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**Cost of Care for the District's Mentally Retarded
and Developmentally Disabled Exceeded \$300 Million
Over A Three-Year Period**

December 18, 2000

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EXECUTIVE SUMMARY

PURPOSE

Pursuant to Public Law 93-198, Section 455, the District of Columbia Auditor conducted an examination of the costs, financial practices, and financial oversight associated with group homes (GHMRP) and intermediate care facilities for the mentally retarded and the developmentally disabled (ICF/MR) that are utilized by the Department of Human Services' (DHS) Mental Retardation and Developmental Disabilities Administration (MRDDA).

CONCLUSION

The Auditor found that the District paid an average of \$69,864 per client for care provided by contractors to approximately 177 mentally retarded and developmentally disabled clients residing in GHMRPs during fiscal years 1998 through 2000. The \$69,864 represented only that portion of contractor provided services covered by local District funds appropriated to MRDDA.

The Auditor also found that the District paid an average of \$89,660 per client for contractor provided services to approximately 816 mentally retarded and developmentally disabled clients residing in ICF/MRs during fiscal years 1998 through 2000. The \$89,660 represented contractor provided services covered by both local District appropriated funds and federal Medicaid funds. Of the \$89,660, the District paid approximately \$27,383 and federal Medicaid funds covered approximately \$62,277 of the average per client cost.

The Auditor's per client contract cost of care estimates do not include other costs incurred by various District government units within and outside of DHS that managed and administered a variety of regulatory, financial, and administrative activities that augment services provided to MRDDA's clients. When some of these costs were included, the Auditor's contract cost of care estimates increased to \$132,890 per client for GHMRPs and \$107,065 per client for ICF/MRs respectively, for a combined total of \$239,955, or an average of \$119,977 per client per year for all of MRDDA's GHMRP and ICF/MR clients. Overall, the District spent approximately \$332,660,747 on this population during the three year audit period. Despite the fact that approximately 69% of the \$332,660,747 was reimbursable to the District from federal Medicaid funds, the average per client expenditures represented substantial costs for the care of approximately 993 clients.

The Auditor compared the District's average per client contract costs for GHMRPs and ICF/MRs to the same costs incurred by other states as well as the national average. The Auditor found that the District's costs were well above the majority of states included in the comparison and was also well above the national average for both GHMRPs and ICF/MRs. The District's \$69,864 average per client cost of contract care for GHMRP clients exceeded the national average of \$33,776 by \$36,088, or 107%. Overall, the District ranked 4th highest among 31 states providing cost data for GHMRPs, which were used to determine the national average.

Similarly, the District's \$89,660 average per client cost of contract care for ICF/MRs exceeded the national average of \$59,055 by approximately \$30,605, or 52%. Overall, the District ranked 8th highest among 38 states providing cost data for ICF/MRs, which were used to determine the national average.

During our fieldwork, MRDDA could not provide the Auditor with basic management information such as a listing of clients served by MRDDA during fiscal years 1998 through 2000. Basic, vital management information, such as a client listing, is essential to MRDDA's ability to efficiently and effectively perform its duties and responsibilities. Without it, questions must be raised concerning MRDDA's ability to account for the health and safety of mentally retarded and developmentally disabled persons placed in its care. The Auditor's examination and recent reports issued by other organizations have indicated that MRDDA's performance relative to the welfare of mentally retarded and developmentally disabled persons fell far short of basic management standards and performance expectations.

The Auditor found substantial deficiencies in MRDDA's monitoring and oversight of clients' personal funds, including personal care allowances. Without an adequate system of oversight and accountability, clients' funds were exposed to a high risk of theft, misuse, and mismanagement.

The Auditor further found that the DHS CFO's office failed to make timely payments to service providers, thus resulting in the assessment of \$11 million in fines and penalties for late payments made during fiscal years 1998 and 1999. Every dollar that the District must expend in fines and penalties for late payments to vendors represents a lost opportunity to fund vital programs supporting mentally retarded and developmentally disabled persons or the general operations of the District government.

The audit revealed that the DHS CFO's office maintained accounts with balances totaling \$99,595 for 117 deceased individuals. Of the 117 deceased individuals, the earliest date of death was March 10, 1980, and the most recent death, at the time of our field work, was February 8, 2000. Officials within the DHS CFO's office indicated that they were unable to close-out any MRDDA client accounts or disburse funds until receiving some form of authorization from MRDDA. On the other hand, MRDDA officials indicated that they were aware of several deceased clients who still had funds deposited with the District and had discussed this matter, at an unspecified time, with the Office of the Corporation Counsel. Nevertheless, at the end of the audit, no action had been taken by any agency of the District government to bring about the appropriate disposition of these funds. As a result of official inaction, the District continued to maintain funds totaling at least \$99,595, as of September 30, 2000, for 117 deceased MRDDA clients.

The Auditor's review also revealed that a cumulative balance of \$655,443.20 was being maintained by the DHS CFO's office in interest bearing investment accounts at Rushmore Savings and Trust, which consisted of approximately 198 individual accounts and seven miscellaneous trust/other accounts. The individual client account balances were as low as \$.96 and as high as \$61,030. There were no official policies or procedures governing the disbursement of funds from the Rushmore accounts. As a result, the Auditor had difficulty ascertaining whether withdrawals from these accounts were appropriate. Nevertheless, the Auditor identified approximately \$32,627.33 in questionable withdrawals from a test conducted on a sample of 179 withdrawals totaling \$156,220.56. The majority of questionable withdrawals: (a) did not match an attached invoice, (b) had no documentation to support the withdrawal being made, or (c) in at least one case, the funds withdrawn were never received by the client. The Auditor also found several instances in which it appeared that duplicate withdrawals were made using the same withdrawal request. An adequate, but highly effective, system of monitoring, oversight, and accountability over the custody, maintenance and use of client funds must be immediately established by the Director of DHS. Further, a complete and valid paper trail relative to the receipt and subsequent use of client funds must be established and maintained for at least five years by each provider and MRDDA.

The Auditor will conduct a follow-up review within the next 180 days to determine the status of findings and DHS' compliance with the recommendations contained in the Auditor's final report.

MAJOR FINDINGS

1. The annual contract cost of care for clients in group homes for the mentally retarded and developmentally disabled averaged approximately \$69,864 per client in local appropriated funds during fiscal years 1998 through 2000.
2. The annual contract cost of care for clients in Medicaid funded intermediate care facilities for the mentally retarded and developmentally disabled averaged approximately \$89,660 per client during fiscal years 1998 through 2000.
3. The District's costs of providing care to mentally retarded and developmentally disabled persons exceeded the national average by an average of \$36,088 per client per year for clients residing in GHMRPs, and \$30,605 per client per year for clients residing in ICF/MRs.
4. Approximately 23% of MRDDA's appropriated funds were spent on out of state, independent living unit, and foster care placements.
5. The total estimated program cost of providing services to the mentally retarded and developmentally disabled averaged approximately \$119,977 per client per year.
6. There is a wide disparity in the rates paid to group home providers and intermediate care facility providers.
7. MRDDA officials expressed concern regarding the current process for procuring services for its clients.
8. MRDDA was assessed fines totaling \$11 million due to late payments made to vendors providing services to MRDDA's Evans class members.
9. MRDDA's monitoring and oversight of clients' personal care allowance payments is inadequate.
10. MRDDA clients are owed approximately \$156,000 in interest on their account balances maintained in the District's treasury during fiscal years 1998 and 1999.

11. DHS' CFO maintains possession of funds totaling \$99,595 for 117 deceased MRDDA clients.
12. The DHS CFO continues to maintain \$655,433.20 in investment accounts for MRDDA clients at Rushmore Savings and Trust.
13. \$32,627 in irregularities were found among a sample of withdrawals from the Rushmore Savings and Trust accounts.

RECOMMENDATIONS

1. MRDDA immediately automate program cost and client data in order to electronically monitor, track, and evaluate all information, including the costs of care and maintenance, related to clients served by MRDDA.
2. The District's OCP, in conjunction with MRDDA officials, should immediately re-evaluate the current procurement process used to obtain residential services for MRDDA's clients.
3. The DHS CFO must develop written policies and procedures to govern the payment of provider invoices to ensure timely payment and to avoid the assessment of future fines and penalties.
4. The DHS CFO and MAA make payments to providers within the 30-day period required by the Court Order so as to avoid future fines and penalties.
5. MRDDA strengthen its monitoring and oversight of client bank accounts by requiring that: (1) providers forward copies of clients' monthly bank account statements to MRDDA for review; (2) MRDDA comply with its internal regulations that require it to monitor providers' compliance with the IFP on a quarterly unannounced basis; and (3) providers maintain documentation relative to the receipt and expenditure of client funds for a five year period.
6. The DHS CFO immediately develop written policies and procedures to govern its monitoring of MRDDA client funds. This will ensure the consistent application of department policies in all matters regarding MRDDA client funds.

7. MRDDA immediately develop written guidelines for providers to follow in handling client funds.
8. The District of Columbia CFO pay MRDDA clients \$156,000 in interest owed through fiscal year 1999 and calculate and pay the additional interest owed for fiscal year 2000.
9. DHS' CFO ensure that all client benefit payments are directly deposited into interest bearing accounts.
10. MRDDA and the DHS CFO immediately develop and implement written policies and procedures governing the proper and prompt disposition of deceased clients' funds.
11. MRDDA and the CFO refer matters involving deceased clients' funds to the Probate Division of the Superior Court for disposition.
12. The DHS CFO promptly consult with the District of Columbia's Chief Financial Officer to:
(a) state the purpose and reasons for the seven miscellaneous/other accounts at Rushmore;
(b) determine the legality and feasibility of "redistributing" the miscellaneous account balances to the current Rushmore account holders; and (c) distribute the funds to the appropriate persons and/or agencies.
13. The DHS CFO require valid, complete supporting documentation for all withdrawals and disbursements from the Rushmore accounts.
14. MRDDA adopt a policy requiring that future payments to its clients be made only to the client and their authorized legal guardian, counsel, or legal conservator.

PURPOSE

Pursuant to Public Law 93-198, Section 455, the District of Columbia Auditor conducted an examination of the costs, financial practices, and financial oversight associated with group homes (GHMRP) and intermediate care facilities for the mentally retarded and the developmentally disabled (ICF/MR) that are utilized by the Department of Human Services' (DHS) Mental Retardation and Developmental Disabilities Administration (MRDDA).

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of the examination were to determine:

1. the annual per client costs of care provided by contractors to the mentally retarded and developmentally disabled; and
2. the total dollar amount and source of funds used to meet the costs of care for each client residing in GHMRP and ICF/MR facilities.

The examination included a review of MRDDA's accounts and operations for fiscal years 1998 through 2000. In conducting the examination, the Auditor reviewed District of Columbia Law 2-137, entitled the "Mentally Retarded Citizens Constitutional Rights and Dignity Act of 1978," D.C. Code, Sections 6-1901 through 6-1985, the Joy Evans class action lawsuit, and other relevant laws, regulations, policies and procedures.

The Auditor also reviewed MRDDA's financial records and provider agreements, and a database of client benefit collections information maintained in the DHS Chief Financial Officer's accounting system. Additionally, the Auditor reviewed and analyzed the fiscal years (FY) 1998, 1999 and 2000 Operating Budget and Financial Plan relative to the operations and expenditures of MRDDA. The Auditor obtained and reviewed information from the DHS Office of the Chief Financial Officer (CFO) regarding its duties and responsibilities to assist MRDDA program officials, financial records for MRDDA client benefit funds, contract information from the District's Office of Contracting and Procurement (OCP), and client payability information from the Income Maintenance Administration. Information was also obtained and analyzed from the Department of Health's Medical Assistance Administration (MAA) regarding ICF/MRs.

