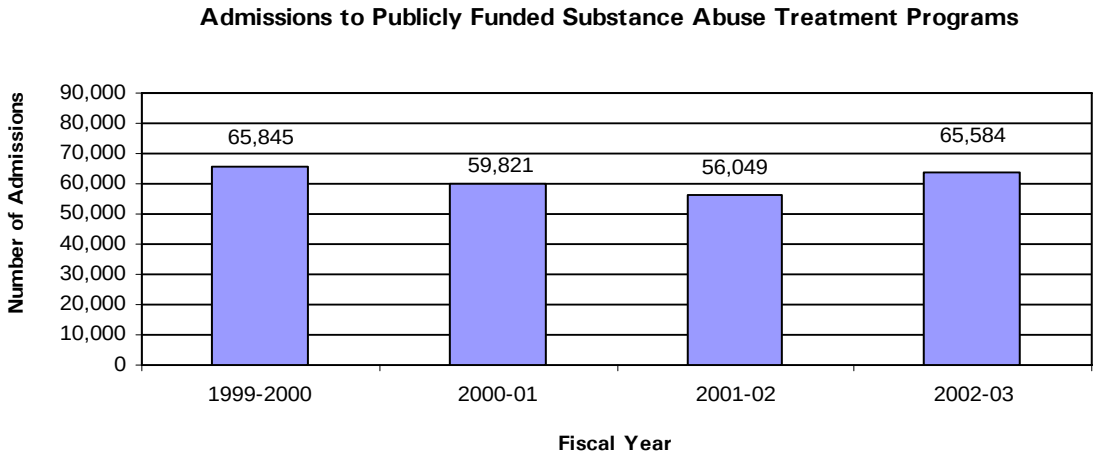
BSAAS has the following goals relating to substance abuse:

- To protect Michigan's youth from substance abuse and related violence.
- To reduce the demand for, and harmful effects of, alcohol and other drugs.
- To reduce the supply of illicit drugs.
- To restore people to dignity.

BSAAS manages the State's public substance abuse prevention and treatment services through a network consisting of contracts with regional coordinating agencies* (CAs) that encompass all of Michigan's 83 counties. CAs are quasi-governmental regional agencies or county departments that are responsible for developing regional plans for providing prevention and treatment services and contracting with licensed local providers to meet the substance abuse needs in their regions. As of June 30, 2004, there were 364 publicly funded substance abuse prevention and treatment service

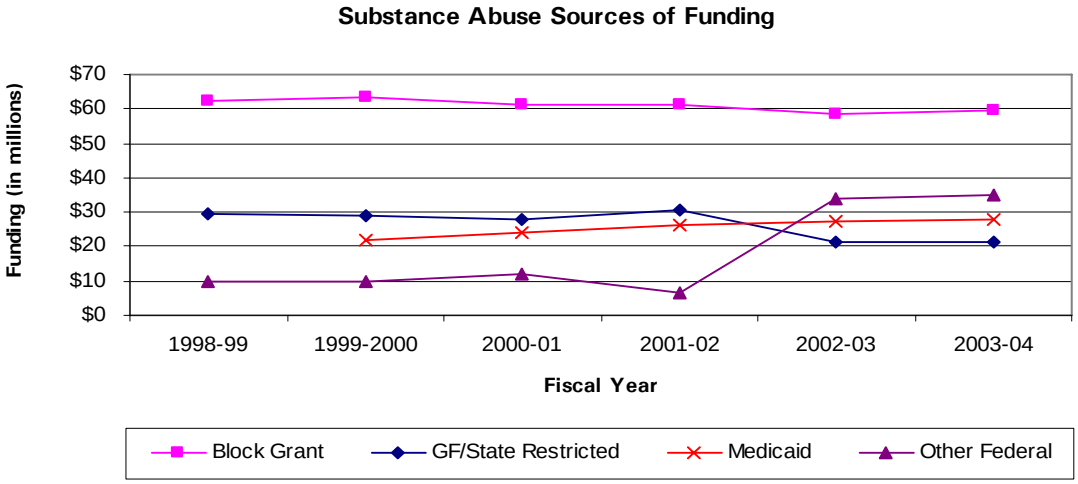
** See glossary at end of report for definition.*

providers at the local level. The following graph shows the (unaudited) admissions to publicly funded local service providers by fiscal year:



According to fiscal year 2002-03 admissions data, the most frequently reported primary substance of abuse was alcohol (48.4%), followed by cocaine (17.9%), marijuana (15.6%), and heroin (12.1%).

The Michigan substance abuse network is funded by several sources. State appropriations from the federal Substance Abuse Prevention and Treatment Block Grant and the State General Fund make up the majority of BSAAS funding. Additional funding is available to BSAAS from State restricted funds, Medicaid funds, federal categorical substance abuse grants, and interdepartmental funds. The following graph illustrates the composition of substance abuse funding and how it has changed over time:



Total appropriations from the State General Fund, State restricted funds, the Substance Abuse Prevention and Treatment Block Grant, and other federal sources (excluding Medicaid) were $114,205,200 in fiscal year 2002-03 and $116,618,200 in fiscal year 2003-04. Other federal funding sources significantly increased in fiscal year 2002-03 because of the addition of ODCP drug education and law enforcement programs as a result of DCH's reorganization. Medicaid substance abuse services are funded through DCH's Mental Health and Substance Abuse Administration on a shared risk capitated basis through contracts with prepaid inpatient health plans (PIHPs), which represent community mental health services programs or affiliations of community mental health services programs. PIHPs contract with CAs to provide Medicaid substance abuse benefits.

The following table shows the fiscal year 2002-03 BSAAS-funded expenditures reported by CAs, listed by decreasing expenditure amounts and their percentage of the total BSAAS allocation:

Expenditures by Coordinating Agency

Coordinating Agency	Fiscal Year 2002-03 BSAAS-Funded Expenditures	CA Expenditures as a Percent of Total Expenditures
Detroit Department of Health and Wellness Promotion	$18,859,573	24.4%
Southeast Michigan Community Alliance	9,562,279	12.4%
Mid-South Substance Abuse Commission	6,009,036	7.8%
Northern Michigan Substance Abuse Services	5,717,217	7.4%
Oakland County Health Division	4,839,540	6.3%
Community Mental Health and Substance Abuse Network of West Michigan	4,837,869	6.3%
Genesee County Health Department	4,289,137	5.6%
Lakeshore Coordinating Council	3,971,533	5.1%
Macomb County Community Mental Health	3,843,397	5.0%
Kalamazoo County Community Mental Health	3,284,718	4.3%
Washtenaw Community Health Organization	2,817,294	3.6%
Pathways Substance Abuse	2,342,188	3.0%
Saginaw County Department of Public Health	2,232,469	2.9%
Bay Arenac Behavioral Health Authority	1,729,780	2.2%
St. Clair County Health Department	1,439,671	1.9%
Western UP Substance Abuse Services	1,436,290	1.9%
Total	$77,211,991	100.0%

BSAAS also contracts with direct service providers for specialized services. For fiscal year 2002-03, BSAAS-funded expenditures reported by these providers totaled $1,997,256.

