

EXECUTIVE DIGEST

WEST MICHIGAN COMMUNITY MENTAL HEALTH SYSTEM

INTRODUCTION

This report, issued in June 2001, contains the results of our performance audit* of West Michigan Community Mental Health System (WMCMHS), an agency under contract with the Department of Community Health (DCH).

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are routinely conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.

BACKGROUND

WMCMHS was formed by the consolidation of the Lake County, Mason County, and Oceana County Community Mental Health Boards in 1996 and operates under the provisions of the Mental Health Code, being Sections 330.1001 - 330.2106 of the *Michigan Compiled Laws*.

WMCMHS, under provisions of the Mental Health Code (Section 330.1205), held a series of public hearings and was granted community mental health authority* status by Lake, Mason, and Oceana Counties and was recognized as an authority by DCH and the Department of State, effective January 1, 1998.

WMCMHS's mission* is to ensure customer-centered and resource-sensitive solutions to the behavioral health problems and needs of individual citizens from the three counties in its service area and to enhance the overall behavioral health status of the three-county community.

WMCMHS's operations are generally funded by State, federal, and local* funds. WMCMHS reported revenues of approximately \$13.1 million and \$12.9 million and expenditures of approximately \$12.2 million and \$10.7 million in fiscal years 1999-2000 and 1998-99, respectively.

As of September 30, 2000, WMCMHS had 135 employees and was serving 1,893 developmentally disabled* and mentally ill* consumers*.

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

Audit Objective: To assess WMCMHS's effectiveness and efficiency related to the delivery of services.

Conclusion: **WMCMHS was generally effective and efficient in the delivery of services.** However, we noted reportable conditions* related to criminal history background checks and case file documentation (Findings 1 and 2).

Noteworthy Accomplishments: WMCMHS reported several initiatives to improve its organization's operations to service the mental health needs of citizens in Lake, Mason, and Oceana Counties.

WMCMHS contracted with an independent consultant to review WMCMHS's operations to recommend improvements that would help ensure that it would successfully comply with all DCH and Joint Commission on

Accreditation of Health Organizations* (JCAHO) review standards. WMCMHS also wanted to increase effectiveness and efficiency in order to successfully bid on a contract to provide community health services in 2002. The independent consultant reviewed WMCMHS's operations and worked with its staff for approximately six months in fiscal year 1998-99 to incorporate these improvements.

Partially based on the results of the independent consultant's review, WMCMHS developed an infrastructure to encourage improved performance to further its continuous quality improvement* process. The infrastructure includes a performance appraisal process, a variable compensation plan, an information system, and the development of an organizational structure to assist in the implementation of a sophisticated continuous quality improvement process. WMCMHS also developed various monitoring tools, including a performance improvement plan and a performance improvement oversight committee, specific outputs and standards, the Michigan Mission Based Performance Indicator System*, and surveys of consumers and community stakeholders.

In April 2000, WMCMHS became one of 18 organizations, nationally, to receive accreditation as a managed care organization* from JCAHO. JCAHO also accredited WMCMHS for the delivery of mental health services. However, WMCMHS is now able to oversee the delivery of mental health services among providers. WMCMHS is one of 10 mental health care providers currently in Michigan with this certification; 5 of these 10 are community mental health care providers receiving State funds.

Audit Objective: To assess WMCMHS's effectiveness in accounting for capitated payments* and associated expenditures.

Conclusion: WMCMHS was generally effective in accounting for capitated payments and associated expenditures. However, our assessment disclosed a material condition* related to WMCMHS's financial reporting of capitated payments and associated expenditures:

- During fiscal year 1998-99, WMCMHS notified DCH that it had established a reserve account for land improvements in order to fund future capital outlay projects. WMCMHS then allocated the estimated costs of two future capital outlay projects to its contract with DCH. However, reporting costs that have not yet been incurred is not in compliance with the Mental Health Code, the terms of WMCMHS's contract with DCH, or federal Medicaid financing guidelines. As a result, DCH reimbursed WMCMHS approximately \$1 million for costs that WMCMHS did not incur and were not allowable according to State and federal regulations. (Finding 3)

WMCMHS disagreed with our conclusion regarding the establishment of a reserve account. WMCMHS responded that prudent and exhaustive efforts were made to communicate with DCH throughout the process of establishing the reserve account and that, at no time, was WMCMHS told that establishing the reserve account was contrary to relevant laws and accounting guidelines (see agency preliminary response to Finding 3 in the body of this report).

WCMCHS added that copies of the correspondence between WCMCHS and relevant parties (DCH and its public accounting firm) are available from WCMCHS.

Audit Objective: To assess WCMCHS's effectiveness in monitoring services provided by contract organizations.

Conclusion: **WCMCHS was generally effective in monitoring services provided by contract organizations.** However, we noted a reportable condition pertaining to specialized residential services provider* contract administration (Finding 4).

Audit Objective: To assess the effectiveness of WCMCHS's transition to, and operation as, a community mental health authority.

Conclusion: **WCMCHS made an effective transition to, and effectively operated as, a community mental health authority.**

AUDIT SCOPE AND
METHODOLOGY

Our audit scope was to examine the program and other records of West Michigan Community Mental Health System. 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 objectives, we examined WCMCHS's records and activities for the period October 1, 1998 through September 30, 2000. We reviewed consumer case files to determine whether admissions and

discharges were completed in accordance with specified rules and whether services provided were based on a consumer's individual plan of service*. We also reviewed WMCMHS's goals* and objectives* and related performance measures. In addition, we surveyed consumers and referral sources (survey summaries are presented as supplemental information) and analyzed their feedback. Further, we reviewed WMCMHS's efforts to ensure that criminal history background checks of WMCMHS and contractors' employees were completed and we obtained criminal history background checks of WMCMHS and contractors' employees who have direct contact with consumers.

We reconciled capitated and general fund* payment amounts and tested expenditures to determine if they were matched to the correct funding source. Also, we analyzed contract language and visited three residential services providers to determine whether consumer case files were current and WMCHMS staff were monitoring contract terms. In addition, we analyzed, documented, and tested procedural requirements of the Mental Health Code to assess WMCMHS's transition to a community mental healthy authority.

AGENCY RESPONSES

Our audit report includes 4 findings and 5 corresponding recommendations. WMCMHS's preliminary response indicated that it generally agreed with 3 of the findings and disagreed with 1 finding. In addition, WMCMHS responded that it had initiated or completed corrective actions for the recommendations with which it agreed.