



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. Patrick Barrie, Interim Executive Director
Washtenaw Community Health Organization
P.O. Box 915
555 Towner
Ypsilanti, MI 48197-9015

CERTIFIED MAIL
7008 2810 0001 7301 2583

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

Dear Mr. Barrie:

Your affiliate, Lenawee Community Mental Health Authority, has submitted documentation to contest Finding #2 included in their May 2008 Audit Report. Since this finding impacts Finding #6 included in your April 2009 Audit Report, we are advising you of the results of our review. We have agreed to reduce the financial adjustment for Lenawee Community Mental Health Authority. This consequently changes Finding #6 in your April 2009 Audit Report by adding \$21,670 to Medicaid expenditures, which simply results in reduced Medicaid savings with no change in amounts due. The revised adjustment is detailed on the attached Schedules A, B, and C.

As a result of the revision, the Washtenaw Community Health Organization owes \$49,788 to MDCH and \$149,900 to Lenawee Community Mental Health Authority. Additionally, we determined that Monroe County Community Mental Health Authority and Livingston County Community Mental Health Authority owe Washtenaw Community Health Organization \$22,314 and \$9,388, respectively.

As stated in my April 27, 2009 letter enclosed with the final Audit Report, 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 the Final Audit Report and revised by this letter 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. 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

Mr. Patrick Barrie, Interim Executive Director
Washtenaw Community Health Organization
August 31, 2009
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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:

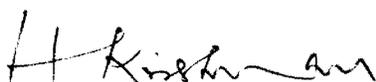
Administrative Tribunal & Appeals Division
Michigan Department of Community Health
1033 S. Washington
P.O. Box 30763
Lansing, Michigan 48909

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

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: Mark Kielhorn
John Duvendeck
Teresa Simon
Lisa Halverson
Pam Myers
Deb Hallenbeck

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	\$ 1,419,373	\$ -	\$ 1,419,373
B. Substance Abuse Total	\$ 5,239,071	\$ (391,680)	\$ 4,847,391
1 Medicaid Pass Through	1,065,928	(391,680)	674,248
2 Other	4,173,143	-	4,173,143
C. Earned Contracts (non DCH) Total	\$ 384,079	\$ -	\$ 384,079
1 CMH to CMH	54,079	-	54,079
2 Other	330,000	-	330,000
D. MI Child - Mental Health	\$ 23,271	\$ -	\$ 23,271
E. Local Funding Total	\$ 1,939,925	\$ -	\$ 1,939,925
1 Special Fund Account (226(a))	161,938	-	161,938
2 Title XX Replacement	19,065	-	19,065
3 All Other	1,758,922	-	1,758,922
F. Reserve Balances - Planned for use	\$ 379,418	\$ -	\$ 379,418
1 GF Carryforward –Section 226(2)(b)(c)	-	-	-
2 Medicaid Savings	379,418	-	379,418
3 Internal Service Fund – Abatement	-	-	-
4 Internal Service Fund - Risk Corridor	-	-	-
5 Other (205(4)(h))	-	-	-
6 Stop/loss Insurance	-	-	-

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

REVENUES	Reported Amount	Audit Adjustments	Adjusted Amount
G. DCH Earned Contracts Total	\$ 750,007	\$ -	\$ 750,007
1 PASARR	415,974	-	415,974
2 Block Grant for CMH Services	259,143	-	259,143
3 DD Council Grants	-	-	-
4 PATH/Homeless	74,890	-	74,890
5 Prevention	-	-	-
6 Aging	-	-	-
7 HUD Shelter Plus Care	-	-	-
8 Other DCH Earned Contracts	-	-	-
H. Gross Medicaid Total	\$ 69,611,310	\$ 3,208,074	\$ 72,819,384
1 Medicaid - Specialty Managed Care	68,862,411	3,208,074	72,070,485
2 Medicaid - Children's Waiver Total	748,899	-	748,899
I. Reimbursements Total	\$ -	\$ -	\$ -
1 1 st and 3rd Party	-	-	-
2 SSI	-	-	-
J. State General Funds Total	\$ 9,032,838	\$ 157,038	\$ 9,189,876
1 Formula Funding	6,751,276	150,602	6,901,878
2 Categorical Funding	12,037	6,436	18,473
3 State Services Base	2,269,525	-	2,269,525
4 DCH Risk Authorization	-	-	-
K. Grand Total Revenues	\$ 88,779,292	\$ 2,973,432	\$ 91,752,724
L. Estimated MDCH Obligation (H+J)	\$ 78,644,148	\$ 3,365,112	\$ 82,009,260

