JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
OFFICE OF AUDIT
400 S. PINE; LANSING, MI 48933

JANET OLSZEWSKI
DIRECTOR

August 31, 2009

Mr. Roger Myers, Executive Director
Lenawee Community Mental Health Authority
1040 S. Winter St., Suite 1022
Adrian, MI 49221

CERTIFIED MAIL
7008 2810 0001 7301 2590

Re: October 1, 2002 – September 30, 2003 Audit Report

Dear Mr. Myers:

This letter is in response to the audit appeal letter of June 23, 2009, whereby the County Administrator claimed that "the wrong square foot percentage number has been used for Community Mental Health since it began occupying the building. The square foot number being used is 23.01% and it should be 25.506%." Upon reviewing the documentation submitted by Cheryl Whipple, County Administrator, and performing an on-site analysis, we concur with the conclusion that the Audit Report Finding #2 adjustment should be reduced to $3,877.

The revised adjustment is detailed on the attached Schedules A, B, and C. As a result of the revised adjustment, the Lenawee Community Mental Health Authority (LCMHA) owes a balance of $146,889 to MDCH, and the Washtenaw Community Health Organization's obligation to LCMHA for the Medicaid Subcontracting Agreement increased by $149,900.

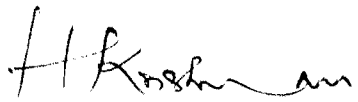
Please notify me and David Harrison of the Administrative Tribunal & Appeals Division within 14 days of receipt of this letter if you wish to continue the appeal process so that a Preliminary Conference may be scheduled.

If you do not wish to continue the appeal process, please submit $146,889 to MDCH within 30 days of receipt of this letter to:

Lisa Halverson, Manager
Revenue Operations Section
Bureau of Finance (Accounting Division)
Michigan Department of Community Health
P.O. Box 30437
Lansing, Michigan 48909

If you have any questions, please feel free to call Anton Huth at 810-750-9320 or e-mail him at hutha@michigan.gov. Thank you for your consideration.

Sincerely,



Hemachandran Krishnan, Regional Manager
Fenton Regional Office
Office of Audit

Attachments

Cc: Cheryl Whipple, County Administrator
Mark Kielhorn
John Duvendeck
Teresa Simon
Lisa Halverson
Pam Myers
Deb Hallenbeck
David Harrison

Schedule A – Revised August 2009
Financial Status Report
October 1, 2002 through September 30, 2003

	REVENUES	Reported Amount	Audit Adjustments	Adjusted Amount
A.	Revenues Not Otherwise Reported	$ -	$ -	$ -
B.	Substance Abuse Total	$ -	$ -	$ -
1	Medicaid Pass Through	-	-	-
2	Other	-	-	-
C.	Earned Contracts (non DCH) Total	$ 11,113,122	$ -	$ 11,113,122
1	CMH to CMH	-	-	-
2	Other	10,746	-	10,746
3	Medicaid Managed Care – CMHSP Affiliate	11,102,376	-	11,102,376
D.	MI Child - Mental Health	$ 12,284	$ -	$ 12,284
E.	Local Funding Total	$ 640,932	$ -	$ 640,932
1	Special Fund Account (226(a))	37,292	-	37,292
2	Title XX Replacement	1,209	-	1,209
3	All Other	602,431	-	602,431
F.	Reserve Balances - Planned for use	$ 101,613	$ -	$ 101,613
1	Carryforward -Section 226(2)(b)(c)	101,613	-	101,613
2	Internal Service Fund	-	-	-
3	Other (205(4)(h)	-	-	-
4	Stop/loss Insurance	-	-	-
G.	DCH Earned Contracts Total	$ 384,305	$ -	$ 384,305
1	PASARR	176,761	-	176,761
2	Block Grant for CMH Services	206,960	-	206,960
3	DD Council Grants	584	-	584
4	PATH/Homeless	-	-	-
5	Prevention	-	-	-
6	Aging	-	-	-
7	HUD Shelter Plus Care	-	-	-
8	Other DCH Earned Contracts	-	-	-

Schedule A - Revised August 2009
Financial Status Report
October 1, 2002 through September 30, 2003

	REVENUES	Reported Amount	Audit Adjustments	Adjusted Amount
H.	Gross Medicaid Total	$ 28,271	$ -	$ 28,271
1	Medicaid - Specialty Managed Care	-	-	-
2	Medicaid - Children's Waiver Total	28,271	-	28,271
I.	Reimbursements Total	$ -	$ -	$ -
1	1st and 3rd Party	-	-	-
2	SSI	-	-	-
J.	State General Funds Total	$ 2,097,303	$ -	$ 2,097,303
1	Formula Funding	1,771,308	-	1,771,308
2	Categorical Funding	132,144	-	132,144
3	State Services Base	236,600	-	236,600
4	DCH Risk Authorization	(42,749)	-	(42,749)
5	Residential D.C.W.	-	-	-
K.	Grand Total Revenues	$ 14,377,830	$ -	$ 14,377,830
L.	Estimated MDCH Obligation (G+H+J)	$ 2,509,879	$ -	$ 2,509,879

