

EXECUTIVE DIGEST

DETROIT PSYCHIATRIC INSTITUTE

INTRODUCTION This report contains the results of our performance audit of the Detroit Psychiatric Institute (DPI), Department of Community Health (Department*), for the period October 1, 1992 through November 30, 1995.

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 DPI operates under the jurisdiction of the Department. DPI's mission* is to promote, maintain, or restore clients' physical and mental health, prevent illness, and effect rehabilitation to enhance the opportunity for maximum participation in the life and resources of the community.

To facilitate its mission, DPI provides a comprehensive range of services to children and adults. The services include psychiatry, nonpsychiatric medicine, social work,

nursing, activity therapy, patient education, and psycho-social rehabilitation.

DPI has established a quality assurance/continuous quality improvement program for monitoring various clinical outputs* and processes in relation to established standards.

DPI is accredited by the Joint Commission on Accreditation of Health Care Organizations and is certified to participate in the Medicaid, Medicare, and Blue Cross/Blue Shield programs. DPI took over the administrative responsibility for the reimbursement function from the Department in April 1994.

For fiscal year 1994-95, DPI expenditures totaled approximately \$18.9 million. As of September 30, 1995, DPI had 286 employees and 116 patients.

**AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS**

Audit Objective: To assess the effectiveness and efficiency of DPI's reimbursement function.

Conclusion: We concluded that DPI's reimbursement function was not effective and efficient. Our assessment disclosed one material condition*:

- DPI did not correct and resubmit returned and rejected Medicare claims and reproporate* the charges related to claims that could not be resubmitted (Finding 1).

In addition, we noted reportable conditions* related to timeliness of billings; data input; reimbursement accounts

receivable credit balances; collection procedures; quality assurance reviews; and zero balance billings (Findings 2 through 7).

Audit Objective: To assess the effectiveness and efficiency of DPI's vendor contracting function.

Conclusion: We concluded that DPI's vendor contracting function was reasonably effective and efficient; however, our assessment disclosed one material condition:

- DPI's bid specifications for prescription drugs and pharmaceutical services were seriously flawed. As a result, DPI paid significantly higher prices for prescription drugs and pharmaceutical services than it should have. (Finding 8)

We also noted reportable conditions related to the internal control structure* over drug purchases and returns and to the verification of the City of Detroit's year-end cost statement (Findings 9 and 10).

Audit Objective: To assess DPI's compliance with provisions of selected laws, rules, policies, directives, and procedures which could materially affect DPI's delivery of mental health services.

Conclusion: We concluded that DPI complied with the material provisions of selected laws, rules, policies, directives, and procedures related to the delivery of mental health services.

**AUDIT SCOPE
AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the Detroit Psychiatric Institute for the period October 1, 1992 through November 30, 1995. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

To accomplish our audit objectives, we conducted various analytical reviews; assessed and tested the internal control structure for selected functions; reviewed applicable statutes, rules, policies, and procedures; interviewed Department and DPI staff; and analyzed applicable program, financial, and clinical records.

**AGENCY
RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

This audit report contains 10 findings and 11 corresponding recommendations. The Department and DPI agreed with the respective findings and recommendations addressed to them.

DPI did not comply with the prior audit recommendation included within the scope of our current audit. We repeated that recommendation in this audit report.