

Audit Report

Ottawa County Community Mental Health

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

Mr. Keith VanZoeren, Chairperson
Ottawa County Community Mental Health Board of Directors
12265 James Street
Holland, Michigan 49424

Dr. Michael Brashears, Executive Director
Ottawa County Community Mental Health
12265 James Street
Holland, Michigan 49424

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

Dear Mr. VanZoeren, Dr. Brashears and Ms. Olszewski:

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

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 and the Office of Audit's response to those comments where necessary.

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. 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.

Mr. Keith VanZoeren, Dr. Michael Brashears and Ms. Janet Olszewski
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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

For any audit finding and adjustment not in dispute, the agency must submit any resulting amounts due 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

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

Ottawa County Community Mental Health (OCCMH) was established in 1966 under the provisions of Public Act 54 of 1963 as amended. In 2001, OCCMH and Muskegon County Community Mental Health Services (MCCMHS) entered into an Intergovernmental Agreement (IGA), which provided for the establishment of a Prepaid Inpatient Health Plan (PIHP), Lakeshore Behavioral Health Alliance (Lakeshore), to provide Medicaid services to consumers of Ottawa and Muskegon counties. MCCMHS was designated by the participating counties to function as the PIHP. OCCMH is a department within Ottawa County and operates under the provisions of the Mental Health Code, Sections 330.1001 – 330.2106 of the Michigan Compiled Laws, and is subject to oversight by the Michigan Department of Community Health.

OCCMH provides the following services: screening and intake, crisis intervention, crisis residential, supports coordination, supported employment, residential, outpatient mental health, skill building, case management, home based, assertive community treatment (ACT), housing assistance, wraparound, psychosocial rehabilitation, MIChild waiver, Adult Benefit Waiver (ABW), Omnibus Budget Reconciliation Act (OBRA), and Children's Waiver. OCCMH manages the OBRA and Children's Waiver programs, but services are provided by independent agencies under their specific contracts. OCCMH also contracts with independent agencies for crisis residential, inpatient, supported employment, residential, outpatient mental health, skill building, community living supports, and respite services.

OCCMH's administrative office is located in the city of Holland, within Ottawa County, Michigan. The board is comprised of 12 members who reside in Ottawa County and are appointed by the Ottawa County Board of Commissioners to three-year terms.

FUNDING METHODOLOGY

OCCMH contracted with the MDCH under a Managed Mental Health Supports and Services Contract (MMHSSC) for FYE 2006. This provided State General Funds (GF) for mental health and developmental disability supports and services to individuals with serious mental illnesses or developmental disabilities as described in Section 208 of the Mental Health Code. MDCH provided the State GF to OCCMH based on a formula included as an attachment to the contract. OCCMH received \$4 million of GF funding in FYE 2006.

OCCMH also received special and/or designated funds, Children's Waiver funds, MICHild capitated funds, and Adult Benefits Waiver (ABW) capitated funds. These special and/or designated funds were provided under special contractual arrangements between OCCMH 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-services 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 Eligible Per Month (PEPM) payment methodology.

In FYE 2006 under the Medicaid Managed Specialty Supports and Services Contract (MMSSSC), MDCH provided funding to Lakeshore with both the state and federal share of Medicaid funds as capitated payments based on a PEPM payment methodology. Lakeshore transferred Medicaid funds to OCCMH based on funding history under the terms of the IGA and Delegation Agreement. The IGA and Delegation Agreement require that OCCMH comply with the terms of the MMSSSC. OCCMH received \$22.9 million of Medicaid funding from Lakeshore in FYE 2006.

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

PURPOSE AND OBJECTIVES

The purpose of the review was to determine whether the agency properly reported select revenues and expenditures in accordance with generally accepted accounting principles and contractual requirements, and to determine MDCH's and the PIHP's share of costs in accordance with applicable MDCH requirements and agreements.

Objectives

1. Financial Reporting

To assess OCCMH's compliance with various reporting requirements contained in contracts; federal, state, and local statutes; Medicaid regulations; and accounting standards.

2. MDCH's and PIHP's Share of Costs and Balance Due

To determine MDCH's and the PIHP's share of costs in accordance with applicable requirements and agreements, and to identify any balance due to or from OCCMH as a result of any audit findings.