BSAAS contracts with numerous education and law enforcement agencies for substance abuse prevention programs. BSAAS's Drug Education Section administers two federal drug education grants under the Safe and Drug-Free Schools and Communities Act, pursuant to the No Child Left Behind Act of 2001: the Governor's Discretionary Grant (GDG) and the Education Formula Grant (EFG). GDG is intended for drug and violence prevention programs that target youth who are not normally served by State and local educational agencies, such as delinquent youth, out-of-school youth, and other high-risk youth through community-based prevention initiatives. Total fiscal year 2002-03 expenditures for GDG totaled approximately $2.9 million. EFGs are awarded to local education agencies and intermediate school districts based on the number of enrolled students in each district and are intended for research-based drug and violence prevention programs through a school-based prevention approach. BSAAS administers EFG through an agreement with the Michigan Department of Education. Total fiscal year 2002-03 expenditures for EFG were approximately $12.4 million, which includes approximately $11.8 million that was distributed directly from the Michigan Department of Education.

BSAAS's Law Enforcement Section administers the Byrne Formula Grant, the Local Law Enforcement Block Grants (LLEBG), and the Residential Substance Abuse Treatment for State Prisoners (RSAT) Programs. Funds from the Byrne Formula Grant are provided to reduce and prevent drug use and crime through prevention, treatment, and incarceration. Program areas include community policing, juvenile intervention, family and domestic violence, gang and drug task force strategies, drug testing, money laundering task forces, and the prosecution of drug dealers. The LLEBG Program provides funds for youth crime prevention and intervention projects and computer technology. The RSAT Program provides funds for treatment services for adults and juveniles in State custody through grants to the Department of Corrections and the Family Independence Agency. Total fiscal year 2002-03 expenditures for the law enforcement grants were approximately $21 million.

As of June 30, 2004, BSAAS had 37 employees.

Audit Objectives

Our performance audit* of the Bureau of Substance Abuse and Addiction Services (BSAAS), Department of Community Health (DCH), had the following audit objectives:

1. To assess the effectiveness* of BSAAS's efforts in evaluating substance abuse program outcomes for reducing and preventing the incidence of substance abuse.

2. To assess the effectiveness of BSAAS's monitoring of substance abuse prevention and treatment program providers to ensure compliance with contract requirements.

3. To assess the effectiveness of BSAAS's administration of public funds for substance abuse prevention and treatment programs.

Audit Scope

Our audit scope was to examine the program and other records related to the Bureau of Substance Abuse and Addiction Services. 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, conducted from January through September 2004, included an examination of BSAAS records primarily for the period October 1, 2000 through June 30, 2004.

We conducted a preliminary review of BSAAS's operations to formulate a basis for defining the audit objectives and scope. Our preliminary review included interviewing BSAAS personnel; reviewing applicable statutes, regulations, and rules; analyzing available data and statistics on substance abuse; and reviewing BSAAS policies and procedures to obtain an understanding of BSAAS's operational activities and responsibilities.

** See glossary at end of report for definition.*

To accomplish our first objective, we reviewed and evaluated the methodologies that BSAAS established to evaluate the effectiveness of Statewide substance abuse prevention and treatment services, including the services provided through coordinating agencies (CAs) and service providers, drug education programs, and law enforcement programs. We determined if BSAAS had established measurable goals and objectives and measurement criteria. We reviewed the measurement data that BSAAS staff collected and compared this to how they reported this information to federal agencies, to the Legislature, and to BSAAS management.

We also reviewed BSAAS's annual internal planning process and its overall strategic plans. We determined if the plans were appropriate for BSAAS's mission* and goals* and addressed DCH and federal agency goals and objectives.

To accomplish our second objective, we reviewed BSAAS activities for monitoring CAs, including BSAAS reviews of the monitoring functions delegated to the CAs over contracted service providers. We tested a sample of completed monitoring reports for completeness and accuracy and reviewed the follow-up and correction of noted deficiencies. We also tested a sample of CAs and service providers for timely submission of required performance and progress reports.

We reviewed BSAAS activities for monitoring program providers for both the drug education and law enforcement grant programs. We tested a sample of the program providers for proper documentation of monitoring, including on-site visits and desk reviews of program reports, and for timely submission of program reports.

We reviewed the monitoring functions that BSAAS delegated to DCH's Quality Assurance and Review Section (QARS), including QARS's documentation of receipt of CA and service provider audit reports and its review of these reports.

We also reviewed BSAAS's policies and procedures for monitoring CA sliding fee scales and determining whether CAs and their contracted service providers are making every reasonable effort to maximize fees and collections.

** See glossary at end of report for definition.*

To accomplish our third objective, we reviewed and evaluated BSAAS's methodology for allocating substance abuse funds to CAs.

Agency Responses and Prior Audit Follow-Up

Our audit report contains 8 findings and 11 corresponding recommendations. BSAAS's preliminary response indicated that it generally agrees with 10 of the recommendations and disagrees with 1 of the recommendations.

The agency preliminary response that 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.

We released our prior performance audit of the Center for Substance Abuse Services, Michigan Department of Public Health (#3515094), in December 1995. Within the scope of this audit, we followed up 10 of the 11 prior audit recommendations. BSAAS complied with 7 of the 10 prior audit recommendations. We repeated 1 prior audit recommendation (presented in Finding 1) and rewrote 2 prior audit recommendations for inclusion in this audit report (Findings 4 and 5).

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS OF EFFORTS IN EVALUATING SUBSTANCE ABUSE PROGRAM OUTCOMES

COMMENT

Background: Our review of substance abuse services program evaluation literature and audit reports of other states disclosed that there are no generally accepted outcome measurement criteria for evaluating the effectiveness of substance abuse prevention and treatment programs. For example, there are variations in the definition of success, the time at which the results are measured, and the criteria to measure. In addition, outcomes can be addressed at many different levels, including individual client outcomes, an aggregate of client-level data to measure outcomes for programs, and an aggregate of program information to measure regional and statewide outcomes.

