

Office of the Auditor General
Follow-Up Report on Prior Audit Recommendations

Walter P. Reuther Psychiatric Hospital
Michigan Department of Health and Human Services

April 2020

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.

The auditor general may make investigations pertinent to the conduct of audits.

Article IV, Section 53 of the Michigan Constitution



OAG

Office of the Auditor General

Report Summary

Follow-Up Report

*Walter P. Reuther Psychiatric Hospital
(WRPH)*

*Michigan Department of Health and Human
Services*

**Report Number:
391-0230-16F**

**Released:
April 2020**

We conducted this follow-up to determine whether WRPH had taken appropriate corrective measures in response to the two material conditions noted in our November 2017 audit report.

Prior Audit Information	Follow-Up Results		
	Conclusion	Finding	Agency Preliminary Response
<p>Finding #1 - Material condition</p> <p>WRPH should track and minimize direct care nursing staff overtime.</p> <p>Agency agreed.</p>	Partially complied	Reportable condition exists. See <u>Finding #1.</u>	Agrees
<p>Finding #4 - Material condition</p> <p>Improved controls needed over keys.</p> <p>Agency agreed.</p>	Partially complied	Reportable condition exists. See <u>Finding #4.</u>	Agrees

Obtain Audit Reports

Online: audgen.michigan.gov

Phone: (517) 334-8050

Office of the Auditor General
201 N. Washington Square, Sixth Floor
Lansing, Michigan 48913

Doug A. Ringler, CPA, CIA
Auditor General

Laura J. Hirst, CPA
Deputy Auditor General



OAG

Office of the Auditor General

201 N. Washington Square, Sixth Floor • Lansing, Michigan 48913 • Phone: (517) 334-8050 • audgen.michigan.gov

Doug A. Ringler, CPA, CIA
Auditor General

April 28, 2020

Mr. Robert Gordon, Director
Michigan Department of Health and Human Services
South Grand Building
Lansing, Michigan

Dear Mr. Gordon:

This is our follow-up report on the two material conditions (Findings #1 and #4) and the two corresponding recommendations reported in the performance audit of the Walter P. Reuther Psychiatric Hospital, Michigan Department of Health and Human Services. That audit report was issued and distributed in November 2017. Additional copies are available on request or at audgen.michigan.gov.

Your agency provided the preliminary responses to the follow-up recommendations included in this report. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during our follow-up. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

Doug Ringler
Auditor General

TABLE OF CONTENTS

WALTER P. REUTHER PSYCHIATRIC HOSPITAL

	<u>Page</u>
Report Summary	1
Report Letter	3
Introduction, Purpose of Follow-Up, and Agency Description	6
Prior Audit Findings and Recommendations; Agency Plan to Comply; and Follow-Up Conclusions, Recommendations, and Agency Preliminary Responses	7
Findings:	
1. WRPH should track and minimize direct care nursing staff overtime.	7
4. Improved controls needed over keys.	11
Follow-Up Methodology, Period, and Agency Responses	14
Glossary of Abbreviations and Terms	16

INTRODUCTION, PURPOSE OF FOLLOW-UP, AND AGENCY DESCRIPTION

INTRODUCTION

This report contains the results of our follow-up of the two material conditions* (Findings #1 and #4) and the two corresponding recommendations reported in our performance audit* of the Walter P. Reuther Psychiatric Hospital (WRPH), Michigan Department of Health and Human Services (MDHHS), issued in November 2017.

PURPOSE OF FOLLOW-UP

To determine whether WRPH had taken appropriate corrective measures to address our corresponding recommendations.

AGENCY DESCRIPTION

WRPH is located in Westland, Michigan, and is one of five psychiatric hospitals operated under the jurisdiction of MDHHS. WRPH's mission* is to provide integrated inpatient psychiatric care employing a compassionate multidisciplinary team approach and person-centered goals reflecting a culture of safety. WRPH is accredited by the Joint Commission and is certified as a provider of inpatient psychiatric hospital services by the Centers for Medicare and Medicaid Services.

The majority of WRPH patients are court ordered to receive inpatient psychiatric services.

For fiscal year 2019, WRPH had operating expenditures of \$57.3 million. WRPH had 382 employees and 173 patients (50 not guilty by reason of insanity, 22 incompetent to stand trial, 99 other court ordered, and 2 voluntary) as of October 19, 2019 and November 30, 2019, respectively.