SCOPE AND METHODOLOGY

We examined a portion of OCCMH's records and activities for the period October 1, 2005 through September 30, 2006. Our examination of depreciation charges by Ottawa County for FYE 2006 identified a finding, which resulted in a scope expansion into FYE 2005. We summarized and analyzed various expenditures to determine if they were properly supported and reported on the Financial Status Reports (FSR) in compliance with the contractual reporting requirements, applicable accounting standards and Federal regulations.

We recomputed the contract settlements for FYE 2005 and FYE 2006 based on a comparison of allowable costs (reported costs less those identified as unallowable) to the authorizations and revenues paid. We performed our audit procedures from September 2007 through March 2008.

CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

FINANCIAL REPORTING

Objective 1: To assess OCCMH's compliance with various reporting requirements contained in contracts; federal, state, and local statutes; Medicaid regulations; and accounting standards.

Conclusion: OCCMH did not comply with various reporting requirements. The Internal Service Fund (ISF) is commingled with other Ottawa County Department funds (finding 1). We also found overstatements of building depreciation charges (finding 2).

Finding 1. Commingled Internal Service Fund (ISF)

OCCMH commingled their Internal Service Fund (ISF) with other Ottawa County Department funds in violation of the MMHSSC.

If creating an ISF to assure financial risk protection, OCCMH must adhere to Attachment C 7.7.4.1 of the MMHSSC. Attachment C 7.7.4.1 states in Section E of the General Provisions, “The CMHSP shall not commingle the ISF with funds of other departments, agencies, governmental funds or entities.”

OCCMH is utilizing the Ottawa County Common Cash Pool as the bank account for the ISF monies. The Ottawa County Common Cash Pool is utilized by the various Ottawa County Departments as a centralized bank account. The ISF monies are required to have a separate bank account from the one used for general Ottawa County operations to be in compliance with the MMHSSC.

Recommendation

We recommend that OCCMH establish a separate bank account for the ISF to comply with the Internal Service Fund Technical Requirement contained in Attachment C 7.7.4.1 of the MMHSSC.

Finding 2. Excessive Building Depreciation Charges

OCCMH reported depreciation expenses for several buildings that exceeded the underlying cost on their October 1, 2004 through September 30, 2006 FSRs, which is not in compliance with Office of Management and Budget (OMB) Circular A-87.

The Ottawa County building depreciation reported on the FSRs by OCCMH for FYE 2005 and FYE 2006 was the amount of depreciation expense recorded by Ottawa County. The depreciation expenses reported were not allowable because the amount exceeded Ottawa County’s underlying cost for the buildings. Ottawa County had fully depreciated the buildings or associated portions thereof, and was applying a “use allowance” in place of depreciation expense.

OMB Circular A-87, 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...*
- d. ...The combination of use allowances and depreciation applicable to the asset shall not exceed the total acquisition cost of the asset...*

Adjustments reducing reported expenditures by \$71,975 for FYE 2005 and \$89,371 for FYE 2006 are shown on Schedule B and Schedule D, respectively.

Recommendation

We recommend that OCCMH implement policies and procedures to ensure that depreciation expenses are reported in accordance with OMB Circular A-87 provisions.

MDCH's AND PIHP's SHARE OF COSTS AND BALANCE DUE

Objective 2: To determine MDCH's and PIHP's share of costs in accordance with applicable requirements and agreements, and to identify any balance due to or from OCCMH as a result of any audit findings.

Conclusion: During the OCCMH audit, we identified \$161,346 of excessive depreciation charges in the FSRs for FYE 2005 and FYE 2006. OCCMH owes MDCH \$5,002, OCCMH must recognize \$16,037 in additional GF Carryforward earned in FYE 2006, and Lakeshore must recognize \$138,031 in additional Medicaid Savings.

Ottawa County Community Mental Health
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	\$ -	\$ -	\$ -
C Earned Contracts – Non-MDCH Total	\$23,310,041	\$ -	\$23,310,041
1 CMH to CMH	\$174,695	\$ -	\$174,695
2 Other	\$328,266	\$ -	\$328,266
3 Medicaid Managed Care	\$22,807,080	\$ -	\$22,807,080
D MI Child - Mental Health	\$26,598	\$ -	\$26,598
D1 Adult Benefits Waiver	\$297,886	\$ -	\$297,886
E Local Funding Total	\$823,123	\$ -	\$823,123
1 Special Fund Account (226(a))	\$260,844	\$ -	\$260,844
2 Title XX Replacement	\$8,302	\$ -	\$8,302
3 All Other	\$553,977	\$ -	\$553,977
4 Affiliate Local Contribution to State Medicaid Match Provided from CMHSP	\$ -	\$ -	\$ -
F Reserve Balances - Planned for Use	\$179,463	\$ -	\$179,463
1 GF Carry forward – Section 226(2)(b)(c)	\$179,463	\$ -	\$179,463
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	\$ -	\$ -	\$ -