Substance abuse services program evaluation literature suggests that treatment outcome measurement criteria should strive to measure accessibility of treatment, the effect of the types of services provided, changes in client functioning before and after treatment, cost effectiveness, and client satisfaction. Prevention outcome measurement criteria should measure the effect of substance abuse prevention services on the prevalence* of substance abuse among Michigan citizens. In addition, the prevention outcome evaluation process should attempt to measure the change in attitudes toward substance abuse.

Audit Objective: To assess the effectiveness of the Bureau of Substance Abuse and Addiction Services' (BSAAS's) efforts in evaluating substance abuse program outcomes for reducing and preventing the incidence of substance abuse.

Conclusion: We concluded that BSAAS's efforts were generally effective in evaluating, and requiring the coordinating agencies (CAs) and service providers to evaluate, substance abuse program outcomes. However, our assessment disclosed reportable conditions* related to a program effectiveness evaluation system and the Substance Abuse Treatment Data Collection System (Findings 1 and 2).

Noteworthy Accomplishments: BSAAS informed us that by working in conjunction with the CAs, BSAAS developed a detailed provider coding instructional manual that

** See glossary at end of report for definition.*

covers every filed report in the client quality improvement data. By consolidating reporting sources and making better use of encounter data, BSAAS eliminated the requirement that CAs report a screening assessment referral and follow-up record for each client. This eliminates a layer of duplication and saves CAs both a financial and staff resource burden. Additionally, an automated error-checking system for each submitted record that first identifies obvious errors and eliminates them from the data collection system was implemented. This system includes the application of over 400 edits to each submitted record. By implementing these efficiencies and quality improvements, the availability and use of data is enhanced for program oversight and accountability.

FINDING

1. Program Effectiveness Evaluation System

   BSAAS had not established standard program evaluation measures to enable it to assess the overall effectiveness of programs, provided through CAs and service providers, in reducing and preventing the incidence of substance abuse.

   Establishing standard program evaluation measures would help BSAAS to determine the effectiveness of certain types of treatment programs and identify weaknesses or gaps in services. It would also help to establish accountability for the expenditure of public funds, improve resource allocations, and minimize inefficiencies and unnecessary expenditures in prevention and treatment programs.

   Section 333.6203(f) of the *Michigan Compiled Laws* requires BSAAS to evaluate the effectiveness of substance abuse services administered through its network of regional CAs. Section 333.6228(g) of the *Michigan Compiled Laws* requires CAs to annually evaluate and assess substance abuse services within their regions using guidelines established by BSAAS. In addition, the *Michigan Administrative Code* R 325.14113 requires service providers to complete a written annual evaluation of their progress and results relative to their program goals and objectives.

   BSAAS guidelines, provided to CAs, define "program evaluation" as the process of planning for, collecting, and studying information to determine the overall effectiveness of substance abuse prevention and treatment services and the most effective means of delivering those services. The guidelines provide general guidance for establishing an evaluation plan but do not establish standard goals

and outcome measures for evaluating the results of prevention and treatment programs.

Our review of the evaluation plans of 7 CAs disclosed inconsistencies between CAs in establishing and evaluating program outputs and outcomes that prevented their comparison. In addition, 6 of the 7 CAs did not prepare their evaluation plans using the guidelines established by BSAAS. Our review of the progress reports of 10 service providers disclosed inconsistencies between service providers in establishing and evaluating program output and outcome measures that prevented their comparison.

In fiscal year 1998-99, BSAAS began requiring CAs to submit quarterly performance indicator data relating to access, efficiency, and outcomes. BSAAS compiles this data into an overall performance indicator report and provides the report to Department of Community Health (DCH) staff and CAs for their review. However, our review of these reports disclosed that the data collected and summarized did not provide the type of information that could help BSAAS evaluate the overall effectiveness of substance abuse programs. For example, access to treatment for persons age 12 through 17 is measured by the number of persons served age 12 through 17 divided by the number of persons in the area census age 12 through 17. The report states that the census is used because all residents could potentially seek substance abuse treatment services. A better measure of accessibility to treatment may be to compare admission rates to prevalence estimates to evaluate whether services were appropriately distributed. As noted in Finding 7, BSAAS has conducted various substance abuse needs assessment studies to estimate the prevalence of the need for substance abuse prevention and treatment services within the State. BSAAS should consider using this information to measure and summarize accessibility to treatment.

BSAAS informed us that the federal oversight agency has proposed program outcome measures for the states to use, but it has not yet mandated the use of standardized measures for states to use in evaluating their substance abuse programs. Examples of proposed program measures include change in employment status, change in living status, and percentage reporting abstinence at discharge.

In the absence of federally mandated measures, BSAAS should consider the use of the program outcome measures proposed by the federal Substance Abuse and Mental Health Services Administration (SAMHSA). In addition, the federal Center for Substance Abuse Treatment, part of SAMHSA, has issued best practices guidelines for the treatment of substance abuse called Treatment Improvement Protocols (TIPs). TIP No. 14 addresses the development of state outcomes monitoring systems for alcohol and other drug abuse treatment.

We noted that BSAAS collects data on client treatment from CAs in compliance with the federal requirements that could be used to evaluate program outcomes. Examples of data collected by BSAAS that could be evaluated include frequency of use, reasons for discharge, length of stay, and days waiting to enter treatment.

We reported a similar finding in our prior audit report. The agency agreed with our recommendation and indicated that it would implement standardized practices and outcome measures.

Although BSAAS evaluates some of the data internally, it does not summarize and report on this data to outside parties. BSAAS informed us that cost and a lack of staffing have prevented it from using the data in evaluating program outcomes.

RECOMMENDATION

WE AGAIN RECOMMEND THAT BSAAS ESTABLISH STANDARD PROGRAM EVALUATION MEASURES TO ENABLE IT TO ASSESS THE OVERALL EFFECTIVENESS OF PROGRAMS, PROVIDED THROUGH CAs AND SERVICE PROVIDERS, IN REDUCING AND PREVENTING THE INCIDENCE OF SUBSTANCE ABUSE.