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

EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
A. Gross Total Expenditures	\$88,249,444	\$ (519,178)	\$87,730,266
B. Expenditures Not Otherwise Reported	\$ 633,130	\$ (43,031)	\$ 590,099
C. Substance Abuse Total	\$ 5,239,071	\$ (490,438)	\$ 4,748,633
1 Substance Abuse - Medicaid Managed Care	1,065,928	(450,976)	614,952
2 Other	4,173,143	(39,462)	4,133,681
D. Earned Contracts (Non MDCH) Total	\$ 384,079	\$ -	\$ 384,079
1 CMH to CMH	54,079	-	54,079
2 Other Earned Contracts	330,000	-	330,000
E. MI Child - Mental Health	\$ 23,271	\$ -	\$ 23,271
F. Local Total	\$ 1,802,801	\$ -	\$ 1,802,801
1 Local Cost for State Provided Services	225,020	-	225,020
2 Other Not Used as Local Match	-	-	-
3 Affiliate Local Contribution to State MCAID Match to PHIP	887,832	-	887,832
4 PIHP Contribution to State Medicaid Match Provided to DCH	689,949	-	689,949
5 Prior Year Carry-Forward	-	-	-
G. Expenditures From Reserve Balances	\$ 379,418	\$ -	\$ 379,418
1 GF Carryforward - Sec 226(2)(b)(c)	-	-	-
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	\$ 750,007	\$ (12,234)	\$ 737,773
1 PASARR	415,974	(12,234)	403,740
2 Block Grant for CMH Services	259,143	-	259,143
3 DD Council Grants	-	-	-
4 PATH/Homeless	74,890	-	74,890
5 Prevention	-	-	-
6 Aging	-	-	-
7 HUD Shelter Plus Care	-	-	-
8 Other MDCH Earned Contracts	-	-	-
I. Matchable Services (A-(B through H))	\$79,037,665	\$ 26,525	\$79,064,190
J. Payments to MDCH for State Services	\$ 1,880,969	\$ 6,280	\$ 1,887,249
K. Specialty Managed Care Service Total	\$68,862,411	\$ 92,446	\$68,954,857
1 100% MDCH Matchable Services	68,862,411	92,446	68,954,857
2 All SSI and Other Reimbursements	-	-	-
3 Net MDCH Share for 100 % Services (K1-K2)	68,862,411	92,446	68,954,857
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)	68,862,411	92,446	68,954,857
L. GF Categorical and Formula Services Total	\$ 7,545,387	\$ (72,201)	\$ 7,473,186
1 100% MDCH Matchable Services	3,315,384	(73,783)	3,241,601
2 All SSI and Other Reimbursements	-	-	-
3 Net GF and Formula for 100% Services (L1-L2)	3,315,384	(73,783)	3,241,601
4 90/10 Matchable Services	4,230,003	1,582	4,231,585
5 Reimbursements	-	-	-
6 10% Local Match Funds	423,000	158	423,158
7 Net GF and Formula for 90/10 Services (L4-L6)	3,807,002	1,424	3,808,426
8 Total MDCH GF and Formula (L3+L7)	7,122,386	(72,359)	7,050,027

Schedule A
Financial Status Report
October 1, 2002 through September 30, 2003

EXPENDITURES	Reported Amount	Audit Adjustments	Adjusted Amount
M. Children's Waiver – Total	\$ 748,899	\$ -	\$ 748,899
1 Medicaid - Federal Share	415,040	-	415,040
2 Other Reimbursements	-	-	-
3 Net State Share (M-M1-M2)	333,859	-	333,859
4 Total MDCH Share Children's Waiver (M1+M3)	748,899	-	748,899
N. Unobligated Spending Authority Total	\$ -	\$ -	\$ -
1 DCH Risk Authorization	-	-	-
2 All Other	-	-	-
O. Total Local Match Funds (F+K7+L6)	\$ 2,225,802	\$ 158	\$ 2,225,960
P. Total MDCH Share of Expenditures (J+K9+L8+M4)	\$78,614,665	\$ 26,367	\$78,641,032