Ottawa County Community Mental Health
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	\$452,872	\$ -	\$452,872
1 PASARR	\$162,787	\$ -	\$162,787
2 Block Grants for CMH Services	\$6,038	\$ -	\$6,038
3 DD Council Grants	\$ -	\$ -	\$ -
4 PATH/Homeless	\$ -	\$ -	\$ -
5 Prevention	\$ -	\$ -	\$ -
6 Aging	\$ -	\$ -	\$ -
7 HUD Shelter Plus Care	\$ -	\$ -	\$ -
8 Other MDCH Earned Contracts	\$284,047	\$ -	\$284,047
9 Other MDCH Earned Contracts – Substance Abuse - ABW	\$ -	\$ -	\$ -
10 Other MDCH Grants	\$ -	\$ -	\$ -
H Gross Medicaid Total	\$669,911	\$ -	\$669,911
1 Medicaid Specialty Managed Care	\$ -	\$ -	\$ -
2 Medicaid - Children's Waiver Total	\$669,911	\$ -	\$669,911
3 Other Medicaid	\$ -	\$ -	\$ -
I Reimbursements Total	\$72,389	\$ -	\$72,389
1 1 st and 3 rd Party	\$ -	\$ -	\$ -
2 SSI	\$72,389	\$ -	\$72,389
J State General Funds Total	\$3,839,541	\$ -	\$3,839,541
1 CMH Operations	\$2,834,045	\$ -	\$2,834,045
2 Categorical Funding	\$103,446	\$ -	\$103,446
3 State Services Base	\$902,050	\$ -	\$902,050
4 MDCH Risk Authorization	\$ -	\$ -	\$ -
K Grand Total Revenues	\$29,671,824	\$ -	\$29,671,824
L Estimated MDCH Obligation (D+D1+H+J)	\$4,833,936	\$ -	\$4,833,936

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

EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
A Gross Total Expenditures	\$28,254,779	\$(71,975)	\$28,182,804
B Expenditures Not Otherwise Reported	\$ -	\$ -	\$ -
D Earned Contracts - Non-MDCH Total	\$22,026,740	\$(63,701)	\$22,963,039
1 CMH to CMH	\$163,852	\$ -	\$163,852
2a Other Earned Contracts	\$328,048	\$ -	\$328,048
2b Medicaid Managed Care – Affiliate	\$21,534,840	\$(63,071)	\$21,471,769
3 Medicaid Managed Care	\$ -	\$ -	\$ -
E MI Child –Mental Health	\$ -	\$ -	\$ -
F Local Total	\$603,835	\$ -	\$603,835
1 Local Cost for State Provided Services	\$105,239	\$ -	\$105,239
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	\$ -	\$ -	\$ -
5 Prior Year Carry-Forward	\$19,940	\$ -	\$19,940
G Expenditures From Reserve Balances	\$179,463	\$ -	\$179,463
1 Carry forward - Sec 226(2)(b)(c)	\$179,463	\$ -	\$179,463
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.	\$ -	\$ -	\$ -

Ottawa County Community Mental Health
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	\$444,895	\$ -	\$444,895
1 PASARR	\$164,364	\$ -	\$164,364
2 Block Grant for CMH Services	\$6,038	\$ -	\$6,038
3 DD Council Grants	\$ -	\$ -	\$ -
4 PATH/Homeless	\$ -	\$ -	\$ -
5 Prevention	\$ -	\$ -	\$ -
6 Aging	\$ -	\$ -	\$ -
7 HUD Shelter Plus Care	\$274,493	\$ -	\$274,493
8 Other MDCH Earned Contracts	\$ -	\$ -	\$ -
9 Other MDCH Earned Contracts – Substance Abuse ABW	\$ -	\$ -	\$ -
10 Other MDCH Grants	\$ -	\$ -	\$ -
I Matchable Services (A - (B through H))	\$4,999,846	\$(8,274)	\$4,991,572
J Payments to MDCH for State Services	\$755,097	\$ -	\$755,097
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)	\$ -	\$ -	\$ -