AGENCY PRELIMINARY RESPONSE

BSAAS agrees that it needs to establish standard program evaluation measures, including consideration to outcome, and that it needs to assess and report performance against these measures. BSAAS informed us that while vitally important to quality improvement and accountability, the establishment of outcome measures, in and of itself, is not sufficient to evaluate the "overall effectiveness" of funded programs. BSAAS also informed us that it will work the CAs and other stakeholders to design a performance measurement system with an expected implementation date of October 1, 2007.

FINDING

2. Substance Abuse Treatment Data Collection System (SATDCS)

BSAAS needs to improve the accuracy of client admission and discharge data collected from CAs for its SATDCS. BSAAS also needs to enhance the capability of SATDCS to collect and disseminate more useful and relevant client admission and discharge data.

Improving the accuracy of client data on substance abuse treatment and enhancing the capability of SATDCS would help BSAAS, as well as federal and other State agencies, to analyze and compare national, State, and local trends on substance abuse problems and evaluate the effectiveness of substance abuse treatment programs.

In 1988, federal regulations under the Substance Abuse Prevention and Treatment Block Grant were amended to require states to collect and annually submit statistical data on clients receiving treatment for either alcohol or drug abuse. The federal Office of Applied Studies, within SAMHSA, coordinates and manages the collection of treatment data from the states. The intent of the data is to provide state and national information on treatment services provided to individuals with substance abuse problems and the effectiveness of the programs.

BSAAS has collected client admission and discharge data from CAs since fiscal year 1980-81. BSAAS requires CAs to submit the required data electronically on a monthly basis. BSAAS maintains and manages this data in SATDCS and submits the data to SAMHSA annually.

Our review of BSAAS controls over selected fields and system edits in SATDCS disclosed:

a. SATDCS did not have the capability to separately identify records for clients who are transferred from one treatment category to another (e.g., from residential treatment to outpatient) during a treatment episode. Instead, these records were identified as a discharge and subsequent admission to the new treatment category. As a result, the number of admissions reported to SAMHSA included records for clients who were transferred from one treatment category to another. SAMHSA recommends that states distinguish transfers from admissions, but does not require it.

b. SATDCS did not have a system edit to help ensure that admission records for clients who were only being screened for receiving methadone as part of their treatment were properly coded. Our review of admission records that indicated that methadone was part of the clients' treatment noted that the program providers did not have a license to provide methadone treatment in 209 (7.4%) of 2,811 admissions in fiscal year 2001-02 and 600 (21.8%) of 2,756 admissions in fiscal year 2002-03. A separate license is required for program providers that prescribe or distribute methadone to clients as part of their treatment for substance abuse. BSAAS informed us that some program providers have misinterpreted coding instructions and have incorrectly coded admission records showing that methadone was part of the clients' treatment when they were only performing screening for methadone, which does not require a separate license. BSAAS should review the admissions reported by these program providers to ensure that these records have been accurately coded.

c. SATDCS did not have a system edit to help ensure that admission records were coded with valid program provider license numbers. Our review of admissions in fiscal year 2002-03 noted that 3,793 (5.8%) of the 65,584 admissions were coded with program provider license numbers that we could not locate in the substance abuse provider licensing system. DCH's Bureau of Health Systems maintains the substance abuse provider licensing system.

d. BSAAS needs to analyze the data reported for federal priority clients to help ensure that CAs are accurately reporting the number of clients who are not receiving certain services within required time frames. Our review of admissions in fiscal year 2002-03, for clients classified as pregnant or injecting drug users (federal priority clients), disclosed that all 16 CAs had admissions for federal priority clients who did not receive treatment within the time frames specified by federal regulations. BSAAS requires CAs to submit separate monthly reports for federal priority clients who did not receive required services within time frames specified by federal regulations. However, our review of CA reports submitted for fiscal year 2002-03 disclosed that only 3 CAs reported federal priority clients who did not receive treatment within required time frames. BSAAS should investigate the discrepancies between the admission data and reports submitted for federal priority clients to ensure that the information reported is accurate.

e. BSAAS did not maintain log reports of the monthly electronic submissions of data by CAs. Our review disclosed that only the August 2004 log report was maintained and all previous log information was deleted. As a result, we could not verify that all CAs submitted complete data to BSAAS in a timely manner.

BSAAS informed us that it continually reviews the quality of data collected from CAs. It has provided clarification to CAs through work groups and revisions to the coding manual in instances in which there have been inconsistencies in reporting and has added system edits if necessary. We noted during our review that many improvements in system edits were made to the system during fiscal year 2002-03.

RECOMMENDATIONS

We recommend that BSAAS improve the accuracy of client admission and discharge data collected from CAs for its SATDCS.

We also recommend that BSAAS enhance the capability of SATDCS to collect and disseminate more useful and relevant client admission and discharge data.

AGENCY PRELIMINARY RESPONSE

BSAAS agrees in principle with the recommendations and will continue to work to improve the accuracy of the client admission and discharge data collected from CAs for its SATDCS. In addition, BSAAS will explore the possibility and, where feasible, enhance the capability of SATDCS to collect and disseminate more useful and relevant client admission and discharge data; however, the type of deficiencies cited as examples generally were not significant or severe enough to hinder the usefulness of the information. BSAAS provided the following comments relative to each item in the finding:

a. BSAAS will continue its current episode based reporting practice that was implemented during fiscal year 2003-04.

b. BSAAS agrees that a small number of clients are being coded as having methadone as part of their treatment while admitted into nonmethadone service providers. BSAAS informed us that it determined that these were due to a combination of data entry errors and misunderstanding of the coding instructions. Through its ongoing review of errors, BSAAS will revise its coding instructions as necessary and will consider a business rule to include

an automated edit to exclude admissions for methadone treatment if the treatment provider is not licensed as a methadone provider. This edit requires coordination with DCH's Bureau of Health Systems and will be implemented subject to available funding. BSAAS also informed us that if a nonlicensed program appears to be providing methadone, a referral will be made to the substance abuse licensing division in the Bureau of Health Systems.

c. BSAAS agrees that all admission records were not coded with valid provider license numbers. However, BSAAS informed us that it was able to locate and pair license numbers and determine the provider name for all 65,584 records reviewed. There are instances in which client records are being reported under "old" license numbers, and there are instances in which the licensing database and the on-line Statewide license search systems are not updated. BSAAS informed us that when a discrepancy is found, BSAAS will work with the CA to implement a migration plan to move to a recognizable license number on a case-by-case basis. Because the license number is part of the data system's primary key, changes must and will be made carefully.

d. BSAAS agrees and informed us that it will review the discrepancies and follow up with the CAs as necessary to improve the accuracy of the monthly reports. However, BSAAS informed us that it should be noted that the admission record does not identify if interim services (either nonsubstance abuse or not funded by State allocations) were provided. If these services are made available, then a difference between the monthly priority client reports and information derived singly from the admissions data would exist.

e. BSAAS informed us that information from the database had to be deleted twice during 2004 due to updating the system and that, in the future, it will maintain and file an electronic copy of the submission log prior to deleting all the information from the database.