The Auditor interviewed appropriate officials and employees of the Department of Human Services' MRDDA, Office of the Chief Financial Officer, and the Income Maintenance

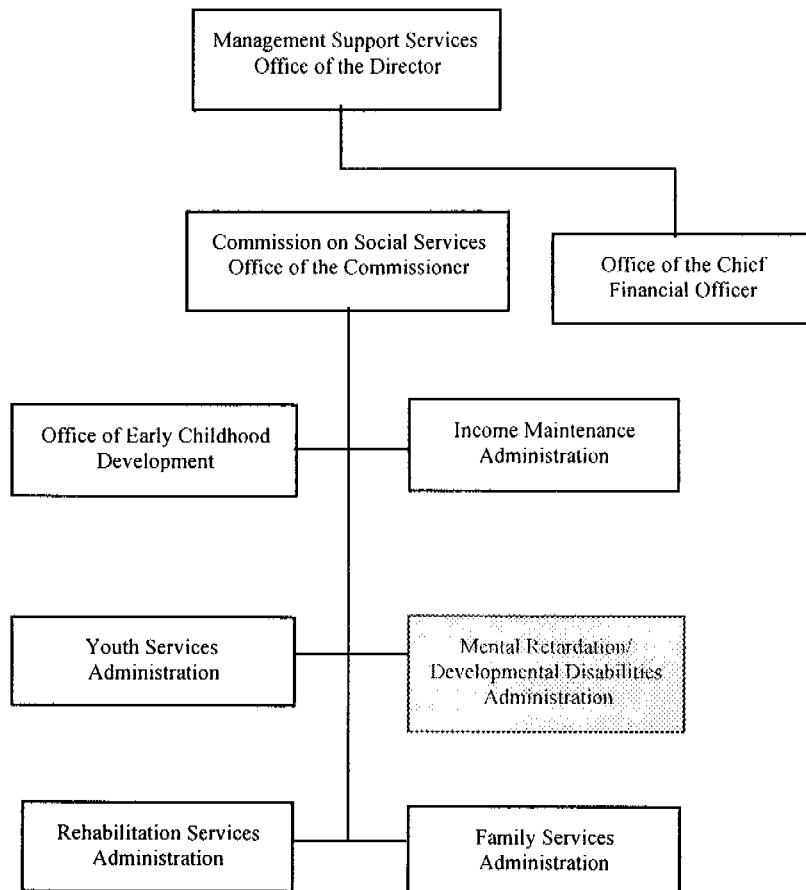
Administration. Further, the Auditor interviewed officials of the District's OCP located at DHS, and officials of the Department of Health's MAA.

Provided the information obtained from MRDDA program officials is accurate, the costs of care estimates presented in this report should also be accurate. However, the Auditor could not be assured that the information provided was 100% accurate or verifiable. For example, the Auditor was unable to obtain an accurate listing of MRDDA clients housed in community residential facilities during fiscal years 1998 and 1999. As a result, the Auditor had to rely on a fiscal year 2000 client count to calculate the estimated cost data for fiscal years 1998 and 1999. The Auditor also could not be assured that all records and cost factors were made available. The results contained in this report may change if additional information and documentation is uncovered.

BACKGROUND

MRDDA is under the management of the District's Department of Human Services, Commission on Social Services. MRDDA is the primary District government entity authorized to provide mental retardation and developmental disability services to mentally retarded and developmentally disabled residents of the District of Columbia. MRDDA is one of seven offices comprising the Commission on Social Services. The organizational structure under which MRDDA operates is shown in the organizational chart for the Department of Human Services, Commission on Social Services.

Department of Human Services
Organizational Chart



Source: FY 2000 Proposed Operating Budget and Financial Plan dated June 1, 1999

According to information provided to the Auditor, MRDDA's mission is to:

Plan, coordinate, develop, and administer a network of services and supports to persons with mental retardation or other developmental disabilities.

MRDDA must ensure that Individual Habilitation Plans (IHPs)¹ are developed for each client and that services provided are consistent with these treatment plans. MRDDA must operate in accordance with the Pratt/Evans Consent Decree, a court order first issued in 1978 in the Joy Evans class action lawsuit.² The court order establishes specific requirements pertaining to IHPs and other case management issues, requires a system of monitoring MRDDA community-based residential programs, and specifies the time-frame within which payments must be made to vendors providing services to the target population. During the audit period, MRDDA was, and continues to be, responsible for providing the following services:

- placement services;
- housing services;
- training;
- habilitative services;
- case management services - individual habilitation plans and individual financial plans;
- mental health services, including day treatment; and
- program monitoring and oversight.

Forest Haven

Forest Haven, the District's only institution for mentally retarded and developmentally disabled persons, was closed in 1991 as a result of the Joy Evans class action lawsuit. The lawsuit was filed on behalf of the residents of Forest Haven. A consent decree issued by the Court required the District to provide services in the least restrictive setting and to change its placement of residents from institutional to community-based living arrangements. As a result of efforts to deinstitutionalize the placement of mentally retarded and developmentally disabled individuals, the

¹ Pursuant to Sections 403 and 504 of D.C. Law 2-137, D.C. Code, Sections 6-1943 and 6-1964, persons seeking commitment or admission must receive, prior to commitment or within 30 days of admission and annually thereafter, a comprehensive evaluation and individual habilitation plan. The plan should contain: (1) a statement of the nature of the specific strengths, limitations and needs of the person who is the subject of the plan; (2) a description of intermediate and long-range habilitation goals with a projected timetable for their attainment; (3) a statement of, and an explanation for, the plan of habilitation designed to achieve these intermediate and long-range goals; (4) a statement of objective criteria, and an evaluation procedure and schedule for determining whether the goals are being achieved; (5) a statement of the least restrictive setting for habilitation necessary to achieve the habilitation goals; and (6) criteria for release to less restrictive settings for habilitation and living, including criteria for discharge and a projected date for discharge if commitment is recommended by the plan.

² Joy Evans was the name of the plaintiff who initially filed suit against the District and others on behalf of mentally retarded residents institutionalized at Forest Haven. Judge Pratt is the judge who heard the case and rendered the opinion. The residents who benefit from this case are commonly referred to as Pratt/Evans class members.

District began to place mentally retarded and developmentally disabled individuals in contractor operated community-based residential facilities.

MRDDA's Client Population and Types of Placement

MRDDA's client population (mentally retarded and developmentally disabled persons) consists of: (1) District residents with a history of mental retardation and developmental disabilities who are voluntarily admitted; (2) District residents involuntarily committed by the Court or family members; and (3) former Forest Haven residents. Until the mid-1980's, most of the District's mental health consumers were served by Forest Haven. As previously noted, the population formerly served by Forest Haven is now referred to as Pratt/Evans class members.

During the audit period, MRDDA's client population fluctuated significantly. This fluctuation was based in part on client entries into and exits from the program. The Auditor requested from MRDDA a listing of its client base for fiscal years 1998, 1999, and 2000. Eventually, the Auditor was provided a listing of clients only for fiscal year 2000. MRDDA could not provide a list of clients it served during fiscal years 1998 and 1999. However, MRDDA should have been able to promptly provide the Auditor with a list of clients during the three fiscal years covered by the examination in that such data is basic, vital program management information necessary to the effective performance of MRDDA's official duties and responsibilities. MRDDA officials indicated that any client lists produced for fiscal years 1998 and 1999 would be unofficial and could not be substantiated.

According to MRDDA, the fiscal year 2000 client population totaled approximately 1,574. Table I presents a breakdown of MRDDA's client population by type of facility and the funding source.

TABLE I
Breakdown of MRDDA's Client Population
Fiscal Year 2000

Facility Type	Funding	Client Population
Group Homes	District	177
Intermediate Care Facilities	Medicaid/District	816 ³
Foster Care	District	79
Natural homes ⁴	None	312
Supervised Apartment/Alternative Living Units (ALU)	District	85
Independent Living Arrangements	District	12
Out of State Placement	District	46
Nursing Homes/Respite Care	Medicaid/District	36
School Placements	District	2
Hospitals	Medicaid/District	8
Homeless	District	1
Total		1,574
	District	402
	Federal	860
	Non-Government	312

Source: MRDDA's Office of the Administrator

The Auditor found that most of the information maintained by MRDDA is prepared manually, including the IHP, individual financial plan (IFP), and other reports. The Auditor also found that some client information had been computerized for the limited case management purpose of helping to keep track of the number of clients.

With the closing of Forest Haven, the District's mentally retarded and developmentally disabled individuals are now placed in the following types of care facilities:

³ The Auditor was issued two different numbers regarding clients in ICF/MRs. A total of 768 clients was provided by MRDDA and a total of 816 was provided by the MAA. The Auditor chose to use MAA's number of clients because MAA was able to produce a more reliable number.

⁴ For residents that reside in natural homes, the District will cover transportation, case management, and day treatment services if requested.

- Group Homes for Mentally Retarded Persons (GHMRP) - are licensed facilities that range in size from 4 to 8 beds, are funded with District appropriated dollars, and are vendor-operated through contracts awarded by or purchase orders issued by DHS' MRDDA. Each customer must have an IHP containing behaviorally stated goals and objectives that are based on an appropriate assessment of the individual's needs and strengths;
- Intermediate Care Facilities for the Mentally Retarded (ICF/MR) - an ICF/MR, a subset of group homes for the mentally retarded (GHMRP), is a licensed residential facility, which is certified and funded through Title XIX (Medicaid). Each ICF/MR provides active treatment for 4 to 8 clients. Active treatment is an aggressive and organized effort to enable each client to reach his or her fullest capacity. Twenty-four hour coverage is provided by live-in or shift staff. Each client must have an IHP containing behaviorally stated goals and objectives that are based on an appropriate assessment of the individual's needs and strengths;
- Adult Foster Care Provider Homes - are private home living arrangements for three or less individuals, under a Specialized Home Care Agreement between MRDDA and the Specialized Home Care Provider. Each client must have an IHP containing behaviorally stated goals and objectives. The homes must be approved by MRDDA but are not required to be licensed. Foster Care Provider Homes are funded with District appropriated dollars;
- Supervised Apartment/Alternative Living Unit (ALU) - a supervised apartment is typically a shared living arrangement for 2 to 5 mentally retarded clients with drop-in supervision. Supervised apartments may be single units grouped in a cluster within an apartment complex, or scattered throughout a complex. Each client residing in a Supervised Apartment/ALU has an IHP containing behaviorally stated goals and objectives. Supervised apartments are obtained by contract and are not required to be licensed. Supervised apartments/ALUs are funded with District appropriated dollars.
- Parents, Other Family Members, or Guardian Homes - these homes are not required to be licensed and are not funded with District appropriated dollars. MRDDA clients living under such arrangements do receive case management services and attend day treatment programs, if needed. Only case management and day treatment program services are funded with District appropriated dollars;

- Nursing Homes - are licensed residential facilities certified and funded through Title XIX (Medicaid). Twenty-four hour coverage is provided by live-in or shift staff. Each client must have an IHP containing behaviorally stated goals and objectives that are based on an appropriate assessment of the individual's needs and strengths;
- Respite Care - provides planned, limited time relief for natural families and regular foster families enabling them to have some time for themselves (e.g., vacations, weekend trips, or brief periods of hospitalization or other emergencies). Respite care is also used for emergency placements. Respite care is funded with District appropriated dollars;
- Day Treatment Programs - are non-residential day programs that offer specialized therapeutic day program activities. The programs are designed with the stated intent of addressing the specific developmental needs of mentally retarded and developmentally disabled residents of the District of Columbia. Day treatment programs are funded with District appropriated dollars; and
- Medicaid Day Treatment Programs - are non-residential treatment programs that provide medically supervised day treatment services for the elderly, children and adults with mental retardation or a developmental disability, and adults with mental disorders. Medicaid day treatment programs are funded through Title XIX (Medicaid).

To comply with the Pratt/Evans Consent Decree and to meet the needs of a population requiring highly specialized services that are not being met by the limited provider base within the District of Columbia, MRDDA placed approximately 46, or 26%, of its clients in facilities located in Maryland, Illinois, Texas, Pennsylvania, Massachusetts, West Virginia, and several other states. Facilities providing services outside of the District of Columbia are not governed or regulated by the District of Columbia government. Instead, these facilities are regulated by the state in which they are located.