Ottawa County Community Mental Health
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	\$3,060,332	\$(8,274)	\$3,052,058
1 100% MDCH Matchable Services	\$281,528	\$(163)	\$281,365
2 All SSI and Other Reimbursements	\$72,389	\$ -	\$72,389
3 Net GF and Formula for 100% Services (L1 – L2)	\$209,139	\$(163)	\$208,976
4 90/10 Matchable Services	\$2,778,804	\$(8,111)	\$2,770,693
5 Reimbursements	\$ -	\$ -	\$ -
6 10% Local Match Funds	\$277,880	\$(811)	\$277,069
7 Net GF and Formula for 90/10 Services (L4 – L5-L6)	\$2,500,924	\$(7,300)	\$2,493,624
8 Total MDCH GF and Formula (L3 + L7)	\$2,710,063	\$(7,463)	\$2,702,600
La MI Child Mental Health	\$38,139	\$ -	\$38,139
1 MI Child Mental Health Capitation – Medicaid Only	\$26,583	\$ -	\$26,583
2 MI Child Mental Health – MDCH GF Operations	\$11,556	\$ -	\$11,556
Lb Adult Benefits Waiver	\$407,162	\$ -	\$407,162
1 ABW – Capitation - Medicaid and State Match	\$297,886	\$ -	\$297,886
2 ABW– MDCH GF Operations Base	\$109,276	\$ -	\$109,276
M Children's Waiver – Total	\$739,116	\$ -	\$739,116
1 Medicaid	\$669,911	\$ -	\$669,911
2 Other Reimbursements	\$ -	\$ -	\$ -
3 MDCH GF Operations Base	\$69,205	\$ -	\$69,205
N Unobligated Spending Authority Total	\$ -	\$ -	\$ -
1 MDCH Risk Authorization	\$ -	\$ -	\$ -
2 All Other	\$ -	\$ -	\$ -
O Total Local Funds (F + L6)	\$881,715	\$(811)	\$880,904
P Total MDCH Share of Expenditures (J + K9 + L8 + La + Lb + M1 + M3)	\$4,649,577	\$(7,463)	\$4,642,114

Ottawa County Community Mental Health
Schedule C – 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	\$ -	\$ -	\$ -
C Earned Contracts – Non-MDCH Total	\$23,591,883	\$ -	\$23,591,883
1 CMH to CMH	\$307,413	\$ -	\$307,413
2a Other – MH/DD	\$336,434	\$ -	\$336,434
3 Medicaid Managed Care	\$22,948,036	\$ -	\$22,948,036
D MI Child - Mental Health	\$27,666	\$ -	\$27,666
D1 Adult Benefits Waiver	\$287,132	\$ -	\$287,132
E Local Funding Total	\$943,805	\$ -	\$943,805
1 Special Fund Account (226(a))	\$358,489	\$ -	\$358,489
2 Title XX Replacement	\$8,302	\$ -	\$8,302
3 All Other	\$577,014	\$ -	\$577,014
4 Affiliate Local Contribution to State Medicaid Match Provided from CMHSP	\$ -	\$ -	\$ -
F Reserve Balances - Planned for Use	\$184,344	\$2,641	\$186,805
1 GF Carry forward – Section 226(2)(b)(c)	\$184,344	\$2,641	\$186,805
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	\$ -	\$ -	\$ -

Ottawa County Community Mental Health
Schedule C – Revenues
Financial Status Report
October 1, 2005 through September 30, 2006