EFFECTIVENESS OF MONITORING PREVENTION AND TREATMENT PROGRAM PROVIDERS

COMMENT

Background: State appropriations of federal Substance Abuse Prevention and Treatment Block Grant revenues and State General Fund revenues are the main sources of funding provided to BSAAS. BSAAS distributes most of this funding through contracts with 16 regional CAs, which subcontract with licensed providers of substance abuse prevention and treatment services. To supplement State-administered funds, *Michigan Administrative Code* R 325.4152 and 325.4153 require CAs to provide match funding obtained from local funds, including funds from fees and collections, contributions, and local tax revenues.

BSAAS employs several methods to monitor CAs, including annual on-site visits and the collection and review of several performance and progress reports. In addition, BSAAS contractually requires each CA to obtain an annual Single Audit*. BSAAS relies on DCH's Quality Assurance and Review Section (QARS) to ensure that CAs submit copies of their audit reports and review these audit reports as an additional method of ensuring compliance with applicable contract requirements.

BSAAS also receives State appropriations of federal grant revenues and interdepartmental funds to administer drug education and law enforcement grants. BSAAS monitors these grants through the use of on-site visits and the collection and review of program reports.

Audit Objective: To assess the effectiveness of BSAAS's monitoring of substance abuse prevention and treatment program providers to ensure compliance with contract requirements.

Conclusion: We concluded that BSAAS was generally effective in its monitoring of substance abuse prevention and treatment program providers to ensure compliance with contract requirements. However, we noted reportable conditions related to performance and progress reports, fees and collections, audit review procedures, and the monitoring of law enforcement grants (Findings 3 through 6).

* *See glossary at end of report for definition.*

Noteworthy Accomplishments: BSAAS informed us that ODCP and Michigan State University developed the Michigan Juvenile Intervention Initiative project, which involves four police departments collaborating with juvenile courts and working with the Michigan Justice Statistics Center to identify and intervene with delinquent youth who are likely to develop more extensive criminal careers. BSAAS informed us that one program, the Grand Rapids Intervention Program (GRIP), has emerged as a promising model in addressing serious youth violence. GRIP intervention employs a community probation perspective in which probation officers are assigned to specific neighborhoods. As a result, they are able to partner with community policing officers and other neighborhood leaders (school principals, neighborhood associations, etc.). The GRIP model also utilizes surveillance officers to intensively monitor youth in the community. Finally, probation officers refer youth to appropriate programs, such as individual and group counseling, tutoring, and recreational opportunities. Notably, fewer GRIP youth committed another offense in the first 6 months (21.4%) compared to the comparison group (38.6%) and those who re-offended from the GRIP group took longer to do so (264 days compared to 227 days).

FINDING

3. Performance and Progress Reports

BSAAS did not obtain required performance and progress reports from the CAs and service providers in a timely manner. In addition, BSAAS did not maintain the performance and progress reports submitted by CAs and service providers in accordance with its retention schedule.

Obtaining these required reports in a timely manner would help BSAAS ensure that CAs and service providers are in compliance with contract requirements.

BSAAS requires CAs and service providers to submit various performance and progress reports by specific due dates as outlined in their contracts. Our review of the submission of selected reports for fiscal years 2001-02, 2002-03, and 2003-04 disclosed:

a. CAs did not submit 34 (11.8%) of 288 performance and progress reports in a timely manner based on our review of reports due from three CAs and two service providers in fiscal year 2001-02, four CAs in fiscal year 2002-03, and five CAs in fiscal year 2003-04. On average, these reports were submitted

approximately 34 days late, ranging from 2 to 127 days late. In addition, 15 (5.2%) reports had not been submitted at all.

b. BSAAS did not maintain performance indicator reports and the sentinel events* summary reports submitted by CAs. These reports were discarded after BSAAS compiled the individual CA reports into summary reports. Our review of BSAAS's records retention and disposal schedule noted that these reports should be maintained at least six years.

RECOMMENDATIONS

We recommend that BSAAS obtain required performance and progress reports from the CAs and service providers in a timely manner.

We also recommend that BSAAS maintain the performance and progress reports submitted by CAs and service providers in accordance with its retention schedule.

AGENCY PRELIMINARY RESPONSE

BSAAS agrees in principle with the first recommendation and agrees with the second recommendation. BSAAS informed us that its Division of Community Services and Gambling has implemented a centralized procedure to monitor whether reports are submitted timely. BSAAS informed us that for most of the audit period, the ability to centrally monitor the submission of reports for timeliness was limited by the organizational components or structure in effect for much of the time period covered by the audit. BSAAS informed us that while the authority behind many of the reporting requirements was spelled out in a single contract, contractors were instructed to submit reports directly to staff responsible for that program component. BSAAS informed us that all contracts now require that reports be submitted to a single individual who logs each report by contractor, entering the date received and procedures for determining timeliness are stated in the contract. BSAAS further informed us that responsible units within the Division will follow up with contractors when reports are late. Contractors that are repeatedly late will be required to submit and comply with corrective action plans.

** See glossary at end of report for definition.*

BSAAS informed us that in fiscal year 2004-05, electronic files containing performance indicator and sentinel events reports by reporting agency are now being retained. BSAAS informed us that its current record retention schedule will be reviewed and recommendations for any updates or changes will be completed by July 2005.

FINDING

4. Fees and Collections

BSAAS did not analyze fees and collection revenue to determine if the CAs and CA-subcontracted service providers had maximized this revenue. As a result, BSAAS could not demonstrate that CAs and CA-subcontracted service providers had made reasonable efforts to collect first and third party revenue, which would help ensure that federal and State funding are being used as a last resort, as required by federal regulations.