* See glossary at end of report for definition.

PRIOR AUDIT FINDINGS AND RECOMMENDATIONS; AGENCY PLAN TO COMPLY; AND FOLLOW-UP CONCLUSIONS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

FINDING #1

Audit Finding Classification: Material condition.

Summary of the November 2017 Finding:

WRPH had not tracked or limited the amount of overtime direct care nursing staff* could volunteer for or how many hours an individual could work during any given period.

Recommendation Reported in November 2017:

We recommended that WRPH develop a methodology for tracking direct care nursing staff hours to identify individuals who are working significant overtime and implement strategies to mitigate overtime.

AGENCY PLAN TO COMPLY*

On February 22, 2018, MDHHS stated that it would comply with the finding. Specifically, MDHHS indicated that WRPH:

- Was analyzing data and identifying trends and patterns to help determine additional strategies to reduce the number of overtime hours.
- Posted openings for 27 resident care aides (RCAs) (19 new and 8 vacated positions) and started scheduling interviews in January 2018.
- Hired 5 registered nurses from September 2017 through November 2017 and offered employment to 7 licensed practical nurses (LPNs) in December 2017.
- Purchased time clocks for selected areas within the hospital to enhance tracking capabilities.
- Continued discussions, such as new staffing options, to help mitigate overtime.
- Developed Statewide Integrated Governmental Management Applications* (SIGMA) reports to help analyze overtime.

FOLLOW-UP CONCLUSION

Partially complied. A reportable condition* exists.

Our follow-up noted that WRPH:

- Developed various reports to track employee overtime.

* See glossary at end of report for definition.

- Increased its direct care nursing staff by 21 employees, from 196 as of October 8, 2016 to 217 as of October 19, 2019. WRPB employed 246 direct care nursing staff during fiscal year 2019.
- Revised how it scheduled direct care nursing staff to allow at least one day off during one of the two weekends each pay period.
- Changed some of the conditions of mandatory overtime assignments to allow direct care nursing staff flexibility with scheduling their hours.

Our review of WRPB payroll data for fiscal year 2019 disclosed that direct care nursing staff worked 86,502 overtime hours, representing 19.7% of total direct care nursing hours worked and overtime costs of \$3.1 million, or the equivalent of approximately 28.2 full-time equated positions. Specifically, compared with fiscal year 2016, we noted that:

- 2 fewer direct care nursing staff each worked 1,500 or more overtime hours and 5 more direct care nursing staff each worked 500 to 1,499 overtime hours during fiscal year 2019:

Range of Overtime Hours	Number of Employees		Total Overtime Hours Worked		Average Overtime Hours per Person per Week*	
	2016	2019	2016	2019	2016	2019
2,000 or more	1	0	2,771	0	53.3	0.0
1,500 to 1,999.9	4	3	6,553	5,135	31.5	32.9
1,000 to 1,499.9	7	8	8,170	9,993	22.4	24.0
500 to 999.9	49	53	35,163	37,692	13.8	13.7
1 to 499.9	147	164	28,494	33,682	3.7	3.9
Total	208	228	81,151	86,502	7.5	7.3

* Based on a 52-week fiscal year.

- b. 7 fewer direct care nursing staff each worked 100 or more double shifts* and 60 more direct care nursing staff each worked 1 to 99 double shifts during fiscal year 2019:

Range of Double Shifts Worked	Number of Employees		Total Number of Double Shifts Worked		Average Number of Double Shifts per Person per Week ¹	
	2016 ²	2019	2016 ²	2019	2016 ²	2019
200 or more	2	0	485	0	4.7	0.0
100 to 199	25	20	3,551	2,526	2.7	2.4
50 to 99	43	57	3,170	4,077	1.4	1.4
1 to 49	92	138	1,705	2,909	0.4	0.4
Total	162	215	8,911	9,512	1.1	0.9

¹ Based on a 52-week fiscal year.

² Fiscal year 2016 amounts are based on a 70-day analysis completed during the prior audit, projected to a 365-day total.