MRDDA's Eligibility Determination Process

According to MRDDA, service eligibility must be met at two levels. First, a determination must be made that the person to receive services is a resident of the District of Columbia or is a Pratt/Evans class member. The determination of residency is established by presenting a lease with a District address, bills in the name and address of the requestor of services or his/her caretaker, or other documentation affirming District residency. Second, documentation establishing mental retardation or a developmental disability is required for all residents seeking services, except Pratt/Evans class members. This documentation must include written proof of a diagnosis of mental retardation before the age of 18 (psychological assessment or school records). Current psychological assessments supporting the diagnosis are also required. All Pratt/Evans class members are eligible for any and all services offered by MRDDA and are not required to go through the eligibility determination process or submit written proof of residency or a diagnosis of mental retardation or developmental disability.

All individuals applying for services provided by the District's MRDDA program, regardless of their referral status (voluntary, involuntary, or through the Courts), are first referred to MRDDA's intake unit. If an application is on file, the individual will receive an intake interview. If there is no application on file, the individual is issued an application and requested to provide the required supporting documentation. When this process is completed, an intake interview is held. Upon completion of the interview, an eligibility determination meeting is conducted.

An individual who is determined to be ineligible is referred for assistance elsewhere. If determined eligible, the individual is referred to the clinical services division of MRDDA for an assessment.

During the assessment meeting, an IHP is developed and a determination is made as to the type of placement the individual requires. Individuals needing a higher degree of medical attention, such as 24-hour skilled care, are placed in an ICF/MR, and those requiring less care are placed in a GHMRP. All individuals who are deemed eligible are assigned a case manager. An IHP is not required for individuals who only need case management or transportation services.

MRDDA's Budget

MRDDA, as a control center within DHS, was appropriated \$25.3 million in fiscal year 1998, \$25.9 million in fiscal year 1999, and \$25.4 million in fiscal year 2000 to provide services to

mentally retarded and developmentally disabled District residents and Pratt/Evans class members. All financial matters related to MRDDA's budget are handled by the agency CFO assigned to DHS by the District's Chief Financial Officer. The DHS CFO's payments and collections division is responsible for collecting MRDDA client benefit payments⁵ (in cases where DHS has been authorized as representative payee) and disbursing those funds to the proper accounts. Table II presents MRDDA's budget for fiscal years 1998 through 2000.

TABLE II
MRDDA's Fiscal Year 1998 - 2000 Budget

Mental Retardation and Developmental Disabilities Administration (Dollars in Thousands)			
Program	FY 1998	FY 1999	FY 2000
Office of the Administrator	873	1,575	1,996
Developmental Services	18,010	20,831	19,933
Case Management and Community Services	6,463	3,445	3,445
Total Mental Retardation and Developmental Disabilities Administration Budget Allocation	25,346	25,851	25,374
Revenue Type			
Local	24,308	24,333	24,421
Federal	750	753	753
Other	288	765	200

Source: FY 2001 Proposed Operating Budget and Financial Plan dated March 13, 2000, and DHS CFO's Office (FY1998 estimate)

According to MRDDA officials, MRDDA's budget is not a performance-based budget. As a result, the budget bears little relationship to MRDDA's actual program needs. The U.S. District Court for the District of Columbia has ruled that all Pratt/Evans class members are to receive treatment regardless of cost.⁶ The cost of such Court ordered care must be covered by either local District funds, federal Medicaid funds, or a combination of both. Court orders regarding care for the mentally retarded and developmentally disabled do not include an assessment of the fiscal impact upon MRDDA's budget.

⁵ Client benefit payments include income from the Social Security Administration including SS and Supplemental Security Income, Railroad pensions, Civil Service and Veteran's Administration.

⁶ The Evans decree issued in 1978 was amended in 1984 and states that there is no restriction on cost or level of care that a Pratt/Evans class member is to receive.

FINDINGS

THE ANNUAL CONTRACT COST OF CARE FOR CLIENTS IN GROUP HOMES FOR THE MENTALLY RETARDED AND DEVELOPMENTALLY DISABLED AVERAGED APPROXIMATELY \$69,864 PER CLIENT IN LOCAL APPROPRIATED FUNDS DURING FISCAL YEARS 1998 THROUGH 2000

During fiscal years 1998 through 2000, MRDDA provided residential services to approximately 177 clients in group homes for the mentally retarded (GHMRPs). The 177 clients resided in 32 group homes operated by 12 providers. The contract cost of care for the 177 clients in GHMRPs averaged approximately \$69,864 per client in local District funds. The \$69,864 cost of contract care did not include costs incurred by various other District agencies in managing and administering a variety of regulatory, financial, and administrative activities that augmented services provided to MRDDA's clients. The costs not included were part of the District's overall costs of providing services to the mentally retarded and developmentally disabled.

The estimated cost of contractor provided services consisted of: (1) residential services; (2) day treatment services; (3) case management; (4) limited medical services; (5) psychiatric evaluations; (6) speech and language services; and (7) staff expenses⁷.

The needs of each MRDDA client varied based on the severity of the client's mental retardation and/or developmental disability. Some clients required all of the services listed above, in addition to individualized special care, while others required only a few of the services. For example, some MRDDA clients required highly specialized 24-hour, one-on-one supervised care due to the complexity of their mental and physical needs. The level of care associated with these services required a higher level of funding. Other MRDDA clients required only minimal services with a much lower cost.

As stated earlier, the Auditor had to rely upon program cost and client data that could not be verified because MRDDA's records for fiscal year 1998 and the early part of fiscal year 1999 were incomplete and disorganized. During that time, MRDDA's files consisted mostly of handwritten

⁷ The Auditor's methodology in determining the per client per-year contract cost of care estimate included an analysis of purchase orders and contract data by fiscal year to determine MRDDA's residential costs, case management, day treatment, medical, psychiatric evaluations, speech and language, and equipment program costs. We then determined the number of clients in group homes that were provided services during the audit period. The contract cost of care was then calculated based on a population of 177, MRDDA's estimated fiscal year 2000 client count. The methodology adopted by the Auditor was necessary due, in large part, to the lack of available documentation for fiscal years 1998 and, to some extent, 1999.

documents maintained by only a few individuals. Further, MRDDA had not developed an electronic database of comprehensive information, therefore, the Auditor could not be assured that the available records were accurate or complete. As a result, the Auditor used the fiscal year 2000 client total to calculate the contract cost of care estimates for fiscal years 1998 and 1999. It is imperative to MRDDA's program future that all client data, contract and purchase order information, financial data, and other essential information be automated and updated regularly. Automation should enable MRDDA program managers to more accurately and efficiently govern the program's operations.

Table III presents MRDDA's individual contract cost components for GHMRPs for fiscal years 1998 through 2000.

Table III
MRDDA's Appropriated Actual and Projected Contract Cost Components for
Group Homes: FY 1998 through 2000

Contract Category	FY 1998 Actual Contract Costs	FY 1999 Actual Contract Costs	FY 2000 Projected Contract Costs	Average Contract Costs Per Client for FY's 1998 - 2000
Residential	\$12,032,000 ⁸	\$10,769,524	\$11,860,886	\$65,277
Case Management	N/A	585,261	585,261	2,204
Day Treatment Programs	N/A	592,138	552,487	2,156
Medical, Therapy, Dental	N/A	N/A	2,421	4.55
Psychiatric & Other Evaluations	N/A	15,230	15,265	57
Speech/Language	N/A	15,139	49,471	122
Equipment	N/A	22,740		43
Total	\$12,032,000	\$12,000,062	\$13,065,791	\$12,365,951
Average per 177 clients	\$67,977	\$67,797	\$73,818	\$69,864
Contract Costs	\$18,800,000	\$19,000,000	\$19,554,070	\$19,118,023

Source: MRDDA Contracts and Purchase Order Division

* Fiscal Year 1998 information unavailable

The methodology used to determine the average annual contract costs calculated in Table III on a per client basis included the following: (1) totaling the costs in each category; (2) dividing this

⁸ MRDDA's residential costs for fiscal year 1998 were calculated based on the Auditor's determination that approximately 65% of MRDDA's contract costs were related to residential services based on fiscal years 1999 and 2000 data.

total by three (representing the time period of the examination); and (3) dividing this estimate by 177, which is the total population housed in GHMRPs. The average cost was then determined for each category.

The CFO's office provided MRDDA's actual program expenditures for the fiscal years under review. MRDDA provided contract and purchase order information for the clients served by the program during the same period. However, no one within DHS used this information, or any other data, to determine or evaluate the District's overall costs of providing services to the mentally retarded and developmentally disabled.

RECOMMENDATION

MRDDA immediately automate program costs and client data in order to electronically monitor, track, and evaluate all information, including the costs of care and maintenance, related to clients served by MRDDA.

THE ANNUAL CONTRACT COST OF CARE FOR CLIENTS IN MEDICAID FUNDED INTERMEDIATE CARE FACILITIES FOR THE MENTALLY RETARDED AND DEVELOPMENTALLY DISABLED AVERAGED APPROXIMATELY \$89,660 PER CLIENT DURING FISCAL YEARS 1998 THROUGH 2000

Residential services provided by ICF/MRs for approximately 816, or 52%, of the 1,574 clients served by MRDDA are covered by federal Medicaid funds. During the audit period, the cost of providing services to MRDDA clients in Medicaid funded ICF/MRs averaged approximately \$89,660 per client per year. The District funded \$27,383 of the \$89,660 per client cost and the Medicaid program funded \$62,277 of the cost. This estimate was based on an average of 816 clients residing in 132 ICF/MRs. The \$89,660 did not include costs incurred by various other District agencies in managing and administering a variety of regulatory, financial, and administrative activities that augmented services provided to MRDDA's clients. The costs not included were part of the District's overall costs of providing services to the mentally retarded and developmentally disabled.

According to information submitted by MAA officials, the total costs covered by Medicaid were: \$71.3 million in fiscal year 1998; \$73 million in fiscal year 1999; and \$75.3 million in fiscal year 2000, for an average of approximately \$73.2 million during the audit period. In accordance with the cost sharing formula between the federal Medicaid Program and the District government, the

District is currently reimbursed on a 70/30 basis. In other words, for every dollar the District spends on services provided by ICF/MRs, the Federal government reimburses \$.70 and the District covers the remaining \$.30. Based on this formula, the District's match of Medicaid costs during the audit period averaged approximately \$22 million. Under the Medicaid entitlement program, the District pays all ICF/MR costs up front using local funds and then seeks reimbursement from the Federal government. Table IV presents ICF/MR expenditures for fiscal years 1998 through 2000.

TABLE IV
ICF/MR Expenditures
Fiscal Years 1998 through 2000

Expenditure Component	FY 98	FY 99	FY00 thru 9/30/00	Average	Per client	Percent
District - local	\$22,565,943	\$21,859,000	\$22,608,556	\$22,344,500	\$27,383	31%
Medicaid - federal	\$48,747,880	\$50,954,000	\$52,753,296	\$50,818,392	\$62,277	69%
Total	\$71,313,823	\$72,813,000	\$75,361,852	\$73,162,892	\$89,660	100%

Source: Medical Assistance Administration

As previously noted, the District is currently reimbursed for expenditures on behalf of its Medicaid clients on a 70/30 basis. Prior to and during fiscal year 1998, the reimbursement formula was 50/50. Due to the carryover of some residual charges from fiscal year 1998, the final percentage of the Medicaid reimbursement rate averaged 69% to the District's 31% for the three-year audit period.

