



STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

JANET OLSZEWSKI
DIRECTOR

September 28, 2007

Mr. Michael Moody, Director
DMB Office of Financial Management
Romney Building - Seventh Floor
111 South Capitol
Lansing, Michigan 48933

RE: Performance Audit of Mt. Pleasant Center, Bureau of Hospitals, Centers, and Forensic
Mental Health Services

Dear Mr. Moody:

In accordance with the Department of Management and Budget's Administrative Manual,
Section 1280.02, enclosed is the Department's final response for the above referenced audit.

Please contact me at 373-1508 if you have any questions.

Sincerely,

Signature Redacted

Pam Myers, Acting Director
Office of Audit

PM:kk

Enclosure

cc: Office of the Auditor General
House Fiscal Agency
Senate Fiscal Agency
Executive Office
DCH, Janet Olszewski
DMB, Bob Emerson, State Budget Director

House Appropriations Committee
House Standing Committee
Senate Appropriations Committee
Senate Standing Committee
DCH, Ed Dore
DCH, Nick Lyon

PERFORMANCE AUDIT OF
MT. PLEASANT CENTER
BUREAU OF HOSPITALS, CENTERS, AND FORENSIC
MENTAL HEALTH SERVICES
DEPARTMENT OF COMMUNITY HEALTH

October 1, 2003 through June 30, 2006

AUDIT RESPONSE

Approved: Signature Redacted
Janet Olszewski, Director
Department of Community Health

Date: August 24, 2007

AUDIT REPORT SUMMARY

DEPARTMENT: Community Health
AUDIT PERIOD: October 1, 2003 through June 30, 2006
REPORT DATED: April 2007

DISPOSITION OF AUDIT RECOMMENDATIONS

<u>CITATIONS COMPLIED WITH</u>	<u>CITATIONS TO BE COMPLIED WITH</u>	<u>CITATIONS NOT COMPLIED WITH</u>
1		
	2 – September 2007	
3		
	4 – August 2007	
5		
6		
7		
8		
9		
10		
	11 – Unknown (a)	
12		

(a) This is dependent upon funding. With the current budget situation we can't determine a date for compliance.

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Recommendation 1: Center Monitoring Activities

We recommend that the Center improve its monitoring of patient services to help ensure that the Center complies with patient treatment plans, Center policy, and State law and federal regulations.

Response:

The Center will reinforce its commitment to provide the highest level of care to its patients and that commitment will be communicated to the entire patient care staff. The Center will initiate a review of all of its current monitoring programs and practices related to patient services. The results of the review will be used to identify and implement revisions to current practices as necessary. Completion is expected by May 1, 2007.

- The Center communicated its commitment to patient care through a number of different initiatives. This included staff meetings, training sessions addressing abuse and neglect, restraint reduction training (4-part series completed, next phase about to commence), plan-of-correction training, etc. This was completed prior to May 1, 2007 and is considered a continuous and on-going process.
- The Risk Management/Quality Assurance Committee (RM/QA) completed their review of monitoring practices in May 2007. Recommended revisions have been implemented. The RM/QA will continue to review effectiveness and revise monitoring practices as necessary.

Recommendation 2: Training Practices

WE AGAIN RECOMMEND THAT THE CENTER ENSURE THAT DIRECT CARE STAFF RECEIVE THE TRAINING AS REQUIRED BY CENTER POLICIES AND PROCEDURES.

We also recommend that the Center update its training policies and procedures to help ensure that its training program meets the Center's operational needs.

In addition, we recommend that DCH, in conjunction with the Center, develop an overall training strategy which would help the Center document its training practices.

Response:

The Center, in conjunction with DCH central office, has taken steps to review and revise training policies and procedures to ensure that training needs are met and training complies with State and Federal regulations. Training requirements of similar health care providers will be reviewed to determine what is appropriate. Completion is expected by May 1, 2007.

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- The Center has submitted proposed minimum training requirements for consideration and has a draft of a revised training policy. The issue of training is being reviewed by an external review committee which is examining Center practices. Currently all training required by outside entities, or to meet competencies for the position are being provided. The Center has received information on training requirements at similar centers in New Jersey, Virginia, and North Carolina and will consider this information when developing its policy. Completion is expected by September 30, 2007.

Recommendation 3: Person-Centered Planning Process

We recommend that the Center complete all patients' comprehensive evaluations and PCPs on a timely basis.