Title 45, Part 96, section 137 of the *Code of Federal Regulations* (*CFR*) requires CAs and service providers to make every reasonable effort to collect first and third party fees to ensure that grant funds are used as the payment of last resort. BSAAS's contracts with CAs required the use of fees and collection revenue, generated by providing services to clients, as the first source of funding. BSAAS's definition of fees and collections included payments from clients and reimbursements from employer-sponsored or self-insured health plans, Medicaid, Medicare, private insurers, and other sources.

Our review of the fiscal years 2001-02 and 2002-03 financial reports submitted by CAs noted that the percentage of total CA expenditures funded by fees and collections ranged from 0.0% to 17.9% and 0.0% to 9.5%, respectively. Statewide fees and collection revenue reported by CAs was $2.8 million in fiscal year 2002-03 and $4.1 million in fiscal year 2001-02. This amounted to approximately 4.0% and 2.8% of the total expenditures reported by CAs in fiscal year 2001-02 and 2002-03, respectively. Total fees and collections reported by CAs in fiscal year 1993-94 were $18.7 million, amounting to approximately 20% of total expenditures reported by CAs.

BSAAS informed us that total fees and collections have decreased in the past 10 years for two main reasons. First, CA-subcontracted service providers were not reporting all fees and collections to CAs. Secondly, progressively more indigent

clients were being admitted for treatment. In addition, BSAAS informed us that fees and collections could vary significantly among CAs because:

- CAs use different sliding fee schedules that result in different client co-payment amounts.
- The number of clients eligible for Medicaid varies among CAs.
- The number of clients with health insurance varies among CAs.
- Differences exist among other CA fee policies.

BSAAS relies on its site visits and external audits of the CAs and CA-subcontracted service providers to help ensure that reasonable efforts are made to collect first and third party fees. However, because of the significant variances in the amount of fees and collection revenue reported among CAs, BSAAS should collect the data necessary to analyze these variances to ensure that CAs and CA-subcontracted service providers are maximizing fees and collections.

RECOMMENDATION

We recommend that BSAAS analyze fees and collection revenue to determine if the CAs and CA-subcontracted service providers are maximizing this revenue.

AGENCY PRELIMINARY RESPONSE

BSAAS disagrees with both the finding and the recommendation and informed us that there is no specific regulatory requirement mandating that this information be specifically collected and analyzed. The applicable standard requires CAs and service providers to make every reasonable effort to collect first and third party fees so that grant funds are used as payment of last resort. BSAAS informed us that the CAs and CA-subcontracted service providers are contractually required to make reasonable efforts to collect first and third party fees and report those efforts to BSAAS and that the CAs are routinely tested for compliance with this requirement through their annual Single Audit, which is conducted pursuant to the requirements set forth in U.S. Office of Management and Budget (OMB) Circular A-133. BSAAS informed us that the CAs also routinely monitor compliance with these requirements through monitoring activities with their contractual service providers. BSAAS also informed us that it routinely assesses CA compliance with coordination of benefits, implementation of region-wide fee scales, determination of ability to pay, etc., through its annual on-site monitoring activities and that the fiscal year 1999-2000 and fiscal year 2000-01 review cycles included in-depth emphasis

on these requirements. In addition, BSAAS informed us that CAs found not to be in compliance developed corrective action plans.

BSAAS also informed us that many CAs define their treatment providers as vendors rather than subrecipients and that vendors, per OMB Circular A-133, are not required to report fees and collections. BSAAS further informed us that the declines in collections can be attributed to CAs having had to increasingly limit eligibility for publicly funded services, thereby resulting in a client population that is increasingly indigent.

FINDING

5. Audit Review Procedures

DCH needs to either provide incentives or impose penalties that would help ensure that CAs and service providers submit audit reports in a timely manner. In addition, DCH did not follow existing audit review procedures to ensure that the audit reports of CAs and service providers were reviewed in a timely manner. As a result, DCH could not ensure that CAs and service providers took appropriate and timely corrective action to resolve audit findings.

BSAAS requires CAs and service providers to provide copies of their annual Single Audit reporting package to DCH in compliance with federal regulations and DCH audit guidelines. Copies of the annual audit reporting package are to be submitted to DCH no later than nine months after the close of the CAs' and service providers' fiscal year. In addition, within six months after receipt of the reporting package, DCH is required to review and issue a management's decision on any audit findings. QARS was responsible for ensuring that CAs and service providers submitted the required Single Audit reports and that the audits were conducted in compliance with federal regulations and DCH and BSAAS audit guidelines. BSAAS relied on QARS's review of the Single Audit reports as one of the primary means of monitoring CAs and service providers.

Our review of QARS's audit report logs for the fiscal years ended September 30, 2001 and September 30, 2002 and the related QARS review documentation and audit memorandum summary reports disclosed:

a. Audit reports were not always submitted to QARS in a timely manner.

   Seven (38.9%) of the 18 audit reports for the fiscal year ended September 30, 2001 were submitted after the nine-month deadline. Five of these reports were submitted 16 to 81 days late, one report was submitted 334 days late, and one report was submitted 639 days late. For the fiscal year ended September 30, 2002, 9 (47.4%) of the 19 audit reports were submitted after the nine-month deadline. On average, these reports were submitted approximately 121 days late, ranging from 22 to 274 days late. Our review disclosed that QARS followed its procedures by sending follow-up letters to CAs and service providers that were late in submitting audit reports. BSAAS contract language did not provide for consequences to CAs and service providers for not meeting the deadlines.

b. Reviews of the audit reports submitted by CAs and service providers were not always completed in a timely manner.

   Our review of the audit report logs disclosed that for the fiscal year ended September 30, 2001, 3 (16.7%) of the 18 reviews were completed after the review deadline for the audit reporting package had expired. On average, QARS was approximately 37 days late in reviewing these audit reporting packages, ranging from 8 to 83 days. For the fiscal year ended September 30, 2002, 13 (68.4%) of the 19 reviews were completed after the review deadline. On average, QARS was approximately 52 days late in reviewing these audit reporting packages, ranging from 3 to 131 days. QARS informed us that reductions in staff because of retirement contributed to the audit reviews being completed several months late during the fiscal year ended September 30, 2002.

c. BSAAS was not notified when CAs and service providers were not submitting audit reports in a timely manner.

Of the 16 CAs and service providers that did not submit audit reports within the nine-month requirement, QARS did not notify BSAAS in 9 (56.3%) cases.

RECOMMENDATIONS

We recommend that DCH either provide incentives or impose penalties to help ensure that CAs and service providers submit audit reports in a timely manner.