District's Costs of Providing Care to Mentally Retarded and Developmentally Disabled Persons Exceeded the National Average by an Average of \$36,088 Per Client Per Year for Clients Residing in GHMRPs and \$30,605 Per Client Per Year for Clients Residing in ICF/MRs

The Auditor obtained and analyzed information contained in a report entitled "The State of the States In Developmental Disabilities: 2000 Study Summary," dated July 2000.⁹ The report documented the financing and program trends in the United States of mental retardation and developmental disability services, and examined the average cost of care per service recipient in

⁹The 2000 Study Summary Report was published by the Department of Disability and Human Development College of Health and Human Development Sciences, University of Illinois at Chicago, commemorating the 50th Anniversary of the ARC of the United States. According to the report, the first study was initiated in 1982 to monitor the growth and development of services and funding in the United States for individuals with developmental disabilities. There have been five subsequent editions with the June 2000 report extending the analysis of financial and programmatic trends in the states through fiscal year 1998.

different residential programs. According to information presented in the report, the national average for clients in GHMRPs of comparable size to the District totaled \$33,776. Although the District did not submit GHMRP costs for this study, the Auditor's calculation of the District's average contract cost of care estimate for GHMRPs for the three year period beginning with 1998 through 2000 totaled \$69,864. Based on this data, the District's average contract cost of care estimate for clients in GHMRPs exceeded the national average by \$36,088, or 107%. According to the report, states reporting annual cost of care estimates for residents in GHMRPs ranged from \$14,585 to \$180,216. Thirty-one states provided cost data in this category. Based on the cost data provided, the District ranked 4th highest overall.

The report further indicated a national average of \$59,055 for clients residing in ICF/MRs. In the ICF/MR category, the report indicated that annual costs ranged from \$33,797 to \$152,025 per client in states funding residential placement in private ICF/MRs. The report indicated that the District's average annual costs of care for clients in ICF/MRs was \$87,055 for fiscal year 1998. The Auditor determined that the \$89,660 estimate was the District's average contract cost of care for ICF/MRs for fiscal years 1998 through 2000. This represented an increase of \$2,605 per client, or 3%, above the District's reported 1998 estimate. Based on a comparison of the \$89,660 average cost of contract care estimate to the national average of \$59,055, the District's estimate exceeded the national average by \$30,605, or 52%.

The District of Columbia was compared to 38 other states in ranking the cost of care for clients placed in ICF/MRs. The District ranked 8th highest overall in the ICF/MR category. While the District's average costs are higher than the national average, a comparative analysis indicated there were several states with annual costs of care exceeding the District's. When compared to neighboring jurisdictions, the District's estimate of \$89,660 was substantially below that of Virginia which reported private ICF/MR costs of \$152,025 per client per year. Maryland did not report costs in this category.

In addition to the above, the Auditor reviewed more current data on ICF/MR expenditures presented in another study prepared by the University of Minnesota, entitled "Residential Services for Persons with Developmental Disabilities: Status and Trends Through 1999."¹⁰ Data in the report included a comparison of average ICF/MR expenditures per daily resident for approximately 50 states including the District of Columbia. Average ICF/MR expenditures per daily resident varied significantly and ranged from a low of \$37,433 to a high of \$255,190 with an overall average of

¹⁰The Residential Services for Persons with Developmental Disabilities: Status and Trends Through 1999 was published by the University of Minnesota, Institute on Community Integration Research Training Center on Community Living, May 2000.

\$78,448. A comparison of the District's \$89,660 average contract cost of care estimate for ICF/MRs to the more updated national average of \$78,448 indicated that the District's average during the audit period exceeded the national average by a smaller margin of \$10,618, or approximately 13.5%.

The study further stated that: "The national average expenditures for ICF/MR services per recipient in Fiscal Year 1999 (total ICF/MR expenditures in the year divided by the number of average daily recipients in 1999) was \$78,488 per year. Among the states with the highest per recipient expenditures in 1999 were Connecticut (\$152,323), Massachusetts (\$161,777), New York (\$199,576), and Oregon (\$255,190). Among the states with the lowest per recipient expenditures were California (\$37,433), Indiana (\$46,453), Oklahoma (\$43,397) and Texas (\$45,574)." The Auditor notes that while the District's \$89,660 per client contract cost of care estimate was not the highest in this study, it still exceeded the expenditures per average daily resident of 31 states. As noted in the study, the ICF/MR analysis was based only on the average number of daily recipients. Other costs such as day treatment and transportation were not included in the calculation of costs.

Approximately 23% of MRDDA's Appropriated Funds Were Spent on Out of State, Independent Living Unit, and Foster Care Placements

Approximately 23% of MRDDA's local appropriated funds were spent on the placement of approximately 221 clients in out of state facilities, independent living units, and foster care facilities. During fiscal years 1998 through 2000, MRDDA spent approximately \$5 million yearly on clients placed in these facilities.

The Auditor further found that MRDDA's clients were provided services by facilities outside of the District of Columbia because of: (1) a limited number of providers; and/or (2) the need for highly specialized care. MRDDA utilized facilities located in Maryland, West Virginia, Pennsylvania, Texas, Massachusetts, Indiana, and Illinois to provide services to its mentally retarded and developmentally disabled population. MRDDA requires facilities located outside the District to be licensed according to state guidelines where the facility is located. However, MRDDA has not been monitoring the quality of care provided by these facilities. Table V presents MRDDA's cost of placement for clients in out-of-state facilities, foster care homes, and alternative living units for fiscal years 1998 through 2000.

TABLE V
Cost of MRDDA's Placement of Clients in Other Facilities Such as Out of State Facilities,
Foster Care Homes and Alternative Living Units:
Fiscal Years 1998 through 2000

Facility Type	Number of Clients	FY 1998 Cost*	FY 1999 Cost	% of Total Cost	FY 2000 Cost	% of Total Cost
Out of State	46	n/a	\$2,136,410	49%	\$1,983,801	43%
Alternative Living Units	96	n/a	992,356	22%	1,499,105	33%
Foster Care	79	n/a	1,259,458	29%	1,115,001	24%
Total Cost of Other Facilities	221		\$4,388,224	100%	\$4,597,907	100%

Source: MRDDA Contract and Procurement Division

*Not available

THE TOTAL ESTIMATED PROGRAM COST OF PROVIDING SERVICES TO THE MENTALLY RETARDED AND DEVELOPMENTALLY DISABLED AVERAGED APPROXIMATELY \$119,977 PER CLIENT PER YEAR

During the audit period, the total estimated program costs of providing services to approximately 993 mentally retarded and developmentally disabled clients averaged approximately \$119,977 per client per year based on 816 ICF/MR clients and 177 GHMRP clients. Approximately 65% of MRDDA's budget and a substantial portion of MAA's budget, through the Medicaid program, is spent on providing care for this population. Still, there are numerous other costs associated with providing services to mentally retarded and developmentally disabled persons that are not captured by the Auditor's estimate. Table VI presents the Auditor's estimated costs of providing care and services to the mentally retarded and developmentally disabled for fiscal years 1998 through 2000.

TABLE VI
Total Estimated Program Costs for the
Mentally Retarded and Developmentally Disabled
Fiscal Years 1998 through 2000

Facility Type	Number of Clients	FY 1998 Cost	FY 1999 Cost	FY 2000 Cost	Average Per Client
GHMRPs					
Residential for GHMRP ¹¹	177	\$12,032,000	\$12,000,062	\$13,065,791	\$69,864
MRDDA Admin/Personnel/Other	177	7,354,100	4,850,754	3,711,755	29,975
Other Agencies & Entities (based on Auditor's assumption)	177	5,200,000	6,500,000	5,850,000	33,051
Total Residential GHMRP	177	\$24,586,100	\$23,350,816	\$22,627,546	\$132,890
ICF/MRs					
District - local (based on 31/69)	253	\$22,565,943	\$21,859,000	\$22,608,556	\$27,383
Federal (based on 31/69)	563	48,747,880	50,954,000	52,753,296	62,277
Residential for ICF/MRs¹²	816	\$71,313,823	\$72,813,000	\$75,361,852	\$89,660
MAA Admin/Personnel/Other		5,254,650	5,323,250	5,029,440	6,376
Other Agencies & Entities (based on Auditor's assumption)	816	8,000,000	\$10,000,000	\$9,000,000	\$11,029
Total Residential ICF/MR	816	\$84,568,473	\$88,136,250	\$89,391,292	\$107,065
Total Combined Costs for GHMRP and ICF/MR	993				\$239,955
Average Cost					\$119,977

Source: MRDDA, MAA

In determining the total cost of care, the Auditor estimated other costs that impact this client population. These cost components covered administrative, personnel, and other costs within DHS. In evaluating the costs of entities within DHS, the Auditor included estimated costs associated with legal counsel, facilities management, administrative services, information systems, the Developmental Disabilities Council, grants, procurement, and the DHS CFO's office. The Auditor

¹¹The residential costs for clients in GHMRPs covered: (1) residential services; (2) day treatment services; (3) case management; (4) limited medical services; (5) psychiatric/evaluations; (6) speech and language services; and (7) staff expenses.

¹²The residential costs for clients in ICF/MRs covered: (1) 24-hour residential services; (2) transportation; (3) medical (such as medication, therapeutic services, and equipment); (4) habilitation; (5) life skills services; and (6) staff expenses.

did not include costs that would be incurred by the Metropolitan Police Department (MPD), the Office of the Corporation Counsel, Office of the Chief Medical Examiner, Public Benefit Corporation, and other agencies that may provide services and/or support to this client population.

The Auditor used a similar conservative methodology to determine costs incurred by agencies outside of DHS that provide services associated with the mentally retarded and developmentally disabled population. For example, DOH's management and support costs were included as were administrative costs directly associated with services provided by MAA. Again, the Auditor did not include costs incurred by the Metropolitan Police Department (MPD), the Office of the Corporation Counsel, Office of the Chief Medical Examiner, Public Benefit Corporation, and other agencies that may provide services and/or support to this client population.

As shown in Table VI, the total estimated average cost of care for clients in GHMRPs totaled approximately \$132,890 per person per year, and approximately \$107,065 per person per year for clients in ICF/MRs during the audit period. The total combined costs for clients in GHMRPs and ICF/MRs totaled approximately \$239,955. The \$119,977 per person per year represents an average of the combined costs for both GHMRPs and ICF/MRs. These per person per year costs represent substantial expenditures for a population of only 993 clients.

THERE IS A WIDE DISPARITY IN THE RATES PAID TO GROUP HOME PROVIDERS AND INTERMEDIATE CARE FACILITY PROVIDERS

As stated earlier, services for clients in GHMRPs are procured through the District's normal procurement process with contracts awarded to those offering the lowest evaluated price. The Auditor found wide disparities in the rates paid to the various group home providers. The per client per day reimbursement rate paid to group home providers ranged from a low of \$96.56 to a high of \$515.19. Data reviewed by the Auditor indicated that group home providers who were reimbursed at the lower rates, in most cases, provided limited services such as residential services and meals only, while providers who were reimbursed at a higher rate generally were required to provide a greater level of care for their clients. Clients in group homes with higher rates may have required assistance with daily living tasks such as dressing and eating, and may have required specialized medical treatment and assistance in administering medication.

Clients placed in ICF/MRs were provided services pursuant to Medicaid provider agreements. Medicaid provider agreements are negotiated agreements between the District government and "any willing providers." In accordance with the provisions of the District's State

Plan and DCMR Chapter 9, Section 968, the reimbursement methodology for ICF/MR Medicaid providers stipulates:

Each intermediate care facility for the mentally retarded (“ICF/MR”) shall be reimbursed on a prospective basis at a facility-specific per diem rate for all services provided. The facility-specific per diem rate shall be developed by establishing a base year per diem rate for each facility, subject to a ceiling and indexed annually for inflation, subject to adjustments. (Auditor’s Emphasis)

The base year costs for each intermediate care facility for the mentally retarded shall be calculated using the lower of:

- Actual audited costs for the facilities fiscal year that ends on or after June 30, 1993, but before June 30, 1994 (“base year”), or audited costs from the facility’s initial cost reporting period, whichever is latest; or
- A percentage of the peer group median costs for those cost categories subject to the median ceilings.

Based on the development and use of facility-specific per diem rates, the Auditor found that the reimbursement rate paid to ICF/MR providers varied significantly. The use of the facility-specific per diem rate methodology may explain why the per diem rates among providers who provide the same services to the same clients range from \$181.90 to \$391.42 per client. The residential rates paid to ICF/MR providers covered 24-hour residential services, transportation, medical (such as medication, therapeutic services, and equipment), habilitation, life skills services, and staff expenses. Because of cost variations tied to the level of care and facility-specific per diem rates negotiated with providers, there were, and still remain, wide disparities in the rates even within each provider’s organization.

