



OAG

Office of the Auditor General

Report Summary

Performance Audit

Licensing and Inspections of Homes for the Aged (HFAs)

Bureau of Community and Health Systems (BCHS)

Department of Licensing and Regulatory Affairs (LARA)

Report Number:
641-0452-22

Released:
March 2023

BCHS licenses and monitors HFAs operating in the State of Michigan, in accordance with the Public Health Code and *Michigan Administrative Code* rules. HFAs provide room, board, and supervised personal care to 21 or more individuals 55 years of age or older. BCHS regulates HFAs after initial inspection and licensure through good moral character assessments of HFA licensees, on-site renewal inspections, complaint investigations, corrective action plan reviews, and initiation of disciplinary action as needed to protect individuals served. As of June 30, 2022, 318 licensed HFAs were actively operating with a combined capacity of more than 24,000 beds.

Audit Objective			Conclusion
Objective 1: To assess the effectiveness of BCHS's efforts to inspect and license HFAs.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
BCHS did not complete or maintain all documentation to support its on-site renewal inspections and conclusions, key inspection procedures, and pertinent HFA information. Also, BCHS did not have a managerial review process for inspections performed by its surveyors (Finding 1).		X	Agrees
BCHS's monitoring did not help ensure 4 HFA licensees conducted required background checks for 12 employees and 4 HFA licensees conducted timely background checks for 42 employees (Finding 2).		X	Agrees
HFA licensure activity costs exceeded related revenues by over \$650,000 to \$885,000 for fiscal years 2018 through 2021, representing 78% to 86% of total costs (Finding 3).		X	Agrees

Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Section 333.21311a of the <i>Michigan Compiled Laws</i> could be clarified to address when HFAs can self-certify their eligibility to be exempt from State licensing and oversight requirements and when BCHS can investigate complaints related to exempt HFAs (<u>Observation 1</u>).	Not applicable for observations.		

Audit Objective			Conclusion
Objective 2: To assess the sufficiency of BCHS's efforts to investigate and resolve complaints of alleged administrative rule or State statute violations related to HFAs.			Sufficient, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
BCHS did not complete 17% of investigations timely or properly maintain necessary documentation to support noncompliance issues for 87% of the investigations we reviewed. Also, BCHS did not sufficiently document 14% of dismissed complaint decisions or have a managerial approval process for dismissal of complaints (<u>Finding 4</u>).		X	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