

Audit Report

Lakeshore Behavioral Health Alliance
and
Muskegon County Community Mental Health Services

October 1, 2005 – September 30, 2006



Office of Audit
Central Regional Office
June 2010



JENNIFER M. GRANHOLM
GOVERNOR

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

JANET OLSZEWSKI
DIRECTOR

June 4, 2010

Ms. Janet Thomas, Chairperson
Muskegon County Community Mental Health Services
376 Apple Avenue
Muskegon, Michigan 49442

Mr. John North, Executive Director
Muskegon County Community Mental Health Services
376 Apple Avenue
Muskegon, Michigan 49442

Ms. Janet Olszewski, Director
Department of Community Health
Capitol View Building – 7th Floor
Lansing, Michigan 48913

Dear Ms. Thomas, Mr. North and Ms. Olszewski:

This is the final report from the Michigan Department of Community Health (MDCH) audit of Muskegon County Community Mental Health Services for the period October 1, 2005 through September 30, 2006, and selected areas prior to October 1, 2005.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions, findings and recommendations; financial status report; explanation of audit adjustments; contract reconciliation and cash settlement summary; and corrective action plans. The conclusions, findings, and recommendations are organized by audit objective. The corrective action plans include the agency's paraphrased response to the Preliminary Analysis.

The \$138,031 in additional Medicaid Savings created as a result of the disallowed costs must be expended by fiscal year end 2011 according to Section 7.7.2.1 of the contract.

If the agency disagrees with the MDCH audit findings, the agency must use the appeal process specified in Attachment 9.3.2.1 of the agency's contract with MDCH. The adjustments presented in this final report are an adverse action as defined by MAC R 400.3401. If disputing the adverse action, the agency must submit a request for the Medicaid Provider Reviews and Hearings Process pursuant to MCL 400.1 et seq. and MAC R 400.3401, et seq. within 30 days of the receipt of this letter.

Ms. Janet Thomas, Mr. John North and Ms. Janet Olszewski
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Requests must identify the specific audit adjustment(s) under dispute, explain the reason(s) for the disagreement, and state the dollar amount(s) involved, if any. The request must also include any substantive documentary evidence to support the position. Requests must specifically identify whether the agency is seeking a preliminary conference, a bureau conference or an administrative hearing. If the agency does not appeal this adverse action within 30 days of receipt of this notice, this letter will constitute MDCH's Final Determination Notice according to MAC R 400.3405, and MDCH will implement the audit adjustments.

A request for the Medicaid Provider Reviews and Hearings Process must be sent within 30 days of receipt of this letter to:

Administrative Tribunal & Appeals Division
Michigan Department of Community Health
1033 S. Washington
P.O. Box 30763
Lansing, Michigan 48909

Thank you for the cooperation extended throughout this audit process.

Sincerely,



for Gregory S. Anderson, Manager
Central Regional Office - CMH
Office of Audit

GSA:wjb

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DESCRIPTION OF AGENCY

The Muskegon County Community Mental Health Services (MCCMHS) was established in 1963 and operates under the provisions of the Mental Health Code, Sections 330.1001 – 330.2106 of the Michigan Compiled Laws. MCCMHS is an agency of Muskegon County and is subject to oversight by the Michigan Department of Community Health (MDCH).

In 2001, MCCMHS and Ottawa County Community Mental Health (OCCMH) entered into an Intergovernmental Agreement (IGA) which provided for the establishment of a Prepaid Inpatient Health Plan (PIHP), Lakeshore Behavioral Health Alliance (Lakeshore). MCCMHS was designated by the participating counties to function as the PIHP.

MCCMHS provides crisis intervention, short-term crisis residential, outpatient mental health, case management, residential care, community living/skill building, assertive community treatments, MICHild Waiver, Adult Benefit Waiver (ABW), and Omnibus Budget Reconciliation Act (OBRA) services to consumers within Muskegon County. MCCMHS also contracts with independent agencies for substance abuse services. Additionally, MCCMHS, acting as the PIHP, provides Medicaid funds to OCCMH for the provision of mental health services to consumers within Ottawa County.

MCCMHS's administrative office is located in the city of Muskegon, within Muskegon County, Michigan. The MCCMHS board is comprised of 12 members who reside in Muskegon County and are appointed for three-year terms. The Lakeshore board is a joint board established by the participating counties to supervise the administration of the Intergovernmental Agreement. The Lakeshore board serves in an advisory capacity only with no decision making power.

FUNDING METHODOLOGY

MCCMHS contracted with MDCH under a Managed Mental Health Supports and Services Contract (MMHSSC) for FYE 2006. This contract provided State General Funds (GF) for mental health and developmental disability supports and services to individuals with serious mental illnesses, serious emotional disturbances or developmental disabilities as described in Section 208 of the Mental Health Code. MDCH provided the State GF to MCCMHS based on a formula included as an attachment to the contract. MCCMHS received \$7.2 million of GF funding in FYE 2006.

MCCMHS also received special and/or designated funds, Children's Waiver funds, MICHild capitated funds, and Adult Benefits Waiver (ABW) capitated funds. The special and/or designated funds were provided under special contractual arrangements between MCCMHS and MDCH. The funding methodologies for these arrangements are specified in each agreement. Children's Waiver provides community living supports to children with challenging behavioral needs on a fee-for-service basis. MICHild is a non-Medicaid program designed to provide certain medical and mental health services for uninsured children of Michigan working families. MDCH provided the funding for the MICHild program by capitated payments based on a Per Enrolled Child Per Month methodology for covered services. ABW provides health care benefits for Michigan's childless adult residents with incomes at or below 35% of the Federal Poverty Level. MDCH provided the funding for the ABW program by capitated payments based on a Per Enrolled Person Per Month (PEPM) methodology.

Lakeshore contracted with MDCH under a Medicaid Managed Specialty Supports and Services Contract (MMSSSC) for Medicaid funding for consumers in Muskegon County and Ottawa County. MDCH provided the funding to Lakeshore for both the state and federal share of Medicaid funds as capitated payments based on a PEPM methodology. Lakeshore passed a portion of these Medicaid funds on to OCCMH based on their funding history under the terms of the Intergovernmental Agreement. In FYE 2006, Lakeshore received \$56.7 million of Medicaid funding.

At the end of the fiscal year, actual costs of providing the Medicaid and GF services were compared to the interim payments. If MCCMHS and Lakeshore were not able to provide the services within the formula funding and capitation payments, then each contract determines the funding responsibility for the contracting parties. The contracts include provisions for redirects and risk funding. If MCCMHS and Lakeshore were able to provide the services at less cost than the amount paid through formula funding and capitation, then MCCMHS and/or Lakeshore are able to keep some or all of the savings provided they were used for certain contractual services in future years. Each contract specifies the amounts that could be carried forward for future use and the allowable uses for the amounts saved by MCCMHS and Lakeshore.

PURPOSE AND OBJECTIVES

The purpose of this review was to evaluate MCCMHS's correction of findings identified in the last MDCH audit, and to evaluate select items of cost to determine whether the agency properly reported expenditures in accordance with generally accepted accounting principles and contractual requirements.

Audit Objectives

1. To assess MCCMHS's effectiveness and efficiency in correcting policy and procedural findings noted in the prior MDCH Audit Report.
2. To assess Lakeshore and MCCMHS's effectiveness and efficiency in reporting select items of cost to MDCH in accordance with contractual requirements, applicable federal, state and local statutory requirements; Medicaid regulations; and applicable accounting standards.
3. To determine MDCH's share of costs in accordance with applicable MDCH requirements and agreements, and any balance due to or due from Lakeshore and MCCMHS as a result of any audit findings.

SCOPE AND METHODOLOGY

We examined a portion of MCCMHS's and Lakeshore's records and activities for the period October 1, 2005 through September 30, 2006 as they related to Medicaid and General Fund expenditures. We completed an internal control questionnaire with the MCCMHS Finance Supervisor. The purpose was to review internal controls relating to accounting for revenues and expenditures, procurement and other contracting procedures, reporting, claims management, and risk financing. Discussions were held throughout the audit with MCCMHS's Finance Supervisor, the County Director of Accounting, and other MCHMS management personnel. We reviewed MCCMHS's policies and procedures. We also examined a portion of OCCMH's records and activities since they have an impact on Lakeshore. We summarized and analyzed various revenue and expenditure account balances to determine if they were properly reported on the Financial Status Report (FSR) in compliance with contractual requirements, applicable accounting standards, and Federal regulations. Our examination of reported depreciation expenses by MCCMHS for FYE 2006 identified a finding, which resulted in a scope expansion into FYE 2002 through FYE 2005. Our examination of rent charges at OCCMH for FYE 2006 identified a finding, which resulted in a scope expansion into FYE 2005. We performed our audit procedures from July 2007 through March 2008.

CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Policies and Procedures

Objective 1: To assess MCCMHS's effectiveness and efficiency in correcting policy and procedural findings noted in the prior MDCH Audit Report.

Conclusion: MCCMHS was generally effective and efficient in correcting policy and procedural findings noted in the prior MDCH Audit Report. However, we noted an exception regarding the lack of a comprehensive plan for Medicaid allocations to participating counties of the PIHP (finding 1).

Finding 1. Lack of Comprehensive Plan for Medicaid Allocations

Lakeshore did not develop a comprehensive plan for Medicaid allocations as required in the Intergovernmental Agreement.

Amendment Number One To Intergovernmental Agreement Providing For The Establishment Of A Prepaid Health Plan For Funding Community Mental Health System Known As The “Lakeshore Behavioral Health Alliance” (IGA) dated February 15, 2002, states, in pertinent part,

...the Participating Counties agree that cost-allocations, or “sub-capitations” to each CMH, exclusive of costs incurred in connection with performance of “PHP” functions, shall be allocated based upon funding history, including historical need and usage, at least initially, in order to fully and adequately finance the reasonable and necessary cost of each CMH; thereafter, said cost allocations, exclusive of cost incurred in connection with PHP functions, shall be allocated based upon actuarial and other factors as may be relevant to determining what is in fact fair and equitable. The participating counties will develop a comprehensive plan for cost allocations, or “sub-capitations,” which recognize funding history, including historical need and usage, and shall implement that plan following mutual agreement thereto.

The participating counties did not develop a comprehensive plan for cost allocations, or “sub-capitations” that recognizes funding history, including historical need and usage, as required by the IGA.

Recommendation

We recommend that Lakeshore develop a comprehensive plan for Medicaid allocations for their affiliation members and implement the plan following mutual agreement by the participating affiliation members as required by the Intergovernmental Agreement.

Financial Reporting

Objective 2: To assess Lakeshore and MCCMHS’s effectiveness and efficiency in reporting select items of cost to MDCH in accordance with contractual requirements, applicable federal, state and local statutory requirements; Medicaid regulations; and applicable accounting standards.

Conclusion: MCCMHS and Lakeshore did not accurately report their financial activity to MDCH according to contractual requirements; applicable statutory requirements; Medicaid regulations, and applicable accounting standards. We found overstatements of residential group home depreciation expenses (finding 2), and improper payments and reporting of affiliate's Medicaid costs (finding 3).

Finding 2. Overstatements of Residential Group Home Depreciation Expenses

MCCMHS and Lakeshore reported depreciation expense for residential group homes in excess of the homes' acquisition costs on the financial status reports (FSR) for FYE 2002 through FYE 2006 which violates Office of Management and Budget (OMB) Circular A-87.

MCCMHS and Lakeshore did not properly limit depreciation expense and the related accumulated depreciation to the acquisition costs for several group homes from FYE 2002 through FYE 2006. This resulted in \$232,706 in over-reported depreciation expense.

MCCMHS and Lakeshore must comply with OMB Circular A-87 according to contract terms and Federal regulation. OMB Circular A-87, dated August 29, 1997, Attachment B, Section 15, and a later version effective June 9, 2004, Appendix B, Section 11, states, in pertinent part,

- a. Depreciation and use allowances are means of allocating the cost of fixed assets to periods benefiting from asset use. Compensation for the use of fixed assets on hand may be made through depreciation or use allowances...*
- b. The computation of depreciation or use allowances shall be based on the acquisition cost of the assets involved...*
- c. The computation of depreciation or use allowances will exclude:
(1) The cost of land...*
- e. ...The combination of use allowances and depreciation applicable to the asset shall not exceed the total acquisition cost of the asset...(subsection d. in 2004 version)*

MCCMHS and Lakeshore recorded an adjusting journal entry in FYE 2007 to correct a portion of the over-reported depreciation expense. Subsequent to the audit fieldwork, MCMHS and Lakeshore recorded an adjusting journal entry to correct the balance of the over-reported depreciation expense from FYE 2002 through FYE 2006, and over-reported depreciation expense from FYE 2007 and FYE 2008. Therefore, no financial adjustment is necessary.

Recommendation

We recommend that MCCMHS and Lakeshore implement policies and procedures to ensure that depreciation expense and the related accumulated depreciation do not exceed the acquisition cost for each capital asset.

Finding 3. Improper Payment and Reporting of Affiliate’s Medicaid Costs

Lakeshore overpaid and overstated its Medicaid costs on the FSR filed with MDCH because it did not have procedures in place sufficient to detect and prevent OCCMH from incorrectly reporting their Medicaid expenditures to Lakeshore.

Lakeshore subcontracted Medicaid services to one affiliate, OCCMH, as explained in the Funding Methodology section of this report. Lakeshore, however, remained “*solely and fully responsible to execute all provisions of the MMSSSC, whether or not said provisions are directly pursued by the PIHP, pursued by affiliate CMHSPs, or pursued by the PIHP through a subcontract vendor*” according to Section 6.4.2 of the MMSSSC. Accordingly, all of Lakeshore’s reported Medicaid costs, including those of OCCMH, must comply with MMSSSC provisions. Additionally, the following provisions of the IGA and Delegation Agreement require OCCMH Medicaid spending and reporting in compliance with the MMSSSC and Federal regulation, and monitoring by Lakeshore:

IGA, Section 4. e. Limitation Upon Use of Funding:

Funding disbursed by the Department shall be utilized by the Participating Counties solely in fulfillment of behavioral health duties and responsibilities imposed upon them under the Michigan Mental Health or Public Health Codes, Medicaid law or regulation, or as may be otherwise permitted by law.

Delegation Agreement, Section I. B.:

It is understood and agreed that the PIHP will monitor and assess that the AFFILIATE is appropriately carrying out its delegated responsibilities and is complying with required PIHP and CMS/MDCH policies, standards, and contract terms for all delegated functions.

The MMSSSC includes a provision to comply with OMB Circular A-87 in Section 6.6.1 as follows:

The PIHP will use the principles and standards of OMB Circular A-87 for determining all costs related to the management and provision of Medicaid covered specialty services under the Concurrent 1915(b)/(c) Waiver Programs reported on the financial status report.

In our audits of OCCMH and Lakeshore, we determined that OCCMH misstated their allowable Medicaid costs to Lakeshore, and Lakeshore consequently did not pay OCCMH for the correct amount of allowable Medicaid expenditures and overstated their allowable Medicaid costs. OCCMH's reported depreciation expenditures exceeded the amount allowed by OMB Circular A-87 by \$63,701 in FYE 2005 and \$74,330 in FYE 2006.

As the fiduciary of Medicaid Funds, Lakeshore has oversight responsibilities to ensure that Medicaid costs are properly reported by affiliates, proper payments are made to affiliates, and Lakeshore's FSR only includes allowable expenditures.

Audit adjustments to decrease Medicaid expenses by \$63,701 and \$74,330 are included on Schedules D and H, respectively, of this report.

Recommendation

We recommend that Lakeshore implement policies and procedures to ensure compliance with the MMSSSC, IGA, and Delegation Agreement to ensure that Medicaid costs are correctly reported by affiliates, proper payments are made to affiliates, and the proper amount of Medicaid expenditures is reported on the FSR. These actions may include, but are not limited to, better communication with affiliates regarding the allowability of costs, the implementation of on-site reviews and audits, and monitoring of the FSR's.

MDCH's Share of Cost & Balance Due MDCH

Objective 3: To determine MDCH's share of costs in accordance with applicable MDCH requirements and agreements, and any balance due to or due from Lakeshore and MCCMHS as a result of any audit findings.