Based on interviews with MRDDA and MAA officials, the disparity in rates paid to GHMRP and ICF/MR providers is purportedly based on the varying levels of care provided to mentally retarded and developmentally disabled individuals. For example, the clients in ICF/MR facilities may have numerous special needs and significant developmental deficiencies in eating, dressing, hygiene skills, and communication functions. Still others may have more complicated special medical needs related to tracheotomies, heart ailments, and respiratory problems. The level of care offered by ICF/MRs is generally divided into the following four categories based on client acuity:

- Level 1 - Moderate to profound retardation customers for whom a physician has ordered a medical care plan, or customers with an overlay of additional medical disorders such as incontinence, cerebral palsy, seizure disorders, tracheotomy and other feeding tubes.
- Level 2 - Moderate to severe mental retardation customers who exhibit mild maladaptive behaviors and have moderate medical concerns. These customers can be ambulatory or non-ambulatory and involved in day programs outside the facility.
- Level 3 - Moderate to severe mental retardation customers who are not aggressive, assaultive or security risks, and who are in day programs outside the facility.
- Level 4 - Borderline to moderate mental retardation customers with a dual diagnosis who can become aggressive and who are in day programs outside the facility.

Although level of care may play a significant role in the rates paid to GHMRP and ICF/MR providers, it appeared that factors other than level of care may also play a significant role in establishing provider rates.

Table VII presents an average cost per client for residents of selected GHMRP and ICF/MR facilities.

TABLE VII
Average Rates for Intermediate Care Facilities for the Mentally Retarded and
Community Residential Facility Providers
Fiscal Year 2000

Provider Name	Group Homes' Average Rate	ICF/MR's Average Rate
Associated Community Services	\$159.66	\$314.94
Associated Community Services	\$141.65	
Behavioral Research Associates		225.43
Black Leadership	110.61	
Black Leadership	126.80	
Brice Warren Corporation		265.41
Chrysallis (Bush, Green, Banks)		391.42
Careco		212.68

Community Alliances		266.99
Community of Ark	131.71	
Community Action Group	113.73	
Community Multi Services Inc.		181.90
Comprehensive Care II Inc.		202.07
D. C. Arc	113.21	
D. C. Arc	103.26	
D.C. Association for Retarded Citizens	108.24	278.35
D.C. Community Service	96.56	
D.C. Community Service	515.19	234.88
D.C. Family Service		251.41
D.C. Health Care	115.53	211.34
Deaf Reach ¹³	68.21	
Individual Development Inc. (WeCare)		388.07
Lt. Joseph P. Kennedy Institute	127.24	207.16
Marjul Homes Inc.		306.65
Metro Homes Inc.		326.29
Multi-Therapeutic Services	152.69	
Multi-Therapeutic Services	252.35	
Multi-Therapeutic Services	155.36	
Multi-Therapeutic Services	102.47	323.13
Multi-Therapeutic Services	111.99	
National Child Center Inc.	124.43	
National Child Center Inc.	101.68	287.98
St. John's		283.28
Symbral Foundation	119.65	
Symbral Foundation	110.23	217.93
VOCA		267.06
Ward & Ward	120.15	
Ward & Ward	110.37	
Ward & Ward	109.26	
Ward & Ward	127.73	
Ward & Ward	127.70	

¹³ Although MRDDA listed Deaf Reach as a residential service provider at a rate of \$68.21, the Auditor found that this contract was for a specialized independent living skills training program for 14 multi-handicapped deaf or deaf and blind mentally retarded adults.

Ward & Ward	111.86	
Westview Medical and Rehab Service		327.15
Wholistic Habilitative Service		285.42
Total Average Cost	\$135.82	\$272.04

Source: MRDDA

MRDDA OFFICIALS EXPRESSED CONCERN REGARDING THE CURRENT PROCESS FOR PROCURING SERVICES FOR ITS CLIENTS

Services for the mentally retarded and developmentally disabled population served by MRDDA are procured either through: (1) contracts; or (2) Medicaid Provider Agreements, depending on the client's placement.

MRDDA's non-Medicaid contract services are obtained through the District's normal procurement process. According to MRDDA's former deputy administrator, MRDDA develops a statement of work for a specific client or group of clients. This information is then forwarded to OCP which is responsible for managing the contracting process on behalf of MRDDA. Once the statement of work is received by OCP, a Request for Proposals (RFP)¹⁴ is prepared and issued. Proposals are then received from contractors, and the contractor offering the lowest evaluated price is selected. MRDDA indicated that this method of procuring services is often not necessarily in the best interest of their clients in that more factors must be considered in selecting a contractor to provide human care services. The Auditor was informed of a specific case in which several clients who had been together for many years were scheduled to be separated as a result of a new contract awarded to the offeror of the lowest evaluated price. As a result of the potential separation of the clients, family members, and the clients became very upset and protested the move because it was viewed as disruptive and not in the best interest of the clients. MRDDA officials stepped in and were able to keep the clients together.

The current procurement process utilized by OCP may not be in the best interest of MRDDA's clients because: (1) it does not always allow for the consideration of the programmatic needs of clients; and (2) may not offer stability for this client population. MRDDA officials indicated that they believed contracts were awarded principally on the basis of price.

¹⁴ Awards made in response to an RFP are made to the highest ranked offeror on the basis of selecting the bidder who meets the requirements as outlined in the RFP.

In accordance with Title 27 of the District of Columbia Municipal Regulations (DCMR), Chapter 19, other factors must be considered in procuring human care services. Section 1905.1 of Chapter 19 requires:

The contracting officer shall negotiate contracts for medical and human care services based on the demonstrated competence and qualification of prospective contractors to perform the services required at fair and reasonable prices.

Further, Section 1905.5 states:

The contracting officer shall evaluate each potential contractor based on the following criteria:

1. Professional qualification necessary for satisfactory performance of the required services;
2. Specialized experience and technical competence in the type of work required;
3. Capacity to accomplish the work in the required time;
4. Past performance on contracts with the District, other governmental entities, and private industry in terms of cost control, quality of work, and compliance with performance schedules; and
5. Acceptability under other appropriate evaluation criteria.

The current process of making the award, if heavily reliant on price, does not adequately take into account all factors that must be considered if the best possible care is to be procured for the clients.

MRDDA Was Assessed Fines Totaling \$11 Million Due to Late Payments Made to Vendors Providing Services to MRDDA's Evans Class Members

During fiscal years 1998 and 1999, MRDDA incurred at least \$11 million in fines and penalties as a result of the DHS CFO's late payment of vendor invoices for services provided to Pratt/Evans class members. For example, during fiscal year 1998 MRDDA was assessed \$5 million in fines for violating the Pratt/Evans court order regarding the timely payment of vendor invoices. In fiscal year 1999, MRDDA paid \$4 million of the assessed 1998 fines. Additionally, MRDDA was assessed fines totaling approximately \$6 million for late payments in fiscal year 1999. The District has appealed the assessment of the fiscal year 1999 fines.

The Auditor requested the DHS CFO's policies and procedures governing the payment of providers' invoices and was informed that no formalized written policies and procedures had been adopted. However, according to the Pratt/Evans Court Order, MRDDA is required to pay invoices submitted by all providers of services to Pratt/Evans class members within 30-days of the receipt of an undisputed provider invoice. The Auditor examined the DHS CFO's vendor payment cycle and found that payments were made 15 to 20 days beyond the 30-day period during fiscal years 1998 and 1999. The Auditor also found improvements in the timeliness of vendor payments in fiscal year 2000 in that most invoices were paid within 10 days of receipt, or within the 30-day period.

The billing and payment process for group home providers begins with each provider submitting an invoice to the CFO's office for processing. The invoice is then forwarded to MRDDA for certification and processing, and returned to the CFO's office for payment. MRDDA officials indicated that their certification process takes 5 days while the CFO's office estimates that it takes 10 days after receipt of a certified invoice to issue a check (see Appendix I). The Auditor notes that during fiscal years 1998 and 1999, neither MRDDA nor the CFO met the 5 and 10-day time frames.

RECOMMENDATIONS

1. The District's OCP, in conjunction with MRDDA officials, should immediately re-evaluate the current procurement process used to obtain residential services for MRDDA's clients.
2. The DHS CFO must develop written policies and procedures to govern the payment of provider invoices to ensure timely payment and to avoid the assessment of future fines and penalties.
3. The DHS CFO and MAA make payments to providers within the 30-day period required by the Court Order so as to avoid future fines and penalties.

MRDDA'S MONITORING AND OVERSIGHT OF CLIENTS' PERSONAL CARE ALLOWANCE PAYMENTS IS INADEQUATE

In accordance with a court order resulting from the Joy Evans class action lawsuit, MRDDA is required to provide monitoring and oversight of each client's personal finances. MRDDA clients receive monthly benefit payments from several sources, including the Social Security Administration, Veterans Administration (VA), Civil Service/Railroad Retirement, conservators, and other sources. The DHS OCFO, through its payments and collections division, is the authorized representative payee and as such receives the monthly benefit payments on behalf of MRDDA clients. The audit team analyzed the DHS CFO's collection data and found that during the audit period the DHS CFO received approximately \$9.5 million in benefit payments from various sources for MRDDA's Medicaid and non-Medicaid clients. These funds were then deposited into accounts maintained by the DHS CFO and subsequently distributed as follows: (1) approximately \$6.6 million, or 69%, for cost of care expenses¹⁵; (2) \$2.8 million, or 30%, for personal care allowance payments; and (3) \$84,785, or 1%, to the burial account.¹⁶

In conjunction with IHPs, IFPs were to be developed for every MRDDA client. The IFP details a spending plan for each client which may include spending for large purchases, vacations, and other expenses. From each client's monthly benefit payment, the DHS CFO sets aside \$70 per month in personal care allowance funds in individual accounts that are distributed to clients on a quarterly basis. The quarterly distribution totals \$210 per client. Upon disbursement to the clients, these funds should be deposited by each client's residential care provider into a bank account. The provider is required to keep detailed receipts supporting all expenditures of these funds.

The Auditor selected a sample of 25 MRDDA clients who should have received the \$70 monthly personal care allowance payment, or \$210 quarterly, to determine whether they received the funds and whether the required supporting documentation was maintained for the deposit of the funds into the clients' bank account and for all disbursements from the accounts. The Auditor found that MRDDA's monitoring and oversight of the handling of these funds was inadequate. MRDDA was required to monitor each client's receipt of personal care allowance funds against the IFP to

¹⁵ In accordance with the Federal Medicaid Regulations, Section 9406 of the Omnibus Budget Reconciliation Act of 1986, and 42 USC 1396a, clients receiving income are required to pay a portion of their cost of care. The client's contribution is established upon entry into the MRDDA program by the Income Maintenance Administration of the Department of Human Services.

¹⁶ MRDDA's non-Medicaid clients are governed by the Pratt/Evans court order which requires deposits to a burial account. The maximum set-aside for burial is \$1,500. According to officials within MAA, it is optional for Medicaid clients to have a burial account. These clients are now eligible to be buried under a burial program reestablished by the District government as of March 2000.

ensure that the established financial goals and objectives were accomplished, and to verify that client funds were distributed and spent for permissible purposes. The results of the Auditor's evaluation indicated the following:

- MRDDA case managers reviewed less than 1% of the cases sampled by the Auditor;
- 19, or 76%, of the 25 client bank statements were in both the client and the provider's name. While it appeared that the client's funds were deposited into these accounts, the Auditor could not conclusively establish whether clients actually received the funds;
- three clients' bank accounts were not opened until April 2000, for one client almost two years after placement and in the other two cases nine months and two months respectively after placement;
- one client's records could not be located by the provider;
- in those cases where receipts were attached, the audit team was not always able to determine whether the receipts were for purchases made on behalf of the client; and
- one client in the Auditor's sample was not receiving allowances because an application for benefits had not been properly completed and/or reaffirmed with the Social Security Administration.