REVENUES	Reported Amount	Audit Adjustments	Adjusted Amount
G MDCH Earned Contracts Total	\$462,958	\$ -	\$462,958
1 PASARR	\$151,714	\$ -	\$151,714
2 Block Grants for CMH Services	\$12,376	\$ -	\$12,376
3 DD Council Grants	\$ -	\$ -	\$ -
4 PATH/Homeless	\$ -	\$ -	\$ -
5 Prevention	\$ -	\$ -	\$ -
6 Aging	\$ -	\$ -	\$ -
7 HUD Shelter Plus Care	\$298,210	\$ -	\$298,210
8 Other MDCH Earned Contracts	\$658	\$ -	\$658
9 Other MDCH Earned Contracts – Substance Abuse - ABW	\$ -	\$ -	\$ -
10 Other MDCH Grants	\$-	\$ -	\$ -
H Gross Medicaid Total	\$1,032,951	\$ -	\$1,032,951
1 Medicaid Specialty Managed Care	\$ -	\$ -	\$ -
2 Medicaid - Children's Waiver Total	\$1,032,951	\$ -	\$1,032,951
3 Other Medicaid	\$ -	\$ -	\$ -
I Reimbursements Total	\$49,064	\$ -	\$49,064
1 1 st and 3 rd Party	\$ -	\$ -	\$ -
2 SSI	\$49,064	\$ -	\$49,064
J State General Funds Total	\$4,047,478	\$ -	\$4,047,478
1 CMH Operations	\$3,079,204	\$ -	\$3,079,204
2 Categorical Funding	\$101,577	\$ -	\$101,577
3 State Services Base	\$866,697	\$ -	\$866,697
4 MDCH Risk Authorization	\$ -	\$ -	\$ -
K Grand Total Revenues	\$30,627,281	\$2,641	\$30,629,922
L Estimated MDCH Obligation (D+D1+H+J)	\$5,395,277	\$ -	\$5,395,277

Ottawa County Community Mental Health
Schedule D – Expenditures
Financial Status Report
October 1, 2005 through September 30, 2006

EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
A Gross Total Expenditures	\$29,829,478	\$(89,371)	\$29,740,010
B Expenditures Not Otherwise Reported	\$ -	\$ -	\$ -
D Earned Contracts - Non-MDCH Total	\$22,971,261	\$(74,330)	\$22,896,931
1 CMH to CMH	\$307,413	\$ -	\$307,413
2 Other Earned Contracts	\$336,434	\$ -	\$336,434
3 Medicaid Managed Care – Affiliate	\$22,327,414	\$(74,330)	\$22,253,084
F Local Total	\$564,162	\$ -	\$564,162
1 Local Cost for State Provided Services	\$85,506	\$ -	\$85,506
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	\$ -	\$ -	\$ -
G Expenditures From Reserve Balances	\$184,344	\$2,641	\$186,805
1 Carry forward - Sec 226(2)(b)(c)	\$184,344	\$2,641	\$186,805
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.	\$ -	\$ -	\$ -

Ottawa County Community Mental Health
Schedule D – Expenditures
Financial Status Report
October 1, 2005 through September 30, 2006

EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
H MDCH Earned Contracts Total	\$462,958	\$ -	\$462,958
1 PASARR	\$151,714	\$ -	\$151,714
2 Block Grant for CMH Services	\$12,376	\$ -	\$12,376
3 DD Council Grants	\$ -	\$ -	\$ -
4 PATH/Homeless	\$ -	\$ -	\$ -
5 Prevention	\$ -	\$ -	\$ -
6 Aging	\$ -	\$ -	\$ -
7 HUD Shelter Plus Care	\$298,210	\$ -	\$298,210
8 Other MDCH Earned Contracts	\$658	\$ -	\$658
9 Other MDCH Earned Contracts – Substance Abuse ABW	\$ -	\$ -	\$ -
10 Other MDCH Grants	\$ -	\$ -	\$ -
I Matchable Services (A - (B through H))	\$5,646,753	\$(15,041)	\$5,631,712
J Payments to MDCH for State Services	\$453,776	\$ -	\$453,776
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)	\$ -	\$ -	\$ -