We also recommend that DCH follow existing audit review procedures to help ensure that the audit reports of CAs and service providers are reviewed in a timely manner.

AGENCY PRELIMINARY RESPONSE

DCH agrees with items a. and b. of the finding and both recommendations. With respect to item a. of the finding, DCH informed us that it has consistently followed its existing procedures by diligently following up with all of the CAs and service providers that were late in filing their audit reports. DCH informed us that while slightly improved, the late submission of audit reports continued into fiscal year 2002-03 despite numerous efforts by DCH to obtain audit reports in a timely manner. DCH informed us that it will continue its practice of sending follow-up letters to CAs and service providers that are late in submitting audit reports. Additionally, DCH informed us that beginning with audit reports for fiscal year 2004-05, DCH will apply the penalty provisions outlined in the fiscal year 2004-05 contracts.

With respect to the second recommendation, DCH informed us that it will follow existing audit review procedures to ensure that audit reports of CAs and service providers are reviewed in a timely manner.

DCH disagrees with item c. of the finding. DCH informed us that for the period covered by the audit, there was no specific regulatory or procedural requirement that BSAAS be notified when audits were not being submitted in a timely manner; however, because DCH now has authority to impose penalties when audits are not submitted timely, this information is much more relevant and BSAAS will be notified accordingly.

FINDING

6. Monitoring of Law Enforcement Grants

BSAAS did not obtain program reports from the recipients of law enforcement grants in a timely manner.

As a result, BSAAS was not able to perform timely reviews of these reports, which are necessary to determine if grant recipients are in compliance with grant requirements.

BSAAS awarded 186 law enforcement grants during fiscal year 2002-03, totaling approximately $19.3 million. The purpose of the grants was to coordinate efforts for crime related programs run by criminal justice agencies in the State, including drug court programs, multi-jurisdictional drug task force activities, domestic violence programs, juvenile intervention programs, and the criminal history record improvement project.

BSAAS requires recipients of law enforcement grants to submit quarterly program reports within 20 days from the end of each quarter. BSAAS procedures provide that if reports are not submitted within 10 days of the due date, BSAAS will send a delinquency letter to the grantee. If the grantee does not respond to the delinquency letter within three weeks, BSAAS should initiate procedures to withhold future funds from the grantee until the program report is submitted. BSAAS procedures also require that BSAAS grant advisors document their acceptance and review of program reports when they are submitted.

Our review of the submission of quarterly program reports for fiscal year 2002-03 disclosed:

a. Grant recipients did not submit 172 (25.4%) of 677 required quarterly program reports within the 10-day grace period. On average, these program reports were submitted approximately 65 days late, ranging from 14 to 246 days late. Also, grant recipients submitted at least one quarterly program report after the 10-day grace period had expired for 86 (46.2%) of 186 law enforcement grants awarded during this same period.

b. BSAAS did not send delinquency letters for 135 (78.5%) of the 172 instances in which a grantee did not submit quarterly program reports in a timely

manner. Of the 37 delinquency letters that were issued, BSAAS sent these an average of 31 days after the 10-day grace period had expired, ranging from 18 to 166 days after the grace period.

c. BSAAS did not initiate procedures for withholding future funds from grantees that were significantly delinquent in submitting their quarterly program reports. Our review disclosed that of the 37 delinquency letters that were issued, there were 12 (32.4%) instances in which the grantees did not respond by submitting their quarterly program report within three weeks. BSAAS did not initiate procedures for withholding future funds in any of these instances.

RECOMMENDATION

We recommend that BSAAS obtain program reports from the recipients of law enforcement grants in a timely manner.

AGENCY PRELIMINARY RESPONSE

BSAAS agrees with the finding and in principle with the recommendation. BSAAS informed us that it agrees reports should be submitted in a timely manner and improvement could be achieved with more timely and aggressive monitoring activities; however, the absolute assurance as suggested in the recommendation cannot be met. BSAAS informed us that it will use the Michigan Automated Grant Information Connection (MAGIC) system to monitor receipt of these reports and that the grant advisor has been assigned responsibility for notifying the project director that funds will be withheld if reporting requirements have not been met.

EFFECTIVENESS OF ADMINISTRATION OF PUBLIC FUNDS

COMMENT

Audit Objective: To assess the effectiveness of BSAAS's administration of public funds for substance abuse prevention and treatment programs.

Conclusion: We concluded that BSAAS was generally effective in administering public funds for substance abuse prevention and treatment programs. However,

we noted reportable conditions related to funding methodology and restricted revenue from liquor license fees (Findings 7 and 8).

Noteworthy Accomplishments: BSAAS informed us that as methamphetamine began to threaten Michigan, various groups came together and, in March 2002, ODCP convened leaders to develop a Statewide strategy. In July 2002, ODCP released the Michigan Methamphetamine Control Strategy, which began the work of the Michigan Methamphetamine Task Force. The Task Force included BSAAS and ODCP, the Michigan Department of State Police, the U.S. Drug Enforcement Administration, the U.S. Customs Service, the Michigan High Intensity Drug Trafficking Area (MI-HIDTA), the Federal Bureau of Investigation, the Prosecuting Attorney's Association of Michigan, the Michigan State Court Administrative Office, various county and city police agencies, the Department of Agriculture, the Department of Environmental Quality, the Michigan Association of Substance Abuse Coordinating Agencies, retailers associations, media associations, the U.S. Attorneys' Offices, and others. In fiscal year 2003-04, BSAAS applied for and received a grant from SAMHSA. The overall goal of this grant is to develop a Statewide multi-agency infrastructure for the purpose of implementing effective strategies for preventing, reducing, or delaying the use or spread of methamphetamine in high risk communities across the State. Four CA regions were identified to begin implementing strategies in their communities.

FINDING

7. Funding Methodology

BSAAS had not reviewed its methodology for allocating funds to its regional CAs since 1986, even though CAs have experienced significant changes in population levels during this period. Periodically reviewing its methodology for allocating funds would help BSAAS ensure that funding for substance abuse prevention and treatment services is being allocated based on the needs for those services in each region.

BSAAS allocates State and federal Substance Abuse Prevention and Treatment Block Grant funds to CAs each year to provide substance abuse prevention and treatment services throughout the State. Allocations to CAs totaled $80,642,418 in fiscal year 2001-02; $78,229,038 in fiscal year 2002-03; and $74,125,004 in fiscal year 2003-04. Section 333.6211 of the *Michigan Compiled Laws* requires BSAAS to establish a formula basis for distribution of these funds. BSAAS stated in its Substance Abuse Prevention and Treatment Block Grant applications for fiscal

years 2002-03 and 2003-04 that it would use population levels, incidence and prevalence levels, and problem levels as estimated by expert opinion as its criteria for allocating these funds to CAs.