Based on the Auditor's examination of these accounts, MRDDA's monitoring and oversight of client funds appeared deficient. As a result of deficient monitoring and oversight, it appeared that clients' personal funds were at risk of misuse, mismanagement, and/or theft.

MRDDA Clients Are Owed Approximately \$156,000 In Interest on Their Account Balances Maintained In the District's Treasury During Fiscal Years 1998 and 1999

The Auditor found that pursuant to the Pratt/Evans Court Order, MRDDA was required to establish interest bearing accounts for the deposit of MRDDA client funds. According to the court order, MRDDA clients were entitled to receive interest from deposits made on their behalf which exceeded \$50. Information obtained from an audit report issued by independent outside auditors indicated that, as of fiscal year 1999, interest due to MRDDA clients (Medicaid and non-Medicaid)

totaled approximately \$156,000.¹⁷ This was due to the CFO's deposit of MRDDA client funds into accounts at the District treasury that failed to post any interest. The Auditor notes that in addition to the \$156,000 owed for fiscal years 1998 and 1999, additional interest may also be owed for fiscal year 2000 largely because the CFO continued, at least for a portion of fiscal year 2000, to deposit MRDDA client funds into accounts at the District treasury that did not post interest.

The Auditor requested the CFO's policies and procedures governing the receipt, deposit, and disbursement of MRDDA client funds and found that there were no formalized written policies and procedures governing these functions.

In an analysis of benefit payment deposits, the Auditor further found that, on average, the CFO took approximately 20.38 days during fiscal year 1998; 17.31 days during fiscal year 1999; and 18.42 days during fiscal year 2000 to deposit client benefit funds. Given that most of these payments were received by the fifth of each month, a delay of 12 to 15 days in depositing these funds appeared unreasonable and to have directly impacted the amount of interest clients should have earned on their account balances. CFO officials attributed the delay in depositing benefit payments to a relocation of the payments and collections division during late 1998. However, this explanation does not adequately justify delayed deposits occurring prior to the relocation or during the two fiscal years thereafter.

According to information provided by the CFO, as of April 2000, all SS and SSI benefit payments were being deposited electronically in an interest bearing account established with the Bank of America. However, the Auditor found that benefit payments for VA, Civil Service/Railroad Retirement, and others were still being received by the CFO. The chief of the payments and collections division indicated that the necessary documentation to change these benefit payments from a paper process to an electronic process has not been completed. Conversion of these payments to an electronic process was expected to be completed by the end of calendar year 2000. The chief further indicated that at least 1% of all benefit payments would always be made directly to the CFO because electronic payments could not be established for payments from conservators, friends, and relatives.

¹⁷ The Bert Smith and Company Report was issued in fiscal year 1999 and covered fiscal years 1998 and 1999.

RECOMMENDATIONS

In order to correct the deficiencies discussed in this section, the Auditor recommends that:

1. MRDDA strengthen its monitoring and oversight of client bank accounts by requiring that: (1) providers forward copies of clients' monthly bank account statements to MRDDA for review; (2) MRDDA comply with its internal regulations that require it to monitor providers' compliance with the IFP on a quarterly unannounced basis; and (3) providers maintain documentation relative to the receipt and expenditure of client funds for a five year period;
2. the DHS CFO immediately develop written policies and procedures to govern its monitoring of MRDDA client funds. This will ensure the consistent application of department policies in all matters regarding MRDDA client funds;
3. MRDDA immediately develop written guidelines for providers to follow in handling client funds;
4. the District of Columbia CFO pay MRDDA clients \$156,000 in interest owed through fiscal year 1999 and calculate and pay the additional interest owed for fiscal year 2000; and
5. DHS' CFO ensure that all client benefit payments are directly deposited into interest bearing accounts.

DHS' CFO MAINTAINS POSSESSION OF FUNDS TOTALING \$99,595 FOR 117 DECEASED MRDDA CLIENTS

The audit team reviewed a report provided by officials of the DHS CFO's office indicating that it maintained accounts with balances totaling \$99,595 for 117 deceased individuals. Of the 117 deceased individuals, the earliest date of death was March 10, 1980, and the most recent death at the time of our field work was February 8, 2000. Nine of the 117 deceased clients also had balances in the burial account that were not used to cover their funeral expenses. Further, the Auditor found that 85% of the deceased clients' funds were not in interest-bearing accounts. As previously noted, clients were entitled to receive interest from any deposits made on their behalf which exceeded \$50.

The Auditor discussed this matter with both the DHS CFO and MRDDA program officials. Officials within the CFO's office indicated that they were unable to close-out any MRDDA client accounts or disburse funds until receiving some form of authorization from MRDDA. On the other hand, MRDDA officials indicated that they were aware of several deceased clients who still had funds deposited with the District and had discussed this matter with the Office of the Corporation Counsel. It was determined that these matters should be forwarded to the Probate Division of the Superior Court for disposition. However, at the end of the audit, no further action had been taken by any agency to bring about the appropriate disposition of these funds. As a result of this inaction, the District still maintained balances of at least \$99,595, as of September 30, 2000, for 117 deceased clients. In the absence of any remaining family, the disposition of the funds could take two courses: (1) the District government may have a right to receive these funds as contribution for the cost of care provided to the clients; or (2) the funds could escheat to the District's Escheated Estates Fund¹⁸.

Presently, the CFO's office is developing written policies and procedures to address the disposition of deceased client funds. According to CFO officials, the new policies and procedures will cover the notification of the Social Security Administration and other benefit agencies to terminate benefit payments, and establish a process to forward funds of deceased clients to the Probate Division of the Superior Court.

RECOMMENDATIONS

The Auditor recommends that:

1. MRDDA and the DHS CFO immediately develop and implement written policies and procedures governing the proper and prompt disposition of deceased clients' funds.
2. MRDDA and the CFO refer matters involving deceased clients' funds to the Probate Division of the Superior Court for disposition.

¹⁸The Escheated Estates Fund is a trust fund established in accordance with D.C. Code, Section 19-701. Specifically, D.C. Code, Section 19-701 provides that when there is no surviving spouse or relations of the deceased within the fifth degree, the surplus of real and personal property, after the administration of the decedents' estate, shall escheat or pass to the District of Columbia for the benefit of the poor. Assets in escheated cases consist primarily of cash in bank accounts, real property, and stocks and bonds.

THE DHS CFO CONTINUES TO MAINTAIN \$655,433.20 IN INVESTMENT ACCOUNTS FOR MRDDA CLIENTS AT RUSHMORE SAVINGS AND TRUST

Based on interviews with officials in the DHS CFO's office and MRDDA, when Forest Haven was closed the District needed an account in which to deposit funds belonging to residents of Forest Haven. The funds were deposited in separate interest bearing investment accounts at Rushmore Savings and Trust. Based on the Auditor's review as of August 31, 2000, there were approximately 198 individual accounts and seven miscellaneous trust/other accounts with a cumulative balance of \$655,443.20 at Rushmore Savings and Trust. The individual account balances were as low as \$.96 and as high as \$61,030.

Seven accounts labeled "Miscellaneous Trust/Other" consisted of the following:

Account Name	Balance
Forest Haven	\$78,257
Forest Haven	15
Oak Hill	11,223
2600 Community M/T	5,530
Cedar Knoll	2,738
Recreation Program	2,578
ICSD ¹⁹	738
Total Miscellaneous Trust/Other	\$101,079

Source: CFO Payments and Collections Division

Officials in DHS' CFO office were unable to specifically: (1) state the reasons for the miscellaneous trust/other accounts; (2) provide explanations as to what the balances represented; or (3) document ownership of these funds, except to note that these accounts were established many years ago. The DHS CFO indicated that regular reconciliations of the Rushmore Savings and Trust account had been performed during the past three years. The DHS CFO further indicated that in fiscal year 2000, a "redistribution" of the amounts identified as "miscellaneous trust/other-Forest Haven" would be made. In other words, the miscellaneous balance of \$78,272 in the two Forest Haven accounts would be distributed to clients who presently have an account balance with Rushmore. The distribution would be based on each client's most current account balance. The

¹⁹The Auditor was unable to find an official in the DHS CFO's office who could identify what ICSD represented.

Auditor notes that, as of September 30, 2000, no “redistribution” of miscellaneous funds to individual account holders had occurred.

\$32,627 in Irregularities Were Found Among a Sample of Withdrawals From the Rushmore Savings and Trust Accounts

Officials within the DHS CFO’s office indicated that client withdrawal requests from the Rushmore Savings and Trust accounts were primarily for large purchases or vacations. However, there were no official written policies or procedures or a system of checks and balances governing the accountability for and withdrawal of client funds from Rushmore. As a result, the Auditor had difficulty ascertaining whether disbursements were made for permissible client expenses.

The Auditor reviewed 179 withdrawal requests from Rushmore totaling \$156,220.56 covering fiscal years 1998 through 2000. Based on a review and analysis of account activity, the Auditor found that while some disbursements were for large purchases and vacation expenses, the majority were for the payment of expenses associated with medical, personal care allowance payments, funeral costs, and various other purposes. Table VIII presents a sample of 33 of the 179 withdrawal requests reviewed by the Auditor for fiscal years 1998 through 2000.

TABLE VIII
Sample of Withdrawal Requests from Rushmore Savings and Trust
Fiscal Years 1998 - 2000

Purpose for Withdrawal Request	Date of Check	Check Amount	Documentation Attached
1. Oak Hill - purchase of washer and dryer	10/8/97	\$851.00	No
2. Medical bills, vacation	12/22/97	995.00	Yes, medical bills
3. Health Insurance Premium	2/3/98	4,889.15	Yes, payment coupon
4. Health Insurance Premium	2/3/98	620.10	Yes, premium statement
5. Recliner rocker	3/6/98	615.74	Yes, store receipt
6. Health insurance	4/2/98	636.81	Yes, statement
7. Prepaid funeral	4/2/98	3,375.00	Yes, pre-paid funeral agreement and Corporation Counsel opinion
8. Burial expenses	4/2/98	1,584.00	Yes, funeral home invoice
9. Vacation, spending money	4/28/98	839.50	Yes, travel advertisement
10. Dental services	6/12/98	1,815.00	Yes, dental bill
11. Weekly spending money, clothing allowance	8/14/98	1,020.00	No

13. Medical bill, quarterly spending, clothing	8/25/98	853.96	Yes, partial medical bill
14. Week Vacation, spending funds	8/25/98	456.00	Yes, vacation housing receipt
15. Oak Hill - purchase of sweat shirts and pants for 150 residents	11/6/98	1,990.00	No
16. Oak Hill - reimbursement for purchase of Christmas gifts	1/9/99	350.03	No
17. Personal needs	1/25/99	500.00	No
18. Blue Cross/Blue Shield Health Insurance enrollment (11 months, 24 days)	2/20/99	4,415.00	No
19 Vacation spending funds	4/5/99	300.00	No
20. Oak Hill - books	4/21/99	2,864.70	Yes, invoice
21. Medical bill	5/29/99	6,068.00	Yes, medical bill
22. Monthly medication, shampoo, vitamins	5/24/99	62.28	Yes, itemized statement
23. Past due amount on health insurance	9/2/99	2,098.35	Yes, health plan statement
24. Monthly stipend (personal funds)	9/14/99	595.00	No
25. Medical expenses	9/30/99	718.00	Yes, statement for <u>future</u> medical services
26. Vacation to Canaan Valley, West Virginia	9/30/99	314.58	Yes, statement of detailed trip costs
27. Health insurance	10/27/99	466.30	Yes, healthcare premium invoice
28. Monthly stipend (personal funds); duplicate request	11/9/99	595.00	No
29. Clothes, shoes, and glasses	12/14/99	807.00	No
30. Close Rushmore Account	12/15/99	\$2,020.43	No
31. Oak Hill - Christmas gifts	12/21/99	1,039.79	No
32. Oak Hill - books	3/2/00	15,055.00	Yes, statement for books
33. Clothes, shoes, and glasses; duplicate request	3/16/00	807.00	No
Total		\$59,617.72	

Source: CFO's Payments and Collections Division, and Accounts Payable Division

Of the 179 withdrawal requests reviewed by the Auditor, 122 totaling \$123,441.44, or 69%, were supported by some form of documentation such as an invoice, statement, or medical bill. Forty-two withdrawal requests totaling \$26,229.85, or 24%, had no supporting documentation attached except the withdrawal request. For the remaining 15 totaling \$6,439.27, or 7%, DHS was unable to provide any documentation.