Schedule A - Revised August 2009
Financial Status Report
October 1, 2002 through September 30, 2003

	EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
A.	Gross Total Expenditures	$ 13,976,569	$ (13,113)	$ 13,963,456
B.	Expenditures Not Otherwise Reported	$ -	$ -	$ -
C.	Substance Abuse Total	$ -	$ -	$ -
1	Medicaid Pass Through	-	-	-
2	Other	-	-	-
D.	Earned Contracts (Non MDCH) Total	$ 10,733,703	$ 149,900	$ 10,883,603
1	CMH to CMH	-	-	-
2	Other Earned Contracts	10,746	-	10,746
3	Medicaid Managed Care – Affiliate	10,722,957	149,900	10,872,857
E.	MI Child - Mental Health	$ 12,294	$ -	$ 12,294
F.	Local Total	$ 217,442	$ -	$ 217,442
1	Local Cost for State Provided Services	20,144	-	20,144
2	Other Not Used as Local Match	44,667	-	44,667
3	Affiliate Contribution to State Medicaid Match Provided to PIHP	152,631	-	152,631
G.	Expenditures From Reserve Balances	$ 481,031	$ -	$ 481,031
1	GF Carryforward - Sec 226(2)(b)(c)	101,613	-	101,613
2	Medicaid Savings	379,418	-	379,418
3	Internal Service Fund	-	-	-
4	Other (205(4)(h))	-	-	-
5	Stop/Loss Ins.	-	-	-

Schedule A - Revised August 2009
Financial Status Report
October 1, 2002 through September 30, 2003

	EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
H.	MDCH Earned Contracts Total	$ 384,305	$ -	$ 384,305
1	PASARR	176,761	-	176,761
2	Block Grant for CMH Services	206,960	-	206,960
3	DD Council Grants	584	-	584
4	PATH/Homeless	-	-	-
5	Prevention	-	-	-
6	Aging	-	-	-
7	HUD Shelter Plus Care	-	-	-
8	Other MDCH Earned Contracts	-	-	-
I.	Matchable Services (A-(B through H))	$ 2,147,794	$ (163,013)	$ 1,984,781
J.	Payments to MDCH for State Services	$ 181,298	$ -	$ 181,298
K.	Specialty Managed Care Service Total	$ -	$ -	$ -
1	100% MDCH Matchable Services	-	-	-
2	All SSI and Other Reimbursements	-	-	-
3	Net MDCH Share for 100 % Services (K1-K2)	-	-	-
4	90/10 Matchable Services	-	-	-
5	Medicaid Federal Share	-	-	-
6	Other Reimbursements	-	-	-
7	10% Local Match Funds	-	-	-
8	Net State Share for 90/10 Services (K4-K5-K6-K7)	-	-	-
9	Total MDCH Share, Spec. Mgd Care (K3+K5+K8)	-	-	-

Schedule A - Revised August 2009
Financial Status Report
October 1, 2002 through September 30, 2003

	EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
L.	GF Categorical and Formula Services Total	$ 1,938,225	$ (163,013)	$ 1,775,212
1	100% MDCH Matchable Services	733,930	(2,251)	731,679
2	All SSI and Other Reimbursements	-	-	-
3	Net GF and Formula for 100% Services (L1-L2)	733,930	(2,251)	731,679
4	90/10 Matchable Services	1,204,295	(160,762)	1,043,533
5	Reimbursements	-	-	-
6	10% Local Match Funds	120,430	(16,076)	104,354
7	Net GF and Formula for 90/10 Services (L4-L5-L6)	1,083,865	(144,686)	939,179
8	Total MDCH GF and Formula (L3+L7)	1,817,795	(146,937)	1,670,858
M.	Children's Waiver – Total	$ 28,271	$ -	$ 28,271
1	Medicaid	28,271	-	28,271
2	Other Reimbursements	-	-	-
N.	Unobligated Spending Authority Total	$ -	$ -	$ -
1	DCH Risk Authorization	-	-	-
2	All Other	-	-	-
O.	Total Local Match Funds (F+K7+L6)	$ 337,872	$ (16,076)	$ 321,796
P.	Total MDCH Share of Expenditures (J+K9+L8+M)	$ 2,027,364	$ (146,937)	$ 1,880,427

Schedule B - Revised August 2009
Explanation of Audit Adjustments
October 1, 2002 through September 30, 2003

Gross Total Expenditures	**($13,113)**
($4,061) to adjust depreciation to less than a full year in the year of acquisition (Finding 1a)	
($5,845) to disallow mortgage and car payments and to allow interest and depreciation (Finding 1b)	
($328) to disallow cost both capitalized and expensed (Finding 1c)	
$998 to allow cost neither capitalized nor expensed (Finding 1d)	
($3,877) to remove rent paid under a less-than-arms-length lease that exceeded underlying cost (Finding 2)	
Earned Contracts (Non DCH) Total	
Medicaid Managed Care – Affiliate	**$149,900**
($2,404) to adjust depreciation to less than a full year in the year of acquisition (Finding 1a)	
($3,994) to disallow mortgage and car payments and to allow interest and depreciation (Finding 1b)	
($194) to disallow cost both capitalized and expensed (Finding 1c)	
$591 to allow cost neither capitalized nor expensed (Finding 1d)	