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

Substance Abuse Total – Medicaid Managed Care	(\$391,680)
To adjust for amount of settlement due back to State (finding 7)	
Gross Medicaid Total – Specialty Managed Care	\$3,208,074
To adjust revenues to the amount reported by MDCH (finding 9)	
State General Funds Total	\$157,038
To adjust revenues to the amount reported by MDCH (finding 9)	
CMH Operations	\$150,602
To adjust revenues to the amount reported by MDCH (finding 9)	
Categorical Funding	\$6,436
To adjust revenues to the amount reported by MDCH (finding 9)	
Gross Total Expenditures	(\$519,178)
(\$61,017) to adjust CSTS's costs to audited amounts (finding 1a)	
 (\$141,050) to remove the cost of capital assets and allow depreciation (finding 3)	
 \$1,831 to allow property taxes and insurance (finding 4)	
 \$149,901 to adjust Lenawee CMHA's Medicaid costs to the audited amount (finding 6)	

Schedule B (continued)

(\$22,314) to adjust Monroe CCMHA's Medicaid costs to the audited amount (finding 6)

(\$9,388) to adjust Livingston CCMHA's Medicaid costs to the audited amount (finding 6)

(\$443,421) to adjust Substance Abuse to actual cost per settlement (finding 7)

\$6,280 to adjust cost of State Facility Services to amount reported by MDCH (finding 8)

Expenditures Not Otherwise Reported **(\$43,031)**

\$3,986 to adjust CSTS's costs to audited amounts (finding 1a)

(\$47,017) to remove the cost of capital assets and allow depreciation (finding 3)

Substance Abuse Total **(\$490,438)**

(\$47,017) to remove the cost of capital assets and allow depreciation (finding 3)

(\$443,421) to adjust Substance Abuse to actual cost per settlement (finding 7)

Schedule B (continued)

Substance Abuse – Medicaid Managed Care **(\$450, 976)**

(\$7,555) to remove the cost of capital assets and allow depreciation
(finding 3)

(\$443,421) to adjust Substance Abuse to actual cost per settlement
(finding 7)

Substance Abuse – Other **(\$39,462)**

(\$39,462) to remove the cost of capital assets and allow depreciation
(finding 3)

MDCH Earned Contracts Total **(\$12,234)**

(\$12,234) to adjust CSTS's costs to audited amounts (finding 1a)

Matchable Services **\$26,525**

(\$52,769) to adjust CSTS's costs to audited amounts (finding 1a)

(\$47,016) to remove the cost of capital assets and allow depreciation
(finding 3)

\$1,831 to allow property taxes and insurance (finding 4)

\$149,901 to adjust Lenawee CMHA's Medicaid costs to the audited amount
(finding 6)

(\$22,314) to adjust Monroe CCMHA's Medicaid costs to the audited
amount (finding 6)

Schedule B (continued)

(\$9,388) to adjust Livingston CCMHA's Medicaid costs to the audited amount (finding 6)

\$6,280 to adjust cost of State Facility Services to amount reported by MDCH (finding 8)

Payments to MDCH for State Services **\$6,280**

To adjust cost of State Facility Services to amount reported by MDCH (finding 8)

Specialty Managed Care Services Total – 100% Matchable Services **\$92,446**

\$15,182 to adjust CSTS's costs to audited amounts (finding 1a)

(\$42,308) to remove the cost of capital assets and allow depreciation (finding 3)

\$1,373 to allow property taxes and insurance (finding 4)

\$149,901 to adjust Lenawee CMHA's Medicaid costs to the audited amount (finding 6)

(\$22,314) to adjust Monroe CCMHA's Medicaid costs to the audited amount (finding 6)

(\$9,388) to adjust Livingston CCMHA's Medicaid costs to the audited amount (finding 6)

Schedule B (continued)

GF Categorical and Formula Services Total **(\$72,201)**

(\$67,951) to adjust CSTS's costs to audited amounts (finding 1a)