The Auditor found approximately \$32,627.33 in questionable expenditures, the majority of which did not match the amount on the attached invoice. In other cases, there was no documentation to support the withdrawal being made and still, in others, the Auditor found that the requested funds were never received by the client. Specifically, a withdrawal request dated December 13, 1999, was submitted to close the Rushmore account of one client. The check was issued on December 15, 1999, for \$2,020.43, and was made payable to both the client and the provider. According to information contained in the file, the check cleared the account on December 30, 1999. However, according to supporting documentation, the client never received the funds. DHS officials indicated that this matter is under investigation. This incident, among others, clearly illustrates the serious weaknesses that exist in the internal controls intended to safeguard client funds and assure accountability for clients' personal finances.

There were several instances in which it appeared that duplicate withdrawals were made based on the submission of the same withdrawal request twice. One example of duplicate withdrawals occurred on November 9, 1999, for \$595 and another occurred on March 16, 2000, for \$807 for a total of \$1,402; both withdrawals were based on a single withdrawal request. Upon closer examination, the Auditor found that MRDDA had failed to submit the proper documentation indicating that the second request was necessary because the initial payment vanished and was never received by the intended payee. MRDDA and the CFO must strengthen the internal controls governing the documentation used to justify and support withdrawals and expenditures from this account.

In addition to the above, the Auditor also found other inconsistencies in withdrawal requests from the Rushmore account. For example, a payment in the amount of \$636.81 was made on April 2, 1998, to cover unpaid healthcare premiums for one MRDDA client. A review of the attached invoice indicated an amount to be paid of only \$212.27, a difference of \$424.54. While a handwritten notation on the withdrawal request indicated the payment was for three months coverage, there was no other supporting documentation or invoice from the vendor to support this assertion. In another case involving medical expenses, a disbursement was made on September 30, 1999, in the amount of \$718. According to the attached invoice, the disbursement was for future medical services. In other words, the medical services being paid for had not yet been rendered to the client. The Auditor identified several other instances in which the payment for medical expenses did not match the invoice amount. For example, on February 3, 1998, a request was processed to pay health insurance premiums for an MRDDA client. The supporting documentation indicated monthly premiums of \$288.21 for 11 months totaling \$3,170.31. However, the actual withdrawal was for \$4,889.15, a difference of \$1,718.84.

In yet another case, a disbursement in the amount of \$1,584 was made on April 2, 1998, to a funeral home for a client's burial expenses. However, according to the invoice, the balance to be paid was only \$84. Despite this invoice, the entire \$1,584 was disbursed from the Rushmore account. In another case, the Auditor found instances in which two withdrawal requests were processed for the same client on the same day totaling \$1,309.96 for medical expenses, personal care allowance funds, vacation, and spending funds. Invoices were attached for expenses totaling \$429.96, leaving a difference of \$880 as "spending funds" for this client with no supporting documentation. While this is not a significant amount of money, for this client population it is extremely significant, and the lack of adequate safeguards and supporting documentation poses a substantial opportunity for misappropriation and mismanagement of these funds.

RECOMMENDATIONS

The Auditor recommends that:

1. the DHS CFO promptly consult with the District of Columbia's Chief Financial Officer to: (a) state the purpose and reasons for the seven miscellaneous/other accounts at Rushmore; (b) determine the legality and feasibility of "redistributing" the miscellaneous account balances to the current Rushmore account holders; and (c) distribute the funds to the appropriate persons and/or agencies;
2. the DHS CFO require valid, complete supporting documentation for all withdrawals and disbursements from the Rushmore accounts; and
3. MRDDA adopt a policy requiring that future payments to its clients be made only to the client and their authorized legal guardian, counsel, or legal conservator.

CONCLUSION

The Auditor found that the District paid an average of \$69,864 per client for care provided by contractors to approximately 177 mentally retarded and developmentally disabled clients residing in GHMRPs during fiscal years 1998 through 2000. The \$69,864 represented only that portion of contractor provided services covered by local District funds appropriated to MRDDA.

The Auditor also found that the District paid an average of \$89,660 per client for contractor services provided to approximately 816 mentally retarded and developmentally disabled clients

residing in ICF/MRs during fiscal years 1998 through 2000. The \$89,660 represented contractor provided services covered by both local District appropriated funds and federal Medicaid funds. Of the \$89,660, the District paid approximately \$27,383 and federal Medicaid funds covered approximately \$62,277 of the average per client cost.

The Auditor's per client contract cost of care estimates did not include other costs incurred by various District government units within and outside of DHS that managed and administered a variety of regulatory, financial, and administrative activities that augmented services provided to MRDDA's clients. When some of these costs were included, the Auditor's contract cost of care estimates increased to \$132,890 per client for GHMRPs and \$107,065 per client for ICF/MRs respectively, for a combined total of \$239,955, or an average of \$119,977 per client per year for all of MRDDA's GHMRP and ICF/MR clients. Overall, the District spent approximately \$332,660,747 on this population during the three year audit period. Despite the fact that approximately 69% of the \$332,660,747 was reimbursable to the District from federal Medicaid funds, the average per client expenditures represented substantial costs for care provided to approximately 993 clients.

The Auditor compared the District's average per client contract costs for GHMRPs and ICF/MRs to the same costs incurred by other states as well as the national average. The Auditor found that the District's costs were well above the majority of states included in the comparison and was also well above the national average for both GHMRPs and ICF/MRs. The District's \$69,864 average per client cost of contract care for GHMRP clients exceeded the national average of \$33,776 by \$36,088, or 107%. Overall, the District ranked 4th highest among 31 states providing cost data for GHMRPs, which were used to determine the national average.

Similarly, the District's \$89,660 average per client cost of contract care for ICF/MRs exceeded the national average of \$59,055 by approximately \$30,605, or 52%. Overall, the District ranked 8th highest among 38 states providing cost data for ICF/MRs, which were used to determine the national average.

During our fieldwork, MRDDA could not provide the Auditor with basic management information such as a list of clients served during fiscal years 1998 through 2000. Basic, vital management information, such as a client list, is essential to MRDDA's ability to efficiently and effectively perform its duties and responsibilities. Without it, questions must be raised concerning MRDDA's ability to account for the health and safety of mentally retarded and developmentally disabled persons placed in its care. The Auditor's examination and recent reports issued by other organizations have indicated that MRDDA's performance relative to the welfare of mentally retarded

and developmentally disabled persons fell far short of basic management standards and performance expectations.

The Auditor found substantial deficiencies in MRDDA's monitoring and oversight of clients' personal funds, including personal care allowances. Without an adequate system of oversight and accountability, clients' funds were exposed to a high risk of theft, misuse, and mismanagement.

The Auditor further found that the DHS CFO's office failed to make timely payments to service providers, thus resulting in the assessment of \$11 million in fines and penalties for late payments made during fiscal years 1998 and 1999. Every dollar that the District must expend in fines and penalties for late payments to vendors represents a lost opportunity to fund vital programs supporting mentally retarded and developmentally disabled persons or the general operations of the District government.

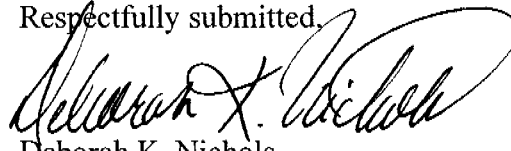
The audit revealed that the DHS CFO's office maintained accounts with balances totaling \$99,595 for 117 deceased individuals. Of the 117 deceased individuals, the earliest date of death was March 10, 1980, and the most recent death, at the time of our field work, was February 8, 2000. Officials within the DHS CFO's office indicated that they were unable to close-out any MRDDA client accounts or disburse funds until receiving some form of authorization from MRDDA. On the other hand, MRDDA officials indicated that they were aware of several deceased clients who still had funds deposited with the District and had discussed this matter, at an unspecified time, with the Office of the Corporation Counsel. Nevertheless, at the end of the audit, no action had been taken by any agency of the District government to bring about the appropriate disposition of these funds. As a result of official inaction, the District continued to maintain funds totaling at least \$99,595, as of September 30, 2000, for 117 deceased MRDDA clients.

The Auditor's review also revealed that a cumulative balance of \$655,443.20 was being maintained by the DHS CFO's office in interest bearing investment accounts at Rushmore Savings and Trust, which consisted of approximately 198 individual accounts and seven miscellaneous trust/other accounts. The individual client account balances were as low as \$.96 and as high as \$61,030. There were no official policies or procedures governing the disbursement of funds from the Rushmore accounts. As a result, the Auditor had difficulty ascertaining whether withdrawals from these accounts were appropriate. Nevertheless, the Auditor identified approximately \$32,627.33 in questionable withdrawals from a test conducted on a sample of 179 withdrawals totaling \$156,220.56. The majority of questionable withdrawals: (a) did not match an attached invoice, (b) had no documentation to support the withdrawal being made, or (c) in at least one case,

the funds withdrawn were never received by the client. The Auditor also found several instances in which it appeared that duplicate withdrawals were made using the same withdrawal request. An adequate, but highly effective system of monitoring, oversight, and accountability over the custody, maintenance and use of client funds must be immediately established by the Director of DHS. Further, a complete and valid paper trail relative to the receipt and subsequent use of client funds must be established and maintained for at least five years by each provider and MRDDA.

The Auditor will conduct a follow-up review within the next 180 days to determine the status of findings and compliance with the recommendations contained in this final report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Deborah K. Nichols", written in a cursive style.