We also recommend that the Center document that all patients are provided the opportunity to participate in all aspects of the person-centered planning process.

In addition, we recommend that the Center incorporate measurable treatment plans and discharge goals into all PCPs.

Response:

Beginning in May 2006 the Center determined that all patients are to receive planning and services utilizing the same person-centered planning process, including assessments and time lines. This is being accomplished for all newly admitted persons and is being phased in for all current patients based upon their PCP date. This model and expectations include completion of comprehensive evaluations and PCPs on a timely basis, patient participation in the PCP process, and inclusion of measurable treatment plans and discharge goals.

- The Center's PCP policy is applied to all current residents. The completion of all annual evaluations and assessments, as a part of the PCP, is tracked through the Nexxus database system. The newly formed Program Review Committee is reviewing a random sample of all training objectives within the person center planning documents monthly to assure compliance with the revised policies.

Recommendation 4: Dental Care

We recommend that the Center complete required dental examinations on all Medicaid eligible patients.

We also recommend that the Center, in conjunction with DCH, develop a policy describing the procedures to follow if a patient refuses treatment.

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Response:

The dentist hired in June 2005 did not have the necessary qualifications to administer IV sedation. On April 30, 2006, he completed that training and became fully certified to administer IV sedation. Annual dental exams are now being performed on those patients that consent to treatment. The Center is exploring options for obtaining consent and will develop written policies and procedures for addressing these situations. The Center expects these policies to be implemented by May 1, 2007.

- IV sedation is an issue that is being reviewed by the external review committee appointed by Central office. The Center continues to discuss issues related to consent/refusal of dental treatment with Central Office. We expect resolution of these issues by August 31, 2007.

Recommendation 5: Complaints

We recommend that the Center, in conjunction with DCH, establish procedures that would allow Center staff to submit complaints relating to Center operations for consideration and investigation.

Response:

The Center will develop a formal process, in conjunction with DCH, for staff to submit written complaints and suggestions. The Center expects these policies and procedures to be implemented by April 2007.

- Policies and procedures concerning complaints and suggestions were implemented April 1, 2007.

Recommendation 6: Controls Over Inventories

We recommend that the Center establish effective controls over its inventories.

Response:

The Center will establish policies and procedures regarding inventories of commodities and other items susceptible to theft. A requisition procedure will be developed to control and issue certain materials and supplies used by maintenance staff and an inventory of tools issued to each maintenance person will be maintained and verified through an annual inventory. A system will be developed to document the receipt of and distribution of items transferred from other facilities, depending on the value of the items received. Controls implemented will be weighed

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against the cost of implementing the control. The Center expects the policies and procedures will be developed by May 2007.

- The system to document the receipt of and distribution of items from other facilities was added to the maintenance policy and will be maintained in the Center's equipment inventory. Should the Center receive equipment from other facilities, the Center will assure that policies and procedures covering inventory controls are followed.
- The Center has established policies and procedures regarding inventories of commodities and other items susceptible to theft. A requisition procedure was developed to control and issue certain materials and supplies used by maintenance staff and an inventory of tools issued to each maintenance person is now maintained and verified through an annual inventory. All of this was completed by June 2007.

Recommendation 7: Biennial Internal Control Assessment

We recommend that the Center effectively complete its biennial internal control assessment.

Response:

Additional training has been provided in preparation for the next assessment. Specific control activities designed to mitigate risk for the various operating functions will be identified, monitoring activities for each control will be identified, and a conclusion will be made regarding the sufficiency of the control activities.

- The Biennial Internal Control Assessment is completed, reviewed, and submitted. Conclusions have been made regarding the sufficiency of the control activities where possible. Newly implemented controls will be evaluated for effectiveness by the Center in October.

Recommendation 8: Medication Purchases and Utilization

We recommend that the Center implement controls to ensure that it efficiently purchases and uses medications distributed by the Center's pharmacy.

Response:

Procedures will be implemented to ensure that medications are purchased in quantities providing the best available value. The issue concerning expired medications in the overnight cabinet has been referred to the Pharmacy and Therapeutics Committee and is being addressed by the DCH Pharmacy work group. Until an effective inventory control system is established the pharmacist will evaluate the number of medications in the overnight cabinet and will consider instituting a

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regular after hours medication supply replacement program. Medications in the overnight cabinet will be returned to the regular pharmacy stock.