Conclusion: As a result of the review of OCCMH building expenditures and the identification of \$138,031 of unallowable Medicaid expenditures for the period October 1, 2004 through September 30, 2006, Lakeshore must recognize \$138,031 in additional Medicaid Savings created as a result of the disallowed costs.¹

¹ According to Section 7.7.2.1 of the Medicaid contract, "In the event that a final MDCH audit report creates new Medicaid savings, the PIHP will have a year to expend those funds according to Section 7.7.2.2."

Muskegon County Community Mental Health Services
Schedule A – Revenue
Financial Status Report
October 1, 2004 through September 30, 2005

<u>REVENUES</u>	Reported Amount	Audit Adjustments	Adjusted Amount
A Revenues Not Otherwise Reported	\$ 40,007	\$ -	\$ 40,007
C Earned Contracts – Non-MDCH Total	\$ 274,967	\$ -	\$ 274,967
1 CMH to CMH	\$ 97,215	\$ -	\$ 97,215
2 Other	\$ 177,752	\$ -	\$ 177,752
3 Medicaid Managed Care	\$ -	\$ -	\$ -
D MI Child - Mental Health	\$ 24,041	\$ -	\$ 24,041
D1 Adult Benefits Waiver	\$ 937,910	\$ -	\$ 937,910
E Local Funding Total	\$ 1,557,382	\$ -	\$ 1,557,382
1 Special Fund Account (226(a))	\$ 132,473	\$ -	\$ 132,473
2 Title XX Replacement	\$ 6,412	\$ -	\$ 6,412
3 All Other	\$ 348,841	\$ -	\$ 348,841
4 Affiliate Local Contribution to State Medicaid Match Provided from CMHSP	\$ 1,069,656	\$ -	\$ 1,069,656
F Reserve Balances - Planned for Use	\$ 297,626	\$ -	\$ 297,626
1 GF Carry forward – Section 226(2)(b)(c)	\$ 297,626	\$ -	\$ 297,626
2 Medicaid Savings	\$ -	\$ -	\$ -
2a Medicaid Savings – Substance Abuse	\$ -	\$ -	\$ -
3 Internal Service Fund	\$ -	\$ -	\$ -
4 Other (205(4)(h))	\$ -	\$ -	\$ -
4b State GF Internal Service Fund – Risk Corridor	\$ -	\$ -	\$ -
5 Stop/loss Insurance	\$ -	\$ -	\$ -

Muskegon County Community Mental Health Services
Schedule A – Revenue
Financial Status Report
October 1, 2004 through September 30, 2005

REVENUES	Reported Amount	Audit Adjustments	Adjusted Amount
G MDCH Earned Contracts Total	\$ 252,111	\$ -	\$ 252,111
1 PASARR	\$ 48,896	\$ -	\$ 48,896
2 Block Grants for CMH Services	\$ 138,086	\$ -	\$ 138,086
3 DD Council Grants	\$ -	\$ -	\$ -
4 PATH/Homeless	\$ 65,129	\$ -	\$ -
5 Prevention	\$ -	\$ -	\$ -
6 Aging	\$ -	\$ -	\$ -
7 HUD Shelter Plus Care	\$ -	\$ -	\$ -
8 Other MDCH Earned Contracts	\$ -	\$ -	\$ -
9 Other MDCH Earned Contracts – Substance Abuse - ABW	\$ -	\$ -	\$ -
10 Other MDCH Grants	\$ -	\$ -	\$ -
H Gross Medicaid Total	\$ 185,678	\$ -	\$ 185,678
1 Medicaid Specialty Managed Care	\$ -	\$ -	\$ -
2 Medicaid - Children's Waiver Total	\$ 185,678	\$ -	\$ 185,678
3 Other Medicaid	\$ -	\$ -	\$ -
I Reimbursements Total	\$ 1,995,186	\$ -	\$ 1,995,186
1 1 st and 3 rd Party	\$ -	\$ -	\$ -
2 SSI	\$ 1,995,186	\$ -	\$ 1,995,186
J State General Funds Total	\$ 7,041,576	\$ -	\$ 7,041,576
1 CMH Operations	\$ 5,586,050	\$ -	\$ 5,586,050
2 Categorical Funding	\$ 104,271	\$ -	\$ 104,271
3 State Services Base	\$ 1,351,255	\$ -	\$ 1,351,255
4 MDCH Risk Authorization	\$ -	\$ -	\$ -
K Grand Total Revenues	\$ 12,537,123	\$ -	\$ 12,537,123
L Estimated MDCH Obligation (D+D1+H+J)	\$ 8,119,844	\$ -	\$ 8,119,844

Muskegon County Community Mental Health Services
Schedule B – Expenditures
Financial Status Report
October 1, 2004 through September 30, 2005

EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
A Gross Total Expenditures	\$ 11,874,592	\$ -	\$ 11,874,592
B Expenditures Not Otherwise Reported	\$ 40,007	\$ -	\$ 40,007
D Earned Contracts - Non-MDCH Total	\$ 274,967	\$ -	\$ 274,967
1 CMH to CMH	\$ 97,215	\$ -	\$ 97,215
2 Other Earned Contracts	\$ 177,752	\$ -	\$ 177,752
3 Medicaid Managed Care – Affiliate	\$ -	\$ -	\$ -
E MI Child –Mental Health	\$ -	\$ -	\$ -
F Local Total	\$ 1,207,663	\$ -	\$ 1,207,663
1 Local Cost for State Provided Services	\$ 138,007	\$ -	\$ 138,007
2 Other Not Used as Local Match	\$ -	\$ -	\$ -
3 Affiliate Contribution of Local Funds to PIHP	\$ 478,656	\$ -	\$ 478,656
4 PIHP Contribution to State Medicaid Match Provided to MDCH	\$ 591,000	\$ -	\$ 591,000
5 Prior Year Carry-Forward	\$ -	\$ -	\$ -
G Expenditures From Reserve Balances	\$ 297,626	\$ -	\$ 297,626
1 Carry forward - Sec 226(2)(b)(c)	\$ 297,626	\$ -	\$ 297,626
2 Medicaid Savings	\$ -	\$ -	\$ -
2a Medicaid Savings – Substance Abuse	\$ -	\$ -	\$ -
3 Internal Service Fund - Abatement	\$ -	\$ -	\$ -
4 Other (205(4)(h)) – Reserves – Vested Employee	\$ -	\$ -	\$ -
5 Stop/Loss Ins.	\$ -	\$ -	\$ -

Muskegon County Community Mental Health Services
Schedule B – Expenditures
Financial Status Report
October 1, 2004 through September 30, 2005

EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
H MDCH Earned Contracts Total	\$ 252,111	\$ -	\$ 252,111
1 PASARR	\$ 48,896	\$ -	\$ 48,896
2 Block Grant for CMH Services	\$ 138,086	\$ -	\$ 138,086
3 DD Council Grants	\$ -	\$ -	\$ -
4 PATH/Homeless	\$ 65,129	\$ -	\$ 65,129
5 Prevention	\$ -	\$ -	\$ -
6 Aging	\$ -	\$ -	\$ -
7 HUD Shelter Plus Care	\$ -	\$ -	\$ -
8 Other MDCH Earned Contracts	\$ -	\$ -	\$ -
9 Other MDCH Earned Contracts – Substance Abuse ABW	\$ -	\$ -	\$ -
10 Other MDCH Grants	\$ -	\$ -	\$ -
I Matchable Services (A - (B through H))	\$9,802,218	\$ -	\$ 9,802,218
J Payments to MDCH for State Services	\$1,171,918	\$ -	\$ 1,171,918
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 Reimbursement	\$ -	\$ -	\$ -
7 10% Local Match Funds	\$ -	\$ -	\$ -
8 Net State Share 90/10 Services (K4-K5-K6-K7)	\$ -	\$ -	\$ -
9 Total MDCH Share Spec Mgd Care (K3+K5+K8)	\$ -	\$ -	\$ -

Muskegon County Community Mental Health Services
Schedule B – Expenditures
Financial Status Report
October 1, 2004 through September 30, 2005

EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
L GF Categorical and Formula Services Total	\$ 7,729,433	\$ -	\$ 7,729,433
1 100% MDCH Matchable Services	\$ 4,232,245	\$ -	\$ 4,232,245
2 All SSI and Other Reimbursements	\$ 1,995,186	\$ -	\$ 1,995,186
3 Net GF and Formula for 100% Services (L1 – L2)	\$ 2,237,059	\$ -	\$ 2,237,059
4 90/10 Matchable Services	\$ 3,497,188	\$ -	\$ 3,497,188
5 Reimbursements	\$ -	\$ -	\$ -
6 10% Local Match Funds	\$ 349,719	\$ -	\$ 349,719
7 Net GF and Formula for 90/10 Services (L4 – L5-L6)	\$ 3,147,469	\$ -	\$ 3,147,469
8 Total MDCH GF and Formula (L3 + L7)	\$ 5,384,528	\$ -	\$ 5,384,528
La MI Child Mental Health	\$ 78,516	\$ -	\$ 78,516
1 MI Child Mental Health Capitation – Medicaid Only	\$ 24,041	\$ -	\$ 24,041
2 MI Child Mental Health – MDCH GF Operations	\$ 54,475	\$ -	\$ 54,475
Lb Adult Benefits Waiver	\$ 593,740	\$ -	\$ 593,740
1 ABW – Capitation - Medicaid and State Match	\$ 593,740	\$ -	\$ 593,470
2 ABW – MDCH GF Operations Base	\$ -	\$ -	\$ -
M Children's Waiver – Total	\$ 228,611	\$ -	\$ 228,611
1 Medicaid	\$ 116,317	\$ -	\$ 116,317
2 Other Reimbursements	\$ -	\$ -	\$ -
3 MDCH GF Operations Base	\$ 112,294	\$ -	\$ 112,294
N Unobligated Spending Authority Total	\$ -	\$ -	\$ -
1 MDCH Risk Authorization	\$ -	\$ -	\$ -
2 All Other	\$ -	\$ -	\$ -
O Total Local Funds (F + L6)	\$ 1,557,382	\$ -	\$ 1,557,382
P Total MDCH Share of Expenditures (J + K9 + L8 + La + Lb + M1 + M3)	\$ 7,457,313	\$ -	\$ 7,457,313

Lakeshore Behavioral Health
Schedule C – Revenue
Financial Status Report
October 1, 2004 through September 30, 2005

<u>REVENUES</u>	<u>Reported</u>	<u>Audit</u>	<u>Adjusted</u>
	<u>Amount</u>	<u>Adjustments</u>	<u>Amount</u>
A Revenues Not Otherwise Reported	\$ 22,540	\$ -	\$ 22,540
C Earned Contracts – Non-MDCH Total	\$ -	\$ -	\$ -
1 CMH to CMH	\$ -	\$ -	\$ -
2 Other	\$ -	\$ -	\$ -
3 Medicaid Managed Care	\$ -	\$ -	\$ -
D MI Child - Mental Health	\$ -	\$ -	\$ -
D1 Adult Benefits Waiver	\$ -	\$ -	\$ -
E Local Funding Total	\$ -	\$ -	\$ -
1 Special Fund Account (226(a))	\$ -	\$ -	\$ -
2 Title XX Replacement	\$ -	\$ -	\$ -
3 All Other	\$ -	\$ -	\$ -
4 Affiliate Local Contribution to State Medicaid Match Provided from CMHSP	\$ -	\$ -	\$ -
F Reserve Balances - Planned for Use	\$ 2,729,041	\$ -	\$ 2,729,041
1 GF Carry forward – Section 226(2)(b)(c)	\$ -	\$ -	\$ -
2 Medicaid Savings	\$ 2,729,041	\$ -	\$ 2,729,041
2a Medicaid Savings – Substance Abuse	\$ -	\$ -	\$ -
3 Internal Service Fund	\$ -	\$ -	\$ -
4 Other (205(4)(h))	\$ -	\$ -	\$ -
4b State GF Internal Service Fund – Risk Corridor	\$ -	\$ -	\$ -
5 Stop/loss Insurance	\$ -	\$ -	\$ -

Lakeshore Behavioral Health
Schedule C – Revenue
Financial Status Report
October 1, 2004 through September 30, 2005

REVENUES	Reported Amount	Audit Adjustments	Adjusted Amount
G MDCH Earned Contracts Total	\$ -	\$ -	\$ -
1 PASARR	\$ -	\$ -	\$ -
2 Block Grants for CMH Services	\$ -	\$ -	\$ -
3 DD Council Grants	\$ -	\$ -	\$ -
4 PATH/Homeless	\$ -	\$ -	\$ -
5 Prevention	\$ -	\$ -	\$ -
6 Aging	\$ -	\$ -	\$ -
7 HUD Shelter Plus Care	\$ -	\$ -	\$ -
8 Other MDCH Earned Contracts	\$ -	\$ -	\$ -
9 Other MDCH Earned Contracts – Substance Abuse - ABW	\$ -	\$ -	\$ -
10 Other MDCH Grants	\$ -	\$ -	\$ -
H Gross Medicaid Total	\$ 50,958,851	\$ -	\$ 50,958,851
1 Medicaid Specialty Managed Care	\$ 50,958,851	\$ -	\$ 50,958,851
2 Medicaid - Children's Waiver Total	\$ -	\$ -	\$ -
3 Other Medicaid	\$ -	\$ -	\$ -
I Reimbursements Total	\$ -	\$ -	\$ -
1 1 st and 3 rd Party	\$ -	\$ -	\$ -
2 SSI	\$ -	\$ -	\$ -
J State General Funds Total	\$ -	\$ -	\$ -
1 CMH Operations	\$ -	\$ -	\$ -
2 Categorical Funding	\$ -	\$ -	\$ -
3 State Services Base	\$ -	\$ -	\$ -
4 MDCH Risk Authorization	\$ -	\$ -	\$ -
K Grand Total Revenues	\$ 53,710,432	\$ -	\$ 53,710,432
L Estimated MDCH Obligation (D+D1+H+J)	\$ 50,958,851	\$ -	\$ 50,958,851

Lakeshore Behavioral Health
Schedule D – Expenditures
Financial Status Report
October 1, 2004 through September 30, 2005

EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
A Gross Total Expenditures	\$51,822,488	\$ (63,701)	\$51,758,787
B Expenditures Not Otherwise Reported	\$ 22,540	\$ -	\$ 22,540
D Earned Contracts - Non-MDCH Total	\$ -	\$ -	\$ -
1 CMH to CMH	\$ -	\$ -	\$ -
2 Other Earned Contracts	\$ -	\$ -	\$ -
3 Medicaid Managed Care – Affiliate	\$ -	\$ -	\$ -
E MI Child –Mental Health	\$ -	\$ -	\$ -
F Local Total	\$ -	\$ -	\$ -
1 Local Cost for State Provided Services	\$ -	\$ -	\$ -
2 Other Not Used as Local Match	\$ -	\$ -	\$ -
3 Affiliate Contribution of Local Funds to PIHP	\$ -	\$ -	\$ -
4 PIHP Contribution to State Medicaid Match Provided to MDCH	\$ -	\$ -	\$ -
5 Prior Year Carry-Forward	\$ -	\$ -	\$ -
G Expenditures From Reserve Balances	\$2,729,041	\$ -	\$ 2,729,041
1 Carry forward - Sec 226(2)(b)(c)	\$ -	\$ -	\$ -
2 Medicaid Savings	\$2,729,041	\$ -	\$ 2,729,041
2a Medicaid Savings – Substance Abuse	\$ -	\$ -	\$ -
3 Internal Service Fund - Abatement	\$ -	\$ -	\$ -
4 Other (205(4)(h)) – Reserves – Vested Employee	\$ -	\$ -	\$ -
5 Stop/Loss Insurance	\$ -	\$ -	\$ -

Lakeshore Behavioral Health
Schedule D – Expenditures
Financial Status Report
October 1, 2004 through September 30, 2005

EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
H MDCH Earned Contracts Total	\$ -	\$ -	\$ -
1 PASARR	\$ -	\$ -	\$ -
2 Block Grant for CMH Services	\$ -	\$ -	\$ -
3 DD Council Grants	\$ -	\$ -	\$ -
4 PATH/Homeless	\$ -	\$ -	\$ -
5 Prevention	\$ -	\$ -	\$ -
6 Aging	\$ -	\$ -	\$ -
7 HUD Shelter Plus Care	\$ -	\$ -	\$ -
8 Other MDCH Earned Contracts	\$ -	\$ -	\$ -
9 Other MDCH Earned Contracts – Substance Abuse ABW	\$ -	\$ -	\$ -
10 Other MDCH Grants	\$ -	\$ -	\$ -
I Matchable Services (A - (B through H))	\$49,070,907	\$ (63,701)	\$49,007,206
J Payments to MDCH for State Services	\$ -	\$ -	\$ -
K Specialty Managed Care Service Total	\$49,070,907	\$ (63,701)	\$49,007,206
1 100% MDCH Matchable Services	\$48,532,316	\$ (63,701)	\$48,468,615
2 All SSI and Other Reimbursements	\$ -	\$ -	\$ -
3 Net MDCH Share for 100% Services (K1 – K2)	\$48,532,316	\$ (63,701)	\$48,468,615
4 QAAP Expenditures	\$ 538,591	\$ -	\$ 538,591
5 Total MDCH (K3 + K4)	\$49,070,907	\$ (63,701)	\$49,007,206

Lakeshore Behavioral Health
Schedule D – Expenditures
Financial Status Report
October 1, 2004 through September 30, 2005

EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
L GF Categorical and Formula Services Total	\$ -	\$ -	\$ -
1 100% MDCH Matchable Services	\$ -	\$ -	\$ -
2 All SSI and Other Reimbursements	\$ -	\$ -	\$ -
3 Net GF and Formula for 100% Services (L1 – L2)	\$ -	\$ -	\$ -
4 90/10 Matchable Services	\$ -	\$ -	\$ -
5 Reimbursements	\$ -	\$ -	\$ -
6 10% Local Match Funds	\$ -	\$ -	\$ -
7 Net GF and Formula for 90/10 Services (L4 – L5-L6)	\$ -	\$ -	\$ -
8 Total MDCH GF and Formula (L3 + L7)	\$ -	\$ -	\$ -
La MI Child Mental Health	\$ -	\$ -	\$ -
1 MI Child Mental Health Capitation – Medicaid Only	\$ -	\$ -	\$ -
2 MI Child Mental Health – MDCH GF Operations	\$ -	\$ -	\$ -
Lb Adult Benefits Waiver	\$ -	\$ -	\$ -
1 ABW – Capitation - Medicaid and State Match	\$ -	\$ -	\$ -
2 ABW – MDCH GF Operations Base	\$ -	\$ -	\$ -
M Children's Waiver – Total	\$ -	\$ -	\$ -
1 Medicaid	\$ -	\$ -	\$ -
2 Other Reimbursements	\$ -	\$ -	\$ -
3 MDCH GF Operations Base	\$ -	\$ -	\$ -
N Unobligated Spending Authority Total	\$ -	\$ -	\$ -
1 MDCH Risk Authorization	\$ -	\$ -	\$ -
2 All Other	\$ -	\$ -	\$ -
O Total Local Funds (F + L6)	\$ -	\$ -	\$ -
P Total MDCH Share of Expenditures (J + K5 + L8 + La + Lb + M1 + M3)	\$49,070,907	\$ (63,701)	\$49,007,206

Muskegon County Community Mental Health Services
Schedule E – Revenue
Financial Status Report
October 1, 2005 through September 30, 2006

REVENUES	Reported Amount	Audit Adjustments	Adjusted Amount
A Revenues Not Otherwise Reported	\$ 47,730	\$ -	\$ 47,730
C Earned Contracts – Non-MDCH Total	\$ 284,635	\$ -	\$ 284,635
1 CMH to CMH	\$ 90,938	\$ -	\$ 90,938
2 Other	\$ 193,697	\$ -	\$ 193,697
3 Medicaid Managed Care	\$ -	\$ -	\$ -
D MI Child - Mental Health	\$ 22,656	\$ -	\$ 22,656
D 1 Adult Benefits Waiver	\$ 931,727	\$ -	\$ 931,727
E Local Funding Total	\$ 1,554,637	\$ -	\$1,554,637
1 Special Fund Account (226(a))	\$ 125,219	\$ -	\$ 125,219
2 Title XX Replacement	\$ 6,412	\$ -	\$ 6,412
3 All Other	\$ 353,350	\$ -	\$ 353,350
4 Affiliate Local Contribution to State Medicaid Match Provided from CMHSP	\$ 1,069,656	\$ -	\$1,069,656
F Reserve Balances - Planned for Use	\$ 485,612	\$ -	\$ 485,612
1 GF Carry forward – Section 226(2)(b)(c)	\$ 245,138	\$ -	\$ 245,138
2 Medicaid Savings	\$ -	\$ -	\$ -
2a Medicaid Savings – Substance Abuse	\$ -	\$ -	\$ -
3 Internal Service Fund - Abatement	\$ 240,474	\$ -	\$ 240,474
4 Internal Service Fund – Risk Corridor	\$ -	\$ -	\$ -
5 Other (205(4)(h)) – Reserves – VEB/Depr	\$ -	\$ -	\$ -
6 Stop/Loss Insurance	\$ -	\$ -	\$ -

Muskegon County Community Mental Health Services
Schedule E – Revenue
Financial Status Report
October 1, 2005 through September 30, 2006

REVENUES	Reported Amount	Audit Adjustments	Adjusted Amount
G MDCH Earned Contracts Total	\$ 474,563	\$ -	\$ 474,563
1 PASARR	\$ 35,581	\$ -	\$ 35,581
2 Block Grants for CMH Services	\$ 370,707	\$ -	\$ 370,707
3 DD Council Grants	\$ -	\$ -	\$ -
4 PATH/Homeless	\$ 68,275	\$ -	\$ 68,275
5 Prevention	\$ -	\$ -	\$ -
6 Aging	\$ -	\$ -	\$ -
7 HUD Shelter Plus Care	\$ -	\$ -	\$ -
8 Other MDCH Earned Contracts	\$ -	\$ -	\$ -
9 Other MDCH Earned Contracts – Substance Abuse – ABW	\$ -	\$ -	\$ -
10 Other MDCH Grants	\$ -	\$ -	\$ -
H Gross Medicaid Total	\$ 120,015	\$ -	\$ 120,015
1 Medicaid Specialty Managed Care	\$ -	\$ -	\$ -
2 Medicaid - Children's Waiver Total	\$ 120,015	\$ -	\$ 120,015
3 Other Medicaid	\$ -	\$ -	\$ -
I Reimbursements Total	\$ 2,093,394	\$ -	\$ 2,093,394
1 1 st and 3 rd Party	\$ -	\$ -	\$ -
2 SSI	\$ 2,093,394	\$ -	\$ 2,093,394
J State General Funds Total	\$ 7,232,577	\$ -	\$ 7,232,577
1 CMH Operations	\$ 5,716,123	\$ -	\$ 5,716,123
2 Categorical Funding	\$ 107,229	\$ -	\$ 107,229
3 State Services Base	\$ 1,409,225	\$ -	\$ 1,409,225
K Grand Total Revenues	\$ 13,247,546	\$ -	\$ 13,247,546
L Estimated MDCH Obligation (D+D1+H+J)	\$ 8,306,975	\$ -	\$ 8,306,975

Muskegon County Community Mental Health Services
Schedule F – Expenditures
Financial Status Report
October 1, 2005 through September 30, 2006

EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
A Gross Total Expenditures	\$ 12,829,926	\$ -	\$ 12,829,926
B Expenditures Not Otherwise Reported	\$ 47,730	\$ -	\$ 47,730
D Earned Contracts - Non-MDCH Total	\$ 284,635	\$ -	\$ 284,635
1 CMH to CMH	\$ 90,938	\$ -	\$ 90,938
2 Other Earned Contracts	\$ 193,697	\$ -	\$ 193,697
3 Medicaid Managed Care – Affiliate	\$ -	\$ -	\$ -
F Local Total	\$ 1,242,470	\$ -	\$ 1,242,470
1 Local Cost for State Provided Services	\$ 172,814	\$ -	\$ 172,814
2 Other Not Used as Local Match	\$ -	\$ -	\$ -
3 Affiliate Contribution of Local Funds to PIHP	\$ 478,656	\$ -	\$ 478,656
4 PIHP Contribution to State Medicaid Match Provided to MDCH	\$ 591,000	\$ -	\$ 591,000
G Expenditures From Reserve Balances	\$ 485,612	\$ -	\$ 485,612
1 Carry forward - Sec 226(2)(b)(c)	\$ 245,138	\$ -	\$ 245,138
2 Medicaid Savings	\$ -	\$ -	\$ -
2a Medicaid Savings – Substance Abuse	\$ -	\$ -	\$ -
3 Internal Service Fund – Abatement	\$ 240,474	\$ -	\$ 240,474
4 Other (205(4)(h)) – Reserves – Vested Employee	\$ -	\$ -	\$ -
5 Stop/Loss Insurance	\$ -	\$ -	\$ -