BSAAS implemented its initial funding allocation formula in 1986 in compliance with the State statute. The formula was based on population levels, poverty levels, and heroin prevalence statistics. BSAAS has not changed its funding formula since the inception of the program in 1986. According to estimates published by the U.S. Census data for Michigan from 1990 to 2003, population levels by CA region in Michigan have increased as much as 28.3% and decreased as much as 11.3% during this time period.

In our prior audit of BSAAS, we noted that BSAAS had not obtained sufficient substance abuse needs data to enable it to equitably allocate funds to each CA based on need. During the period October 1, 1999 through September 30, 2002, BSAAS was awarded $1,295,052 by the federal Center for Substance Abuse Treatment and $850,662 by the federal Center for Substance Abuse Prevention to conduct substance abuse needs assessment studies. Some of the BSAAS studies funded from these grants included the 2000 Michigan Drug and Alcohol Population Survey, Composite Prevalence Estimates of the Need for Substance Abuse Treatment Services in Michigan, and Assessing Substance Abuse Prevention Needs in Michigan Counties: A Study Using Social Indicators. The studies were designed to accomplish two objectives: (1) to identify populations and locations with relative levels of need for substance abuse prevention and treatment services within the State's federal block grant planning regions and (2) to work toward a revised funding allocation methodology based on relative need for services.

According to estimates presented for Michigan published in the *2002 National Survey on Drug Use and Health*, 2.7% of persons aged 12 or older (approximately 220,400 persons) needed but did not receive treatment for an illicit drug problem and 8.5% (approximately 701,700 persons) needed but did not receive treatment for an alcohol problem. Michigan ranked as the twelfth highest state in the nation for persons aged 12 or older needing but not receiving treatment for alcohol dependence or abuse.

RECOMMENDATION

We recommend that BSAAS review its methodology for allocating funds to its regional CAs to help ensure that funding for substance abuse prevention and treatment services is being allocated based on the needs for those services in each region.

AGENCY PRELIMINARY RESPONSE

DCH agrees with the finding that it has not updated its methodology for allocating funds to the CAs and agrees with the recommendation to the extent that an improved methodology would enhance equitability of funding across the regions. However, BSAAS does not agree that improving the methodology would be sufficient to ensure that substance abuse prevention and treatment services would be properly met as implied by the recommendation given the large gap that continues to exist between need and funding as well as network capacity. Nevertheless, BSAAS agrees that the methodology for allocating funds could be revised in order to improve the balance between need and funding level in the 16 CA regions. BSAAS informed us that it has convened an advisory formula allocation workgroup, which began meeting in March 2005, to consider what, if any, changes are needed in the way funds are allocated. BSAAS also informed us that it will again consider how to incorporate need into the methodology and will again review the federally funded needs assessment studies conducted earlier. BSAAS further informed us that it will again confront the challenge of improving equity in the absence of new or additional funding. BSAAS expects to complete a report of findings and recommendations by July 2005.

FINDING

8. Restricted Revenue From Liquor License Fees

BSAAS did not expend all revenue received from liquor license fees to fund programs for alcoholism.

Sections 436.1543(1) and 436.2115(2) of the *Michigan Compiled Laws* require that a portion of the liquor license fees charged to retailers be allocated to DCH and used exclusively to fund programs for the prevention, rehabilitation, care, and treatment of alcoholics.

BSAAS received revenue from liquor license fees totaling $1,647,644 and $1,651,703 in fiscal years 2001-02 and 2002-03, respectively. BSAAS expended most of this revenue on programs for the prevention, rehabilitation, care, and treatment of alcoholics, as required by State law. However, BSAAS expended $400,921 and $461,696 of this revenue in fiscal years 2001-02 and 2002-03, respectively, to fund activities to prevent the sale of tobacco products to minors.

RECOMMENDATION

We recommend that BSAAS expend all revenue received from liquor license fees to fund programs for alcoholism.

AGENCY PRELIMINARY RESPONSE

BSAAS agrees with the finding and recommendation. BSAAS informed us that to ensure that these funds are used as intended, BSAAS, in cooperation with the Bureau of Budget and Audit, will allocate the funds to a single contractor that can be shown to expend funds for alcohol prevention and treatment services in excess of the amount of the State restricted funds. Documentation of the amount of expenditures for alcohol services will be through the contractor's data reporting of funds expended for services for persons with alcohol versus other drug abuse/addiction. BSAAS informed us that these procedures were implemented for fiscal year 2003-04.

GLOSSARY

Glossary of Acronyms and Terms

BSAAS	Bureau of Substance Abuse and Addiction Services.
coordinating agency (CA)	Prime contractor for substance abuse funds from BSAAS. CAs are the primary link between State and local programs and can be city, county, or regional agencies. Sixteen CAs serve Michigan's 83 counties.
DCH	Department of Community Health.
effectiveness	Program success in achieving mission and goals.
EFG	Education Formula Grant.
GDG	Governor's Discretionary Grant.
goals	The agency's intended outcomes or impacts for a program to accomplish its mission.
GRIP	Grand Rapids Intervention Program.
LLEBG	Local Law Enforcement Block Grants.
mission	The agency's main purpose or the reason that the agency was established.
ODCP	Office of Drug Control Policy.
OMB	U.S. Office of Management and Budget.
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 public accountability and to facilitate

	decision making by parties responsible for overseeing or initiating corrective action.
PIHP	prepaid inpatient health plan.
prevalence	The number of cases in a given population at a specific time.
QARS	Quality Assurance and Review Section.
reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.
RSAT	Residential Substance Abuse Treatment for State Prisoners.
SAMHSA	federal Substance Abuse and Mental Health Services Administration.
SATDCS	Substance Abuse Treatment Data Collection System.
sentinel event	An unexpected occurrence involving death or serious physical or psychological injury or risk thereof.
Single Audit	A financial audit, performed in accordance with the Single Audit Act Amendments of 1996, that is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, a Single Audit requires the assessment of compliance with requirements that could have

	a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with OMB Circular A-133.
TIP	Treatment Improvement Protocol.

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OFFICE of the AUDITOR GENERAL