Ottawa County Community Mental Health
Schedule D – 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	\$3,624,698	\$(17,502)	\$3,607,196
1 100% MDCH Matchable Services	\$349,499	\$(2,849)	\$346,650
2 All SSI and Other Reimbursements	\$49,064	\$ -	\$49,064
3 Net GF and Formula for 100% Services (L1 – L2)	\$300,435	\$(2,849)	\$297,586
4 90/10 Matchable Services	\$3,275,199	\$(14,653)	\$3,260,546
5 Reimbursements	\$ -	\$ -	\$ -
6 10% Local Match Funds	\$327,520	\$(1,465)	\$326,055
7 Net GF and Formula for 90/10 Services (L4 – L5-L6)	\$2,947,679	\$(13,188)	\$2,934,491
8 Total MDCH GF and Formula (L3 + L7)	\$3,248,114	\$(16,037)	\$3,232,077
La MI Child Mental Health	\$27,842	\$ -	\$27,842
1 MI Child Mental Health Capitation – Medicaid Only	\$19,381	\$ -	\$19,381
2 MI Child Mental Health – MDCH GF Operations	\$8,461	\$ -	\$8,461
Lb Adult Benefits Waiver	\$413,170	\$ -	\$413,170
1 ABW – Capitation - Medicaid and State Match	\$287,132	\$ -	\$287,132
2 ABW – MDCH GF Operations Base	\$126,038	\$ -	\$126,038
M Children's Waiver – Total	\$1,127,267	\$ -	\$1,127,267
1 Medicaid – Federal Share	\$1,032,951	\$ -	\$1,032,951
2 Other Reimbursements	\$ -	\$ -	\$ -
3 MDCH GF Operations Base	\$94,316	\$ -	\$94,316
N Unobligated Spending Authority Total	\$ -	\$ -	\$ -
1 DCH Risk Authorization	\$ -	\$ -	\$ -
2 All Other	\$ -	\$ -	\$ -
O Total Local Funds (F + L6)	\$891,682	\$(1,465)	\$890,217
P Total MDCH Share of Expenditures (J + K5 + L8 + La + Lb + M1 + M3)	\$5,270,169	\$(16,037)	\$5,254,132

Ottawa County Community Mental Health
Schedule E
Contract Reconciliation and Cash Settlement Summary
October 1, 2004 through September 30, 2005

I. State/General Fund Formula Funding

	Authorization	MDCH Expense
A GF/Formula - State and Community Managed Programs		
1 State Managed Services	\$902,050	\$755,097
2 MDCH Risk Authorization - MDCH Approved for Use	\$ -	\$ -
3 Community Managed Services	\$2,937,491	\$2,892,637
4 Total State and Community Programs - GF/Formula Funding	\$3,839,541	\$3,647,734
B Categorical, Special and Designated Funds		
1 Respite Grant (Tobacco Tax)	\$13,909	\$13,909
2 Multicultural Services	\$89,537	\$89,537
3 Pharmacy Planning Grant	\$ -	\$ -
4 Total Categorical, Special and Designated Funds	\$103,446	\$103,446
C Subtotal-GF/Formula Community and State Managed Programs	\$3,736,095	\$3,544,288

	Formula Funds
II. Shared Risk Arrangement	
A Operating Budget – Exclude MOE and Categorical Funding	\$3,736,095
B MDCH Share - Exclude MOE and Categorical Funding	\$3,544,288
C Surplus (Deficit)	\$191,807
D Redirect Formula Funds to Medicaid Recipients	\$ -
E Shared Risk - Surplus (Deficit)	\$191,807
F Risk Band – 5% of Operating Budget (A*5%)	\$186,805

Ottawa County Community Mental Health
Schedule E
Contract Reconciliation and Cash Settlement Summary
October 1, 2004 through September 30, 2005

	MDCH Share	Savings or Carryforward	Redirected Savings	Total	Grand Total
III. Cash Settlement					
A MDCH Obligation					
1 GF/Formula Funding (Net of Categorical and MOE)	\$3,544,288	\$186,805	\$ -	\$3,731,093	
2 Categorical - MDCH Obligation	\$103,446	\$ -		<u>\$103,446</u>	
3 Total - MDCH Obligation					\$3,834,539
B Advances – Prepayments					
1 GF/Formula Funding - (Include MDCH Risk Authorization)				\$2,834,045	
2 Purchase of Services				\$902,050	
3 Categorical Funding				<u>\$103,446</u>	
4 Total Prepayments					\$3,839,541
C Balance Due CMH/(MDCH)					<u>\$(5,002)</u>
D Balance Due to MDCH for Unpaid State Service Costs					
State Facility Costs				\$716,573	
Actual Payments to MDCH				<u>\$716,573</u>	
Balance Due MDCH/(CMH)					<u>\$ -</u>
E Net Balance Due MDCH					\$5,002
Prior Settlement					\$ -
F Balance Due to MDCH (CMH)					<u><u>\$5,002</u></u>

Ottawa County Community Mental Health
Schedule F
Contract Reconciliation and Cash Settlement Summary
October 1, 2005 through September 30, 2006