(\$4,708) to remove the cost of capital assets and allow depreciation
(finding 3)

\$458 to allow property taxes and insurance (finding 4)

100% Matchable Services **(\$73,783)**

(\$72,065) to adjust CSTS's costs to audited amounts (finding 1a)

(\$2,176) to remove the cost of capital assets and allow depreciation
(finding 3)

\$458 to allow property taxes and insurance (finding 4)

90/10 Matchable Services **\$1,582**

\$4,114 to adjust CSTS's costs to audited amounts (finding 1a)

(\$2,532) to remove the cost of capital assets and allow depreciation
(finding 3)

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

I. Specialized Managed Care (Includes both state and federal share)	MDCH Revenue	MDCH Expense
A. Total - Specialized Managed Care	\$ 72,070,485	\$ 68,954,857
B. Maintenance of Effort		
1 OBRA Active Treatment	\$ 162,254	\$ 162,251
2 OBRA Residential	816,615	808,206
3 Residential Direct Care Wage #2	527,336	527,336
4 Total Maintenance of Effort	\$ 1,506,205	\$ 1,497,793
C. Sub-total - Specialized Managed Care	\$ 70,564,280	\$ 67,457,064
II. State/General Fund Formula Funding		MDCH
A. GF/Formula - State and Community Managed Programs	Authorization	Expense
1 State Managed Services	\$ 2,269,525	\$ 1,887,249
2 MDCH Risk Authorization - MDCH Approved for Use	-	-
3 Community Managed Services	6,920,351	7,050,027
4 Total State and Community Programs - GF/Formula Funding	\$ 9,189,876	\$ 8,937,276
B. Categorical, Special And Designated Funds		
1 Respite Grant (Tobacco Tax)	\$ 18,473	\$ 12,037
3 Total Categorical, Special and Designated Funds	\$ 18,473	\$ 12,037
C. Subtotal - GF/Formula Community and State Managed Programs (A-B)	\$ 9,171,403	\$ 8,925,239

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

		Specialized Managed Care	Formula Funds
III.	Shared Risk Arrangement		
A.	Operating Budget - Exclude MOE and Categorical Funding	\$ 70,564,280	\$ 9,171,403
B.	MDCH Share - Exclude MOE and Categorical Funding	\$ 67,457,064	\$ 8,925,239
C.	Surplus (Deficit)	\$ 3,107,216	\$ 246,164
D.	Redirect Freed Up Medicaid Funds	\$ -	\$ -
E.	Shared Risk - Surplus (Deficit)	\$ 3,107,216	\$ 246,164
F.	Risk Band - 5% of Operating Budget (A x 5%)	\$ 3,528,214	\$ 458,570

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

E.	Net Balance Due (MDCH)/CMH			\$(6,159)
F.	Miscellaneous			
1	Recovery of Unauthorized Risk Authorization	\$	(29,482)	
2	DD Placement Accrual per DCH		<u>268,394</u>	
3	Sub-total			<u>\$ 238,912</u>
G.	Net Balance Due (MDCH)/CMHSP			\$232,753
	Prior Settlement			(232,753)
	Amount due at audit			<u>0</u>
	Balance Due (MDCH)/CMH			<u>\$ 0</u>
H.	Substance Abuse			
1	Total Medicaid Revenue/Authorization	\$	1,065,928	
2	Total Medicaid Expenditures (Including Earned Savings)		<u>666,693</u>	
3	Net Revenues over Expenditures	\$	399,235	
4	Less Prior Settlement		<u>391,680</u>	\$ (7,555)
5	Substance Abuse – Other – MDCH Share (Note)			<u>\$ (29,999)</u>
6	Amount Due (MDCH)/CMH			<u>\$ (37,554)</u>
I.	Other MDCH Contracts			
1	Total MDCH Revenue	\$	750,007	
2	Total MDCH Expenditures		<u>737,773</u>	
3	Amount Due (MDCH)/CMH			<u>\$ (12,234)</u>
J.	Total Due (MDCH)/CMH			<u><u>\$ (49,788)</u></u>

Note: Amount represents MDCH's pro-rated share of finding 3 for Substance Abuse -Other