- c. 13 fewer direct care nursing staff worked 40 or more hours of overtime in a two-week pay period and did so on 28 fewer occasions during fiscal year 2019:

Range of Overtime Hours per Pay Period	Number of Employees		Total Number of Occasions		Average Number of Occasions per Person per Year*	
	2016	2019	2016	2019	2016	2019
50 or more	78	71	344	347	4.4	4.9
40 to 49.9	92	86	227	196	2.5	2.3
Total	170	157	571	543	3.4	3.5

* Based on a 52-week fiscal year.

Also, we noted that one staff worked 50 or more overtime hours during 23 of the 26 two-week pay periods during fiscal year 2019.

**FOLLOW-UP
RECOMMENDATION**

We recommend that WRPH continue to pursue additional strategies to mitigate overtime.

* See glossary at end of report for definition.

**FOLLOW-UP
AGENCY
PRELIMINARY
RESPONSE**

MDHHS provided us with the following response:

WRPH agrees. WRPH continues to pursue strategies to mitigate overtime within the constraints of available staffing and union contracts.

FINDING #4

Audit Finding Classification: Material condition.

Summary of the November 2017 Finding:

WRPH did not sufficiently account for its keys and had not changed the cores to general access locks since at least 1997.

Recommendation Reported in November 2017:

We recommended that WRPH establish effective controls over its keys.

AGENCY PLAN TO COMPLY

On February 22, 2018, MDHHS stated that WRPH had taken the following steps to establish effective control over its keys:

- Changed the entrance door cores and issued all employees new keys in November 2017.
- Implemented a new protocol in November 2017 that requires individuals to exchange their State ID or driver's license to obtain keys for temporary use.
- Destroyed 106 sets of obsolete keys in December 2017.
- Developed a key control and inventory spreadsheet, identifying the employee's name, key assignment, and change date. WRPH maintains the spreadsheet on a shared network drive with read-only access for all staff except Safety Office staff who have edit capabilities and updates the spreadsheet when employees start and terminate their employment with WRPH.

In addition, WRPH was working to secure funding to replace the entrance doors and implement an electronic badge access system.

FOLLOW-UP CONCLUSION

Partially complied. A reportable condition exists.

Our follow-up noted that WRPH:

- Updated its keys inventory for the key rings that it could not locate and key rings that it indicated it had destroyed. The number of key rings that WRPH maintained on its keys inventory decreased to 539, a 60.3% decrease from the number identified in our November 2017 audit report.
- Implemented an electronic badge system, which replaced the need for physical keys for entering and exiting WRPH.
- Developed and implemented a new approval process for assigning keys to employees.
- Maintained its keys inventory on a WRPH computer drive with restricted access.

However, our review of WRPH's controls over keys and the electronic badge access system noted:

- a. As of November 21, 2019, WRPH had not deactivated the badges for 8 (34.8%) of the 23 employees who had terminated their employment with WRPH from July 5, 2019 through October 31, 2019.
- b. WRPH could not locate and had no record of destruction for 12 (20%) of the 60 key rings noted as assigned to the Safety Office according to the keys inventory. WRPH indicated that it had destroyed 11 of the 12 key rings. Also, Safety Office staff were in possession of 10 key rings that were not included on the keys inventory.
- c. Maintenance department staff were in possession of 3 key rings that were not listed on the keys inventory.
- d. Three employees appropriately possessed a key ring; however, the keys inventory did not reflect these assignments. Also, the number of keys on 13 rings in the possession of 13 (86.7%) of the 15 employees that we reviewed did not match the number of assigned keys on the keys inventory, including 4 instances in which the key ring contained 1 to 3 fewer keys than documented on the inventory. In total, we counted 139 keys on those 13 key rings; however, the keys inventory indicated that there should have been only 111.
- e. The maintenance department did not:
 - (1) Maintain inventory sheets for 5 (45.5%) of the 11 types of blank keys that it controlled. On November 13, 2019, we counted 505 blank keys for these 5 blank key types.
 - (2) Maintain inventory sheets for 17 (37.0%) of the 46 types of unassigned cut keys that it controlled. On November 13, 2019, we counted 39 keys for these 17 unassigned cut key types.

Also, WRPH did not include the blank or unassigned cut keys on the keys inventory.

**FOLLOW-UP
RECOMMENDATION**

We recommend that WRPH continue to improve controls over its keys and strengthen controls over its badge access system.