I. State/General Fund Formula Funding		
	Authorization	MDCH Expense
A GF/Formula - State and Community Managed Programs		
1 State Managed Services	\$866,697	\$453,776
2 MDCH Risk Authorization - MDCH Approved for Use	\$ -	\$ -
3 Community Managed Services	\$3,180,781	\$3,460,892
4 Total State and Community Programs - GF/Formula Funding	\$4,047,478	\$3,914,668
B Categorical, Special and Designated Funds		
1 Respite Grant (Tobacco Tax)	\$12,040	\$12,040
2 Multicultural Services	\$89,537	\$89,537
3 Pharmacy Planning Grant	\$ -	\$ -
4 Total Categorical, Special and Designated Funds	\$101,577	\$101,577
C Subtotal-GF/Formula Community and State Managed Programs	\$3,945,901	\$3,813,091
		Formula Funds
II. Shared Risk Arrangement		
A Operating Budget – Exclude MOE and Categorical Funding		\$3,945,901
B MDCH Share - Exclude MOE and Categorical Funding		\$3,813,091
C Surplus (Deficit)		\$132,810
D Redirect Formula Funds to Medicaid Recipients		\$ -
E Shared Risk - Surplus (Deficit)		\$132,810
F Risk Band – 5% of Operating Budget (A*5%)		\$197,295

Ottawa County Community Mental Health
Schedule F
Contract Reconciliation and Cash Settlement Summary
October 1, 2005 through September 30, 2006

III. Cash Settlement	MDCH Share	Savings or Carryforward	Redirected Savings	Total	Grand Total
<hr/>					
A MDCH Obligation					
1 GF/Formula Funding (Net of Categorical and MOE)	\$3,813,091	\$132,810	\$ -	\$3,945,901	
2 Categorical - MDCH Obligation	\$101,577	\$ -		<u>\$101,577</u>	
3 Total - MDCH Obligation					\$4,047,478
B Advances – Prepayments					
1 GF/Formula Funding - (Include MDCH Risk Authorization)				\$3,180,781	
2 Purchase of Services				\$866,697	
3 Categorical Funding				<u>\$101,577</u>	
4 Total Prepayments					<u>\$4,047,478</u>
C Balance Due CMH/(MDCH)					\$ -
D Balance Due to MDCH for Unpaid State Service Costs					
State Facility Costs				\$427,814	
Actual Payments to MDCH				<u>\$427,814</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: 4

Finding: Commingled Internal Service Fund (ISF)

OCCMH commingled their Internal Service Fund (ISF) with other Ottawa County Department funds in violation of the MMHSSC.

Recommendation: Establish a separate bank account for the ISF to comply with the Internal Service Fund Technical Requirement contained in Attachment C 7.7.4.1 of the MMHSSC.

OCCMH

Comments: Ottawa County recorded ISF monies in a separate general ledger fund and account and did not commingle the tracking of funds with other departments.

Corrective Action: Ottawa County established separate investment accounts for their Medicaid ISF and General Fund ISF funds.

Anticipated

Completion Date: Completed June 2008

MDCH Response: None

Corrective Action Plan

Finding Number: 2

Page Reference: 5

Finding: **Excessive Building Depreciation Charges**

OCCMH reported depreciation expenses for several buildings that exceeded the underlying cost on their October 1, 2004 through September 30, 2006 FSRs, which is not in compliance with OMB Circular A-87.

Recommendation: Implement policies and procedures to ensure that depreciation expenses are reported in accordance with OMB Circular A-87 provisions.

**OCCMH
Comments:**

Ottawa County's building depreciation calculation was reviewed by the CPA firm that Ottawa County contracted to do Ottawa County's financial statements in FY 2004. The CPA firm at that time considered the expenditure calculation to be in compliance with A-87. Subsequently, this same CPA firm reversed their opinion in 2007 regarding the depreciation calculation. We agree with the above finding and will refund MDCH \$5,002, recognize \$16,037 in GF Carryforward for FY 2006 and recognize \$138,031 in additional Medicaid Savings for FY 2006. This will close out and complete any MDCH required depreciation adjustments through FY 2007.

Corrective Action: Ottawa County reviews their building depreciation calculation each year and costs considered unallowable under A-87 are funded by local dollars.

**Anticipated
Completion Date:** October 2007

MDCH Response: MDCH agrees that this will close out and complete any MDCH required depreciation adjustments through FYE 2007 since MDCH also reviewed FYE 2007 to confirm the overcharges did not extend into that year.