Muskegon County Community Mental Health Services
Schedule F – Expenditures
Financial Status Report
October 1, 2005 through September 30, 2006

EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
H MDCH Earned Contracts Total	\$ 474,563	\$ -	\$ 474,563
1 PASARR	\$ 35,581	\$ -	\$ 35,581
2 Block Grant for CMH Services	\$ 370,707	\$ -	\$ 370,707
3 DD Council Grants	\$ -	\$ -	\$ -
4 PATH/Homeless	\$ 68,275	\$ -	\$ 68,275
5 Prevention	\$ -	\$ -	\$ -
6 Aging	\$ -	\$ -	\$ -
7 HUD Shelter Plus Care	\$ -	\$ -	\$ -
8 Other MDCH Earned Contracts	\$ -	\$ -	\$ -
9 Other MDCH Earned Contracts – Substance Abuse ABW	\$ -	\$ -	\$ -
10 Other MDCH Grants	\$ -	\$ -	\$ -
I Matchable Services (A - (B through H))	\$ 10,294,916	\$ -	\$ 10,294,916
J Payments to MDCH for State Services	\$ 1,873,756	\$ -	\$ 1,873,756
K Specialty Managed Care Service Total	\$ -	\$ -	\$ -
1a 100% MDCH Matchable Services – MH/DD	\$ -	\$ -	\$ -
1b 100% MDCH Matchable Services – SA	\$ -	\$ -	\$ -
2 SSI and Other Reimbursements	\$ -	\$ -	\$ -
3 MDCH Share for 100% Services (K1-K2)	\$ -	\$ -	\$ -
4a QAAP Expenditures – MH/DD	\$ -	\$ -	\$ -
4b QAAP Expenditures – SA	\$ -	\$ -	\$ -
5 Total MDCH Share Spec Mgd Care (K3 +K4a +K4b)	\$ -	\$ -	\$ -

Muskegon County Community Mental Health Services
Schedule F – Expenditures
Financial Status Report
October 1, 2005 through September 30, 2006

EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
L GF Categorical and Formula Services Total	\$ 7,570,018	\$ -	\$ 7,570,018
1 100% MDCH Matchable Services	\$ 4,448,351	\$ -	\$ 4,448,351
2 All SSI and Other Reimbursements	\$ 2,093,394	\$ -	\$ 2,093,394
3 Net GF and Formula for 100% Services (L1 – L2)	\$ 2,354,957	\$ -	\$ 2,354,957
4 90/10 Matchable Services	\$ 3,121,667	\$ -	\$ 3,121,667
5 Reimbursements	\$ -	\$ -	\$ -
6 10% Local Match Funds	\$ 312,167	\$ -	\$ 312,167
7 Net GF and Formula for 90/10 Services (L4 – L5-L6)	\$ 2,809,500	\$ -	\$ 2,809,500
8 Total MDCH GF and Formula (L3 + L7)	\$ 5,164,457	\$ -	\$ 5,164,457
L a MI Child Mental Health	\$ 64,133	\$ -	\$ 64,133
1 MI Child Mental Health Capitation – Medicaid Only	\$ 22,656	\$ -	\$ 22,656
2 MI Child Mental Health – MDCH GF Operations	\$ 41,477	\$ -	\$ 41,477
L b Adult Benefits Waiver	\$ 514,107	\$ -	\$ 514,107
1 ABW – Capitation - Medicaid and State Match	\$ 514,107	\$ -	\$ 514,107
2 ABW– MDCH GF Operations Base	\$ -	\$ -	\$ -
M Children's Waiver – Total	\$ 272,902	\$ -	\$ 272,902
1 Medicaid – Federal Share	\$ 120,015	\$ -	\$ 120,015
2 Other Reimbursements	\$ -	\$ -	\$ -
3 MDCH GF Operations Base	\$ 152,887	\$ -	\$ 152,887
N Unobligated Spending Authority Total	\$ -	\$ -	\$ -
1 MDCH Risk Authorization	\$ -	\$ -	\$ -
2 All Other	\$ -	\$ -	\$ -
O Total Local Funds (F + L6)	\$ 1,554,637	\$ -	\$ 1,554,637
P Total MDCH Share of Expenditures (J + K5 + L8 + La + Lb + M1 + M3)	\$ 7,889,355	\$ -	\$ 7,889,355

Lakeshore Behavioral Health
Schedule G – Revenue
Financial Status Report
October 1, 2005 through September 30, 2006

<u>REVENUES</u>	Reported Amount	Audit Adjustments	Adjusted Amount
A Revenues Not Otherwise Reported	\$ 76,382	\$ -	\$ 76,382
C Earned Contracts – Non-MDCH Total	\$ -	\$ -	\$ -
1 CMH to CMH	\$ -	\$ -	\$ -
2 Other	\$ -	\$ -	\$ -
3 Medicaid Managed Care	\$ -	\$ -	\$ -
D MI Child - Mental Health	\$ -	\$ -	\$ -
D 1 Adult Benefits Waiver	\$ -	\$ -	\$ -
E Local Funding Total	\$ -	\$ -	\$ -
1 Special Fund Account (226(a))	\$ -	\$ -	\$ -
2 Title XX Replacement	\$ -	\$ -	\$ -
3 All Other	\$ -	\$ -	\$ -
4 Affiliate Local Contribution to State Medicaid Match Provided from CMHSP	\$ -	\$ -	\$ -
F Reserve Balances - Planned for Use	\$ 1,919,048	\$ 63,701	\$ 1,982,749
1 GF Carry forward – Section 226(2)(b)(c)	\$ -	\$ -	\$ -
2 Medicaid Savings	\$ 1,919,048	\$ 63,701	\$ 1,982,749
2a Medicaid Savings – Substance Abuse	\$ -	\$ -	\$ -
3 Internal Service Fund	\$ -	\$ -	\$ -
4 Other (205(4)(h))	\$ -	\$ -	\$ -
4b State GF Internal Service Fund – Risk Corridor	\$ -	\$ -	\$ -
5 Stop/Loss Insurance	\$ -	\$ -	\$ -

Lakeshore Behavioral Health
Schedule G – Revenue
Financial Status Report
October 1, 2005 through September 30, 2006

REVENUES	Reported Amount	Audit Adjustments	Adjusted Amount
G MDCH Earned Contracts Total	\$ -	\$ -	\$ -
1 PASARR	\$ -	\$ -	\$ -
2 Block Grants for CMH Services	\$ -	\$ -	\$ -
3 DD Council Grants	\$ -	\$ -	\$ -
4 PATH/Homeless	\$ -	\$ -	\$ -
5 Prevention	\$ -	\$ -	\$ -
6 Aging	\$ -	\$ -	\$ -
7 HUD Shelter Plus Care	\$ -	\$ -	\$ -
8 Other MDCH Earned Contracts	\$ -	\$ -	\$ -
9 Other MDCH Earned Contracts – Substance Abuse - ABW	\$ -	\$ -	\$ -
10 Other MDCH Grants	\$ -	\$ -	\$ -
H Gross Medicaid Total	\$ 56,686,397	\$ -	\$ 56,686,397
1 Medicaid Specialty Managed Care	\$ 56,686,397	\$ -	\$ 56,686,397
2 Medicaid - Children's Waiver Total	\$ -	\$ -	\$ -
3 Other Medicaid	\$ -	\$ -	\$ -
I Reimbursements Total	\$ -	\$ -	\$ -
1 1 st and 3 rd Party	\$ -	\$ -	\$ -
2 SSI	\$ -	\$ -	\$ -
J State General Funds Total	\$ -	\$ -	\$ -
1 CMH Operations	\$ -	\$ -	\$ -
2 Categorical Funding	\$ -	\$ -	\$ -
3 State Services Base	\$ -	\$ -	\$ -
4 MDCH Risk Authorization	\$ -	\$ -	\$ -
K Grand Total Revenues	\$ 58,605,445	\$ 63,701	\$ 58,669,146
L Estimated MDCH Obligation (D+D1+H+J)	\$ 56,686,397	\$ -	\$ 56,686,397