Schedule B (continued)

($2,767) to remove rent paid under a less-than-arms-length lease that exceeded underlying cost (Finding 2)

$158,668 to reallocate administrative costs based on cost of programs (Finding 3)

Matchable Services

GF Categorical and Formula Services Total **($163,013)**

($1,657) to adjust depreciation to less than a full year in the year of acquisition (Finding 1a)

($1,851) to disallow mortgage and car payments and to allow interest and depreciation (Finding 1b)

($134) to disallow cost both capitalized and expensed (Finding 1c)

$407 to allow cost neither capitalized nor expensed (Finding 1d)

($1,110) to remove rent paid under a less-than-arms-length lease that exceeded underlying cost (Finding 2)

($158,668) to reallocate administrative costs based on cost of programs (Finding 3)

100% MDCH Matchable Services **($2,251)**

($1,851) to disallow mortgage and car payments and to allow interest and depreciation (Finding 1b)

Schedule B (continued)

($400) to remove rent paid under a less-than-arms-length lease that exceeded underlying cost (Finding 2)

90/10 Matchable Services	**($160,762)**

($1,657) to adjust depreciation to less than a full year in the year of acquisition (Finding 1a)

($134) to disallow cost both capitalized and expensed (Finding 1c)

$407 to allow cost neither capitalized nor expensed (Finding 1d)

($710) to remove rent paid under a less-than-arms-length lease that exceeded underlying cost (Finding 2)

($158,668) to reallocate administrative costs based on cost of programs (Finding 3)

Schedule C - Revised August 2009
Contract Reconciliation and Cash Settlement Summary
October 1, 2002 through September 30, 2003

		Authorization	MDCH Expense
I.	State/General Fund Formula Funding		
A.	GF/Formula - State and Community Managed Programs		
1	State Managed Services	$ 236,600	$ 181,298
2	MDCH Risk Authorization – MDCH Approved for Use	(42,749)	-
3	Community Managed Services	1,903,452	1,670,858
4	Total State and Community Programs - GF/Formula Funding	$ 2,097,303	$ 1,852,156
B.	Maintenance of Effort – Summary	$ -	$ -
C.	Categorical, Special And Designated Funds		
1	Grant Pickup	$ 35,720	$ 35,720
2	Respite – Tobacco Tax	22,881	22,881
3	Multicultural Services	73,543	73,543
4	Total Categorical, Special and Designated Funds	$ 132,144	$ 132,144
D.	Subtotal - GF/Formula Community and State Managed Programs (A-B-C)	$ 1,965,159	$ 1,720,012

		Formula Funds
II.	Shared Risk Arrangement	
A.	Operating Budget - Exclude MOE and Categorical Funding	$ 1,965,159
B.	MDCH Share - Exclude MOE and Categorical Funding	$ 1,720,012
C.	Surplus (Deficit)	$ 245,147
D.	Redirect Freed Up Medicaid Funds	$ -
E.	Shared Risk - Surplus (Deficit)	$ 245,147
F.	Risk Band - 5% of Operating Budget (A x 5%)	$ 98,258

Schedule C - Revised August 2009

Contract Reconciliation and Cash Settlement Summary – Post Audit

October 1, 2002 through September 30, 2003

III.	Cash Settlement	MDCH Share	Savings or Carryfoward	Redirected Savings	Total	Grand Total
A.	MDCH Obligation					
1	Specialty Managed Care (Net of MOE)	$ -	$ -	$ -	$ -	
2	GF/Formula Funding (Net of Categorical and MOE)	1,720,012	98,258		1,818,270	
3	MOE Specialty Managed Care MDCH Obligation	-	-		-	
4	MOE GF/Formula Funding MDCH Obligation	-	-		-	
5	Categorical - MDCH Obligation	132,144	-		132,144	
6	Total - MDCH Obligation					$1,950,414
B.	Advances – Prepayments					
1	Specialized Managed Care – Prepayments Through 9/30/03			$ -		
2	Specialized Managed Care - FY 99 Prepayments after 9/30/03			-		
3	Subtotal - Specialized Managed Care				$ -	
4	GF/Formula Funding - (Include MDCH Risk Authorization)				1,776,623	
5	Purchase of Services				236,600	
6	Categorical Funding				132,144	
7	Total Prepayments					$2,145,367
C.	Balance Due MDCH					$ 194,953

Schedule C - Revised August 2009
Contract Reconciliation and Cash Settlement Summary
October 1, 2002 through September 30, 2003

D.	Balance Due to MDCH for Unpaid State Service Costs		
	State Facility Costs	$ 181,298	
	Actual Payments to MDCH	181,298	
	Balance Due MDCH		$ -
E.	Dissolution of the ISF		$ 24,770
F.	Net Balance Due MDCH		$ 219,723
	Prior Settlement		(72,834)
	Balance Due to MDCH		$ 146,889