**FOLLOW-UP
AGENCY
PRELIMINARY
RESPONSE**

MDHHS provided us with the following response:

WRPH agrees. Tracking of all keys and badge deactivation monitoring has been moved to the administrative office. In addition, the administrative office has implemented several new processes for new employee key issuance, protocols for key

changes when an employee moves to a new position, keys that are damaged and need replacement, and finally for when an employee leaves WRPB employment.

Key ring audits will be performed by safety staff and any findings will be reported to the Environment of Care Committee and the Executive Staff Committee on a quarterly basis.

FOLLOW-UP METHODOLOGY, PERIOD, AND AGENCY RESPONSES

METHODOLOGY

We reviewed MDHHS's corrective action plan, new and updated policies and procedures, and a follow-up report of our November 2017 audit issued by the Office of Internal Audit Services, State Budget Office, and interviewed WRPB personnel. Also, for:

a. Finding #1, we:

- Reviewed collective bargaining agreement provisions related to overtime assignments for WRPB's RCAs and LPNs.
- Reviewed reports WRPB used to monitor overtime hours.
- Analyzed the strategies WRPB pursued to reduce direct care nursing staff overtime hours, including identifying the number of direct care nursing staff hired during fiscal years 2017 through 2019, determining if the number of direct care nursing staff increased since the prior audit, analyzing the work schedules of the 15 direct care nursing staff that worked the highest amount of overtime for fiscal year 2019 and the frequency of their scheduled days off, and reviewing mandatory versus voluntary overtime hours for direct care nursing staff for 20 pay periods in fiscal year 2019.
- Reviewed the payroll records of the 246 direct care nursing staff employed during fiscal year 2019 to identify the number of overtime hours worked, double shifts worked, and pay periods in which an individual worked more than 40 or 50 overtime hours. We compared the results to those identified in the prior audit.

b. Finding #4, we:

- Observed the functionalities of WRPB's key management and badge access systems.
- Reviewed the keys inventory as of November 4, 2019 and compared it with a listing of active employees to determine if all employees were assigned a key ring.
- Reviewed the badge access level of 15 randomly selected employees as of November 21, 2019 to determine whether their programmed access seemed appropriate based on their job classifications.

- Reviewed the key rings in the possession of 15 employees as they entered WRPB on November 26, 2019 and compared the key ring identifier and the number of keys with the keys inventory.
- Reviewed the keys inventory and WRPB's electronic badge access system as of November 21, 2019 for the 23 employees who had terminated employment from July 5, 2019 through October 31, 2019.
- Inventoried key rings maintained in the Safety Office and maintenance department.
- Reviewed the maintenance department's controls over blank and cut keys.

PERIOD

Our follow-up generally covered October 1, 2018 through November 30, 2019.

**AGENCY
RESPONSES**

Our follow-up report contains 2 recommendations. MDHHS's preliminary response indicates that WRPB agrees with both of the recommendations.

The agency preliminary response that follows each follow-up recommendation in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

GLOSSARY OF ABBREVIATIONS AND TERMS

agency plan to comply	The response required by Section 18.1462 of the <i>Michigan Compiled Laws</i> and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100). The audited agency is required to develop a plan to comply with Office of the Auditor General audit recommendations and to submit the plan to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.
direct care nursing staff	Registered nurses, licensed practical nurses, resident care aides.
double shifts	A shift of at least 12 consecutive hours worked, including both regular and overtime hours. A 12-hour shift scheduled as part of a normal work rotation that does not include overtime is not considered a double shift.
LPN	licensed practical nurse.
material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. Our assessment of materiality is in relation to the respective audit objective.
MDHHS	Michigan Department of Health and Human Services.
mission	The main purpose of a program or an entity or the reason that the program or the entity was established.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
RCA	resident care aide.

reportable condition

A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: a deficiency in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; opportunities to improve programs and operations; or fraud.

Statewide Integrated
Governmental
Management Applications
(SIGMA)

The State's enterprise resource planning business process and software implementation that support budgeting, accounting, purchasing, human resource management, and other financial management activities.

WRPH

Walter P. Reuther Psychiatric Hospital.



Report Fraud/Waste/Abuse

Online: audgen.michigan.gov/report-fraud

Hotline: (517) 334-8060, Ext. 1650