Lakeshore Behavioral Health
Schedule H – Expenditures
Financial Status Report
October 1, 2005 through September 30, 2006

<u>EXPENDITURES</u>	Reported Amount	Audit Adjustments	Adjusted Amount
A Gross Total Expenditures	\$ 57,592,714	\$ (74,330)	\$ 57,592,714
B Expenditures Not Otherwise Reported	\$ 76,382	\$ -	\$ 76,382
D Earned Contracts - Non-MDCH Total	\$ -	\$ -	\$ -
1 CMH to CMH	\$ -	\$ -	\$ -
2 Other Earned Contracts	\$ -	\$ -	\$ -
3 Medicaid Managed Care – Affiliate	\$ -	\$ -	\$ -
E MI Child –Mental Health	\$ -	\$ -	\$ -
F Local Total	\$ -	\$ -	\$ -
1 Local Cost for State Provided Services	\$ -	\$ -	\$ -
2 Other Not Used as Local Match	\$ -	\$ -	\$ -
3 Affiliate Contribution of Local Funds to PIHP	\$ -	\$ -	\$ -
4 PIHP Contribution to State Medicaid Match Provided to MDCH	\$ -	\$ -	\$ -
5 Prior Year Carry-Forward	\$ -	\$ -	\$ -
G Expenditures From Reserve Balances	\$ 1,919,048	\$ 63,701	\$ 1,982,749
1 Carry forward - Sec 226(2)(b)(c)	\$ -	\$ -	\$ -
2 Medicaid Savings	\$ 1,919,048	\$ 63,701	\$ 1,982,749
2a Medicaid Savings – Substance Abuse	\$ -	\$ -	\$ -
3 Internal Service Fund - Abatement	\$ -	\$ -	\$ -
4 Other (205(4)(h)) – Reserves – Vested Employee	\$ -	\$ -	\$ -
5 Stop/Loss Insurance	\$ -	\$ -	\$ -

Lakeshore Behavioral Health
Schedule H – Expenditures
Financial Status Report
October 1, 2005 through September 30, 2006

EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
H MDCH Earned Contracts Total	\$ -	\$ -	\$ -
1 PASARR	\$ -	\$ -	\$ -
2 Block Grant for CMH Services	\$ -	\$ -	\$ -
3 DD Council Grants	\$ -	\$ -	\$ -
4 PATH/Homeless	\$ -	\$ -	\$ -
5 Prevention	\$ -	\$ -	\$ -
6 Aging	\$ -	\$ -	\$ -
7 HUD Shelter Plus Care	\$ -	\$ -	\$ -
8 Other MDCH Earned Contracts	\$ -	\$ -	\$ -
9 Other MDCH Earned Contracts – Substance Abuse ABW	\$ -	\$ -	\$ -
10 Other MDCH Grants	\$ -	\$ -	\$ -
I Matchable Services (A - (B through H))	\$ 55,597,284	\$ (10,629)	\$ 55,586,655
J Payments to MDCH for State Services	\$ -	\$ -	\$ -
K Specialty Managed Care Service Total	\$ 55,597,284	\$ (138,031)	\$ 55,459,253
1 100% MDCH Matchable Services	\$ 52,197,312	\$ (138,031)	\$ 52,059,281
2 All SSI and Other Reimbursements	\$ -	\$ -	\$ -
3 Net MDCH Share for 100% Services (K1 – K2)	\$ 52,197,312	\$ (138,031)	\$ 52,059,281
4 QAAP Expenditures	\$ 3,399,972	\$ -	\$ 3,399,972
5 Total MDCH (K3 + K4)	\$ 55,597,284	\$ (138,031)	\$ 55,459,253

Lakeshore Behavioral Health
Schedule H – Expenditures
Financial Status Report
October 1, 2005 through September 30, 2006

EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
L GF Categorical and Formula Services Total	\$ -	\$ -	\$ -
1 100% MDCH Matchable Services	\$ -	\$ -	\$ -
2 All SSI and Other Reimbursements	\$ -	\$ -	\$ -
3 Net GF and Formula for 100% Services (L1 – L2)	\$ -	\$ -	\$ -
4 90/10 Matchable Services	\$ -	\$ -	\$ -
5 Reimbursements	\$ -	\$ -	\$ -
6 10% Local Match Funds	\$ -	\$ -	\$ -
7 Net GF and Formula for 90/10 Services (L4 – L5-L6)	\$ -	\$ -	\$ -
8 Total MDCH GF and Formula (L3 + L7)	\$ -	\$ -	\$ -
L a MI Child Mental Health	\$ -	\$ -	\$ -
1 MI Child Mental Health Capitation – Medicaid Only	\$ -	\$ -	\$ -
2 MI Child Mental Health – MDCH GF Operations	\$ -	\$ -	\$ -
L b Adult Benefits Waiver	\$ -	\$ -	\$ -
1 ABW – Capitation - Medicaid and State Match	\$ -	\$ -	\$ -
2 ABW– MDCH GF Operations Base	\$ -	\$ -	\$ -
M Children's Waiver – Total	\$ -	\$ -	\$ -
1 Medicaid	\$ -	\$ -	\$ -
2 Other Reimbursements	\$ -	\$ -	\$ -
3 MDCH GF Operations Base	\$ -	\$ -	\$ -
N Unobligated Spending Authority Total	\$ -	\$ -	\$ -
1 MDCH Risk Authorization	\$ -	\$ -	\$ -
2 All Other	\$ -	\$ -	\$ -
O Total Local Funds (F + L6)	\$ -	\$ -	\$ -
P Total MDCH Share of Expenditures (J + K5 + L8 + La + Lb + M1 + M3)	\$ 55,597,284	\$ (138,031)	\$ 55,459,253

Lakeshore Behavioral Health
and
Muskegon County Community Mental Health Services
Schedule I
Contract Reconciliation and Cash Settlement Summary
October 1, 2004 through September 30, 2005

I. Specialized Managed Care (Includes State and Federal Share)	MDCH Revenue	MDCH Expense
A Total Specialized Managed Care	\$ 50,958,851	\$ 48,468,615
II. State/General Fund Formula Funding	Authorization	MDCH Expense
A GF/Formula - State and Community Managed Programs		
1 State Managed Services	\$ 1,351,255	\$ 1,171,918
2 MDCH Risk Authorization - MDCH Approved for Use	\$ -	\$ -
3 Community Managed Services	\$ 5,690,321	\$ 5,551,297
4 Total State and Community Programs - GF/Formula Funding	\$ 7,041,576	\$ 6,723,215
B Categorical, Special and Designated Funds		
1 Respite Grant (Tobacco Tax)	\$ 12,979	\$ 12,979
2 Multicultural Services	\$ 91,292	\$ 91,292
3 Pharmacy Planning Grant	\$ -	\$ -
4 Total Categorical, Special and Designated Funds	\$ 104,271	\$ 104,271
C Subtotal-GF/Formula Community and State Managed Programs	\$ 6,937,305	\$6,618,944
	Specialized Managed Care	Formula Funds
III. Shared Risk Arrangement		
A Operating Budget – Exclude MOE and Categorical Funding	\$ 50,958,851	\$ 6,937,305
B MDCH Share - Exclude MOE and Categorical Funding	\$ 49,007,206	\$ 6,618,944
C Surplus (Deficit)	\$ 1,951,645	\$ 318,361
D Redirect Formula Funds to Medicaid Recipients	\$ -	\$ -
E Shared Risk - Surplus (Deficit)	\$ 1,951,645	\$ 318,361
D Risk Band – 5% of Operating Budget (A*5%)	\$ 2,547,943	\$ 346,865