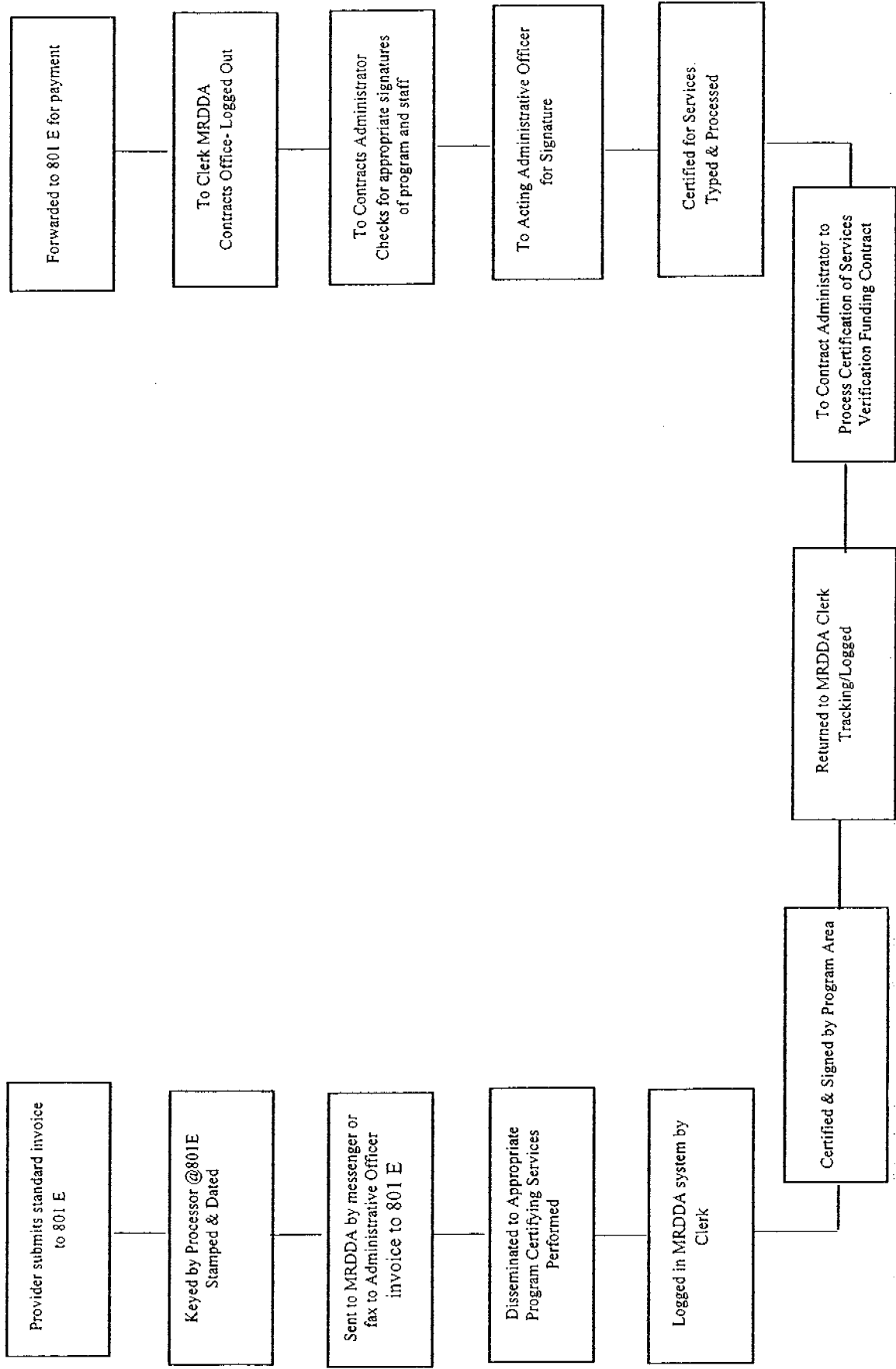
Deborah K. Nichols

District of Columbia Auditor

APPENDIX

MRDDA'S Payment Process to Providers

Appendix I



AGENCY COMMENTS

Agency Comments

On November 10, 2000, the Office of the District of Columbia Auditor submitted a draft report for review and comment to the following agencies and offices: the Office of the Chief Financial Officer; the Office of the Corporation Counsel; the Department of Health; the Medical Assistance Administration of the Department of Health; the Department of Human Services; and the Mental Retardation and Developmental Disabilities Administration.

Written comments were received from the Medical Assistance Administration of the Department of Health on November 20, 2000 and the Department of Human Services on November 24, 2000, four days after the expiration of the comment period. The Office of the Corporation Counsel and the Office of the Chief Financial Officer did not provide any comments to the draft report. Where appropriate, changes to the final report were made to reflect the comments received. All written comments received by the Auditor are appended in their entirety to this report.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
EXECUTIVE OFFICE OF THE MAYOR



CAROLYN N. GRAHAM
Deputy Mayor for Children, Youth and Families

FAXED COPY/HAND DELIVERY PLANNED FOR MONDAY, 11/27/2000

November 22, 2000

Ms. Deborah K. Nichols
District of Columbia Auditor
Office of the District of Columbia Auditor
717 14th Street, N.W., Suite 900
Washington, D.C. 20005

Dear Ms. Nichols:

The draft report entitled, "Examination of the Costs of Care for Persons with Mental Retardation and Developmental Disabilities Residing in Community Residential Facilities" has been reviewed by staff at the Mental Retardation and Developmental Disabilities Administration (MRDDA). Copies were also forwarded to the DHS Chief Financial Officer and the Office of Contracts and Procurement for review. I also understand that an informational copy was provided to the Department of Health, Medical Assistance Administration.

Please find attached the consolidated official response from the Department of Human Services for inclusion in the D.C. Auditor's final report. Also attached are copies of the draft MRDDA Client Funds Management Policy and Procedure Manual is attached, and the MRDDA Client/Consumer Rosters for 1998 and 1999, in the system are available upon request.

If further detail or explanation are needed regarding comments in this response, please telephone me at 727-8001.

Sincerely,

Carolyn N. Graham
Deputy Mayor for Children, Youth and Families

CNG/cgp

Attachments

**Consolidated Response to Findings and Recommendations Contained in the Draft Report,
"Examination of the Costs of Care of Persons with Mental Retardation and Developmental
Disabilities Residing in Community Residential Facilities" by the Office of the District of
Columbia Auditor**

This response has been divided into three sections. The first section addresses the findings of the D.C. Auditor. The second section addresses the recommendations made by the D.C. Auditor, and the final section addresses issues stated within the body of the D.C. Auditor's report, that were not specified as findings, but were of such significance that MRDDA believes responses are warranted.

A. RESPONSES TO FINDINGS OF THE D.C. AUDITOR

Finding #1: The annual contract cost of care for consumers in CRF group homes for the mentally retarded averaged approximately \$69,864 per client during fiscal years 1998 through 2000.

Response: There are 777 persons served in Medicaid funded facilities Intermediate Care Facilities for the Mentally Retarded (ICF/MRs). A total of 338 persons are served in Community Residential Facilities (CRFs), which are funded by District appropriated dollars. An additional 118 are served in other institutional settings (e.g., nursing homes, out-of-state placements, and mental health facilities). An additional 397 persons are served in natural settings. The Mental Retardation and Developmental Disabilities Administration (MRDDA) is moving aggressively to shift from a facility funded service design model to a person-centered service design. As such, services will largely be paid for by the federal government with District appropriations paying a percentage match. The Health Care Financing Administration has approved a target of 150 additional persons to move into the waiver programs by June 2001. Moving 150 persons to the Medicaid waiver, will allow the District to redirect approximately 70% of what it currently spends for 150 residents in community residential facilities. Moving forward, when the 150 goal is achieved, the District will move the additional residents in CRFs onto the waiver as approval is granted by HCFA.

MRDDA has begun to track the utilization of appropriated vs. Medicaid dollars. This tracking will be automated FY2001, using the database system currently being installed. The agency also plans to develop contracts that are more consumer-driven. All contracts for persons not included in the waiver, will be based on the needs of the consumer rather than blanket funding for the facility.

Finding#2: The annual costs of care for clients covered by Medicaid in intermediate care facilities for the mentally retarded averaged approximately \$89,660 per client during fiscal years 1998 through 2000.

Response: The District is maximizing its use of federal reimbursement dollars in this area.

Finding #3: The total program costs of care estimate to provide services to the mentally retarded and developmentally disabled averaged approximately \$119,977 per client.

Response: MRDDA recognizes that community-based services costs for a significant portion of the population are extremely high. A majority of the population served in community-based facilities fall within the severe to profound range of mental retardation. Most of these persons reside in the most expensive, staff-intensive programs, thereby, necessitating higher fees. Consideration is being given to the appropriateness of the placement of these individuals in community-based settings as they are currently designed. MRDDA recognizes that it pays far more for these services than most other jurisdictions.

Finding #4: Current process for procuring services for MRDDA's clients may not be appropriate.

Response: It appears that this finding is not based on empirical evidence, thus, it is problematic to respond to this conjecture. The information that gave rise to the "finding" should be provided. However, for the record, in procuring services for MRDDA consumers, in CRFs, the procedures are as follows. In procuring services for CRFs, following the receipt of proposals from potential contractors in response to the issuance of a Request for Proposals (RFP), each responsive proposal is evaluated by a team of technical and subject matter experts who evaluate each proposal based upon the criteria stipulated in the RFP. Next, if a vendor is determined to be in the competitive range for the provisions of services in accordance with the RFP, then negotiations on the price proposals submitted by the potential contractors are conducted. Ultimately, the contract award will be made to a contractor(s) with the highest evaluated score based upon the previously established evaluation criteria with pricing serving as only one factor in the consideration for the selection of a contractor. Thus, contracts resulting from RFPs for services to MRDDA consumers are not awarded simply on the lowest price.

Additionally, new legislation approved by the Council the "Procurement Practices Human Care Agreement Amendment Act of 2000," effective September 16, 2000 (D.C. Law 13-155), amends chapters 19, 27 DCMR, and permits an expanded use of Human Care Agreements for procuring providers services for MRDDA consumers. Human Care Agreements will expedite MRDDA's ability to obtain qualified providers of services, by pre-identifying such providers.

With respect to ICF/MRs, the District follows federally mandated procedures for procuring Medicaid providers.

Finding #5: MRDDA's monitoring and oversight of clients' personal care allowance payment is inadequate.

Response: As part of Individual Habilitation Plan process, MRDDA continues to develop Individual Financial Plans (IFPs) for all MRDDA consumers. These plans have been modified to reflect a more detailed account of the finances and spending needs of the residents and are

monitored quarterly by MRDDA. MRDDA's existing policy regarding safeguarding of consumer funds is currently utilized and has been updated in collaboration with the CFO as is reflected in the draft Consumer Funds Management Policies and Procedures Manual (see attached). The manual has been distributed for review and comments with responses due by December 8, 2000. These policies reflect the recommendations identified in the Evans Exit Plan, as well as the recommendations made in the D.C. Auditors Report.

Finding #6: There is a wide disparity in the rates paid to the various group home providers and intermediate care facility providers.

Response: Rates are paid based upon bids received from vendors to provide specific services to specific consumers. The Department of Health has procured a consultant who developed a modified uniform rate structure for all community based MR/DD programs. Staff will meet to review those rates on November 27, 2000, New uniform rates will be promulgated, and all will be in line with a consumer driven reimbursement strategy.

Finding #7: DHS' CFO maintains possession of funds totaling \$99,595 for 117 deceased MRDDA clients.

Response: The DHS CFO's office is working with the Office of the Corporation Counsel to transmit the residual funds of deceased clients to the Probate Court. The expected completion date is December 15, 2000. Additionally, the disposition of funds for deceased MRDDA consumers are addressed in the draft Consumer Funds Management Policies and Procedures Manual, previously noted.

Finding #8: The DHS CFO continues to maintain separate investment accounts for MRDDA clients at Rushmore Investments.

Response: The DHS CFO's office has taken action to close the Rushmore Investment Account and consolidate all client personal care funds into the interest bearing account established. Account consolidation will be completed by December 15, 2000.

B. RESPONSES TO RECOMMENDATIONS OF THE D.C. AUDITOR

Finding # 1 Recommendation: The Auditor recommends that MRDDA immediately establish electronic capability to record and track all information, including costs associated with care and maintenance, related to clients served by MRDDA.

Response: MRDDA maintains separate databases to record and track consumer, contract and purchase order information. Currently, these databases are being updated and a single integrated database to capture pertinent data on all MRDDA consumers under development. MRDDA has hired a consultant to perform this work in concert with the Office of the Chief Technology Officer (CTO). It is expected that this database can be brought on-line not later than March 2001.

Finding # 4 Recommendation: The District's OCP, in conjunction with MRDDA officials, should immediately re-evaluate the current procurement process as it relates to MRDDA's clients.

Response: Please see response to Finding #4, on page 2.

Finding #5 Recommendation (a): MRDDA strengthen its monitoring and oversight of community bank accounts by requiring that: 1) providers forward community bank account statement information to MRDDA for review and (2) MRDDA comply with its internal regulations to monitor providers on a quarterly basis (unannounced).

Response: MRDDA does maintain bank account records for clients in the system. Monitoring visits are conducted quarterly by case managers; these visits include reviews of all financial records. The plan for the current year is to visit (monitor) each consumer eight (8) times instead of four (4). That number would double the number of monitoring visits.

Finding #5 Recommendation (b): The District of Columbia CFO must pay to MRDDA clients \$156,000 in interest owed and calculate the additional interest owed for fiscal year 2000

Response: Interest (based on the independent reconciliation performed) will be paid to the consumers no later than December 31, 2000. The DHS CFO's office is working with the D.C. Treasurer's Office to have the latter reimburse the consumers for the lost interest. It should be noted that the DHS CFO initiated an RFP to establish the consumer interest bearing account in 1996. The account was established in 2000. Approximately one thousand (1,000) monthly Social Security checks are deposited electronically. All personal care funds on deposit with D.C. Treasury have been transferred into the interest bearing account. Further review of the Social Security Regulations revealed that a separate account should be established for consumers' burial funds, the account was established in August, all burial funds are now in the interest bearing account established.