- To ensure medications are purchased in quantities providing the best value and to ensure unnecessary quantities are not purchased, the pharmacy has developed and is currently practicing the following:
 1. A list of high cost items (approximately 40) is reviewed weekly for need. The purchase of these items is limited to a one week supply (none of these items are available in alternative quantities at a reduced price).
 2. The pharmacist reviews the medication order nightly checking for contract compliance and availability of new generics or less expensive generics. Off contract purchases are made when less expensive.

- The DCH Pharmacy Work Group has not yet addressed the expired medications in the overnight cabinet. The Center's pharmacist continues to provide quarterly information to the Pharmacy & Therapeutics Committee and makes recommendations on medications to remove.

- The Center's pharmacy staff inspects and exchanges short date medications monthly to prevent the medication from passing the expiration date in the overnight cabinet. The short date medications are returned to the pharmacy for use prior to expiration.

Recommendation 9: Medication Refunds and Rebates

We recommend that the Center reconcile refunds for medications to supporting documentation.

We also recommend that the Center reconcile vendor rebates with pharmaceutical sales totals.

Response:

The Center will develop and implement procedures requiring a comparison of refunds received for returned medications to supporting documentation. Material discrepancies will be investigated to ensure that the Center is receiving the appropriate credit. The Center will verify the accuracy of any rebates received by confirming the amounts versus pharmaceutical sales totals. Procedures will be developed and implemented requiring this comparison. Material differences or discrepancies will be investigated.

- Procedures were developed in October 2006 to track the return of prescription medication. Accounting staff report quarterly on the tracking; recovery will be attempted if large dollar discrepancies are found.

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- The contract that addresses rebates is the Minnesota Multistate contract (MMCAP). This is a statewide contract that is handled by DMB. At the end of the fiscal year, DCH Central Office informs each hospital of the portion of the rebate that has been placed into their account. The Center has no control over how much of the statewide rebate they will receive. The issue of accountability is being discussed by the statewide Pharmacy Workgroup; they will be drafting policy/procedure language for all of the facilities to follow.

Recommendation 10: Patients' Personal Property

We recommend that the Center establish effective controls over its patients' personal property.

Response:

The individual property inventory policy and procedures will be refined and the policy will increase the frequency of the inventories to one per quarter and will require an inventory of personal property on the day of admission. When individuals are discharged or transferred a final inventory will be conducted and the receiving agency will receive documentation of property received. The Center expects to have these revised policies and procedures implemented by May 2007.

- Resident property inventory procedures for the Residential Services Department were implemented June 1, 2007 to coincide with the revisions to Center policies that addressed inventories. Part of this revision was to increase the frequency of inventories.

Recommendation 11: Inventory of Noncontrolled Substances

We recommend that the Center establish effective inventory controls over all medications.

Response:

A workgroup has been established by DCH to review the issue and provide recommendations for implementing an effective inventory control program. A joint effort among DCH, DOC, DMVA, and DIT involving an electronic medical care system is currently under discussion. This system would include a pharmacy inventory and management component.

- The DCH workgroup has not made any recommendations for implementation of a medication inventory system.
- The joint effort between DCH, DOC, DMVA, and DIT has been put on hold due to the varying needs of each department and the current budget crisis. DCH is researching

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another option for electronic medical records which hopefully will include an inventory control module for pharmaceuticals.

- At the request of the Director, the pharmacy and accounting departments have developed and implemented a procedure that monitors 53% (in dollars) of the annual drug purchases. The decision to limit to approximately 50% was necessary due to the use of a paper inventory system. An attempt to inventory 100%, using this manual system, would require more staff.

Recommendation 12: Procurement Card Approvals

We recommend that the Center ensure that cardholders obtain supervisory approval prior to completing procurement card purchases.

We also recommend that the Center ensure that accounting department staff approve the transaction logs used to track procurement card purchases on a timely basis.

Response:

The Center has revised its policy and procedures for procurement card purchases to require prior approval through written approval from a manager or verbal approval followed up with written approval within 24 hours of purchase. Procedures were also implemented requiring supervisory approval of transaction logs within 45 days of the transaction cycle. Accounting will do a complete check of all purchases for each cycle to verify that all transactions are properly accounted for and reviewed. Each cardholder and manager has received additional training on changes in the policy.

- The Center has changed its practice and requires supervisory signature on forms (or approval e-mail) prior to purchase. Accounting department reviews all signatures and brings any errors to the cardholder/manager's attention for clarification and correction.