Lakeshore Behavioral Health
and
Muskegon County Community Mental Health Services
Schedule I
Contract Reconciliation and Cash Settlement Summary
October 1, 2004 through September 30, 2005

IV. Cash Settlement	MDCH Share	Savings or Carryforward	Redirected Savings	Total	Grand Total
A MDCH Obligation					
1 Specialty Managed Care (Net of MOE)	\$49,007,206	\$ 1,951,645	\$ -	\$ 50,958,851	
2 GF/Formula Funding (Net of Categorical and MOE)	\$ 6,618,944	\$ 318,361	\$ -	\$ 6,937,305	
3 Categorical - MDCH Obligation	\$ 104,271	\$ -		<u>\$ 104,271</u>	
4 Total - MDCH Obligation					\$ 58,000,427
B Advances – Prepayments					
1 Specialized Managed Care - Prepayments Through 9/30/2005			\$50,958,851		
2 Specialized Managed Care - FY 05 Prepayments Received After 9/30/2005			<u>\$ -</u>		
3 Subtotal - Specialized Managed Care				\$ 50,958,851	
4 GF/Formula Funding - (Include MDCH Risk Authorization)				\$ 5,586,050	
5 Purchase of Services				\$ 1,351,255	
6 Categorical Funding				<u>\$ 104,271</u>	
7 Total Prepayments					\$ 58,000,427
					<hr/>
C Balance Due CMH/(MDCH)					\$ -
D Balance Due to MDCH for Unpaid State Service Costs					
State Facility Costs				\$ 1,171,918	
Actual Payments to MDCH				<u>\$ 1,171,918</u>	
Balance Due MDCH/(CMH)					<u>\$ -</u>
					<hr/>
E Net Balance Due MDCH					\$ -
Prior Settlement					\$ -
					<hr/>
F Balance Due to MDCH (CMH)					<u><u>\$ -</u></u>

Lakeshore Behavioral Health
and
Muskegon County Community Mental Health Services
Schedule J
Contract Reconciliation and Cash Settlement Summary
October 1, 2005 through September 30, 2006

I.	Specialized Managed Care (Includes State and Federal Share)	MDCH Revenue	MDCH Expense
A	Total Specialized Managed Care	\$ 56,686,397	\$55,459,253
II.	State/General Fund Formula Funding		
A	GF/Formula - State and Community Managed Programs	Authorization	MDCH Expense
	1 State Managed Services	\$ 1,409,225	\$ 1,873,756
	2 MDCH Risk Authorization - MDCH Approved for Use	\$ -	\$ -
	3 Community Managed Services	\$ 5,716,123	\$ 5,358,821
	4 Total State and Community Programs - GF/Formula Funding	\$ 7,232,577	\$ 7,232,577
B	Categorical, Special and Designated Funds		
	1 Respite Grant (Tobacco Tax)	\$ 15,937	\$ 15,937
	2 Multicultural Services	\$ 91,292	\$ 91,292
	3 Pharmacy Planning Grant	\$ -	\$ -
	4 Total Categorical, Special and Designated Funds	\$ 107,229	\$ 107,229
C	Subtotal-GF/Formula Community and State Managed Programs	\$ 7,125,348	\$ 7,125,348
		Specialized Managed Care	Formula Funds
III.	Shared Risk Arrangement		
A	Operating Budget – Exclude MOE and Categorical Funding	\$ 56,686,397	\$ 7,125,348
B	MDCH Share - Exclude MOE and Categorical Funding	\$ 55,459,253	\$ 7,125,348
C	Surplus (Deficit)	\$ 1,227,144	\$ -
D	Redirect Formula Funds to Medicaid Recipients	\$ -	\$ -
E	Shared Risk - Surplus (Deficit)	\$ 1,227,144	\$ -
D	Risk Band – 5% of Operating Budget (A*5%)	\$ 2,834,320	\$ 356,267

Lakeshore Behavioral Health
and
Muskegon County Community Mental Health Services
Schedule J
Contract Reconciliation and Cash Settlement Summary
October 1, 2005 through September 30, 2006

	MDCH Share	Savings or Carryforward	Redirected Savings	Total	Grand Total
IV. Cash Settlement					
A MDCH Obligation					
1 Specialty Managed Care (Net of MOE)	\$ 55,459,253	\$ 1,227,144	\$ -	\$ 56,686,397	
2 GF/Formula Funding (Net of Categorical and MOE)	\$ 7,125,348	\$ -	\$ -	\$ 7,125,348	
3 Categorical - MDCH Obligation	\$ 107,229	\$ -		<u>\$ 107,229</u>	
4 Total - MDCH Obligation					\$63,918,974
 B Advances – Prepayments					
1 Specialized Managed Care - Prepayments Through 9/30/2006			\$ 56,686,397		
2 Specialized Managed Care - FY 05 Prepayments Received After 9/30/2006			<u>\$ -</u>		
3 Subtotal - Specialized Managed Care				\$ 56,686,397	
4 GF/Formula Funding - (Include MDCH Risk Authorization)				\$ 5,716,123	
5 Purchase of Services				\$ 1,409,225	
6 Categorical Funding				<u>\$ 107,229</u>	
7 Total Prepayments					<u>\$63,918,974</u>
 C Balance Due CMH/(MDCH)					\$ -
 D Balance Due to MDCH for Unpaid State Service Costs					
State Facility Costs				\$ 1,873,756	
Actual Payments to MDCH				<u>\$ 1,873,756</u>	
Balance Due MDCH/(CMH)					<u>\$ -</u>
 E Net Balance Due MDCH					\$ -
Prior Settlement					\$ -
 F Balance Due to MDCH (CMH)					<u><u>\$ -</u></u>

Corrective Action Plan

Finding Number: 1

Page Reference: 5

Finding: **Lack of Comprehensive Plan for Medicaid Allocations**

Lakeshore did not develop a comprehensive plan for Medicaid allocations as required in the Intergovernmental Agreement.

Recommendation: Develop a comprehensive plan for Medicaid allocations for affiliation members and implement the plan following mutual agreement by the participating affiliation members as required by the Intergovernmental Agreement.

Comments: Lakeshore is in agreement with the finding; however, a plan will not be implemented at the present time. Future contracts will; however, reflect the change. As a result of historical data, a 58% Muskegon, 42% Ottawa split has been established for Medicaid Funds.

Corrective Action: Remove the requirement for a comprehensive plan from the Intergovernmental Agreement.

Anticipated

Completion Date: When the Intergovernmental Agreement is next amended.

MDCH Response: None

Corrective Action Plan

Finding Number: 2

Page Reference: 6

Finding: Overstatements of Residential Group Home Depreciation Expenses

MCCMHS and Lakeshore reported depreciation expense for residential group homes in excess of the homes' acquisition costs on the financial status reports (FSR) for FYE 2002 through FYE 2006 which violates Office of Management and Budget (OMB) Circular A-87.

Recommendation: Implement policies and procedures to ensure that depreciation expense and the related accumulated depreciation do not exceed the acquisition cost for each capital asset.

Comments: Journal entries have already been done to correct the excess depreciation. Changes were also made to the asset schedule to ensure compliance.

Corrective Action: Depreciation schedules were corrected.

**Anticipated
Completion Date:** Already completed.

MDCH Response: None

Corrective Action Plan

Finding Number: 3

Page Reference: 7

Finding: **Improper Payment and Reporting of Affiliate's Medicaid Costs**

Lakeshore overpaid and overstated its Medicaid costs on the FSR filed with MDCH because it did not have procedures in place sufficient to detect and prevent OCCMH from incorrectly reporting their Medicaid expenditures to Lakeshore.

Recommendation: Implement policies and procedures to ensure compliance with the MMSSSC, IGA, and Delegation Agreement to ensure that Medicaid costs are correctly reported by affiliates, proper payments are made to affiliates, and the proper amount of Medicaid expenditures is reported on the FSR. These actions may include, but are not limited to, better communication with affiliates regarding the allowability of costs, the implementation of on-site reviews and audits, and monitoring of the FSR's.

Comments: Lakeshore is in agreement with the finding.

Corrective Action: Independent auditors have been hired to provide MDCH and Muskegon CMH with information sufficient to catch this type of error on an annual basis.

Anticipated

Completion Date: Completed. This was started for Fiscal Year 2007.

MDCH Response: None