OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

717 14TH STREET N.W., SUITE 900
WASHINGTON, D.C. 20005
TEL. 202-727-3600 • FAX: 202-724-8814

Deborah K. Nichols
District of Columbia Auditor
009:05:LS:gk

Letter Report: Implementation Status of Auditor Recommendations Pertaining to Audits of Agencies Under the Purview of the Committee on Health (HE)

February 28, 2005

OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

717 14TH STREET N.W., SUITE 900
WASHINGTON, D.C. 20005
TEL. 202-727-3600 • FAX: 202-724-8814

Deborah K. Nichols
District of Columbia Auditor
009:05:LS:gk

February 28, 2005

Honorable David A. Catania
Chairperson, Committee on Health
Council of the District of Columbia
The John A. Wilson Building
1350 Pennsylvania Avenue, NW, Suite 115
Washington, DC 20004

Letter Report: **Implementation Status of Auditor Recommendations Pertaining to Audits of Agencies Under the Purview of the Committee on Health (HE)**

Dear Councilmember Catania:

Attached for your review is a summary of the implementation status of District of Columbia Auditor recommendations pertaining to audits of agencies under the purview of the Committee on Health. This report reflects the implementation status of recommendations contained in two audits of the Department of Mental Health. Additional efforts will be undertaken by my office to verify the accuracy and validity of the information reported by this agency.

Submitted with this letter report is a matrix for each audit. Each matrix sets forth the findings, recommendations, and the agency's status of implementing each recommendation. This report covers the following audits of agencies under your Committee's purview that were issued by the District of Columbia Auditor during fiscal years 2002 through 2005 to date:

FY 2003:

- DCA0503: The Department of Mental Health Failed to Implement a Vocational Rehabilitation Program for the District's Mental Health Consumers, RELEASED June 6, 2003

- DCA0903: Examination of the Commission on Mental Health Services' Financial Operations Under Court-Ordered Receivership Revealed Ineffective Management Accountability and Inadequate Financial Controls, RELEASED June 19, 2003

Our review procedures consisted of staff inquiries as well as our review of the status of recommendations provided by agency management. Our follow-up work is being conducted in accordance with government audit standards established by the Comptroller General of the United States, United States Government Accountability Office.

It is my plan to follow-up on all findings and recommendations to determine whether timely and appropriate corrective actions have been undertaken and fully implemented by the appropriate agency(ies). I believe that our efforts to ensure timely implementation of recommendations contained in District of Columbia Auditor reports will contribute substantially to the goal of making government work more efficiently, effectively, and economically. Further, we will continuously monitor recommendations that have only been partially implemented or not implemented at all. Our efforts in this particular area will be to assist the affected agency in designing and implementing corrective actions or other solutions to effectively and timely address the deficiency, weakness, or risk found during the audit.

As always, please do not hesitate to contact me at 202/727-3600 should you have any questions.

Respectfully,

Deborah K. Nichols
District of Columbia Auditor

Attachments as stated

cc: Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR FISCAL YEAR 2003 REPORTS:
"The Department of Mental Health Failed to Implement a
Vocational Rehabilitation Program for the District's Mental Health Consumers"
RELEASED: June 6, 2003

TOTAL RECOMMENDATIONS: 7 **RECOMMENDATIONS IMPLEMENTED OR CORRECTIVE ACTIONS TAKEN: 3** **RECOMMENDATIONS PARTIALLY IMPLEMENTED OR IN PROGRESS:** **RECOMMENDATIONS NOT IMPLEMENTED: 3** "This recommendation is inapplicable as DMH chose not to adopt the client enterprise model." **NO ACTION ON RECOMMENDATION: 1**		
FINDING NO. 1: THE DEPARTMENT OF MENTAL HEALTH HAS NOT ESTABLISHED A CLIENT ENTERPRISE PROGRAM AS AUTHORIZED BY LAW.		
RECOMMENDATIONS	**STATUS OF IMPLEMENTING RECOMMENDATION**	**EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED**
The Director of the Department of Mental Health review the utility of the client enterprise model given the difficulties involved in creating a successful for profit vocational rehabilitation program. Alternative programs such as sheltered workshops providing vocational rehabilitation without the extra challenge of creating a profitable business should be considered.	**Letter dated January 25, 2005 from Martha Knisley, Director, DMH states:** "As noted in the comments of the Department of Mental Health under a cover letter dated April 30, 2003 (which was included as an appendix to June 6, 2003 report) DHM stated in 2003 that it had reviewed the utility of the client enterprise model authorized—but not required---by D.C. Code § 44-921, and further stated, "[a]s you know, this model is no longer considered effective best practice." "DMH's April 30 letter further went on to describe a community-based supported employment model that is considered best practices." Accordingly DMH had implemented this recommendation at the time of the June 6, 2003 report.	

RECOMMENDATIONS	STATUS OF IMPLEMENTING RECOMMENDATION	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
The Director of the Department of Mental Health establish an enterprise program as authorized by law after a determination that the client enterprise model is an effective vocational rehabilitation tool. The Department of Mental Health could begin by adopting the "Stamps for a Living" client enterprise initiative and provide full funding so as to make it a viable vocational rehabilitation project as intended by law.	"As noted above, DMH had already, in 2003, determined that the enterprise program was not effective." Moreover, ". . .DMH informed the Council that it was pursuing a supported employment model in lieu of a vocational rehabilitation model."	
If the Department of Mental Health chooses to adopt the client enterprise model, adequate performance measures should be developed and adopted to measure quantitative rehabilitation outcomes such as number of hours worked and wages earned, as well as qualitative measures such as job satisfaction, skill transfer, and quality of life. The goal of the program should be to return the client to independent living and work in the community		**Letter dated January 25, 2005 from Martha Knisley, Director, DMH**: This recommendation is inapplicable as DMH chose not to adopt the client enterprise model.
If the client enterprise model is adopted, the Department of Mental Health must establish a revolving fund as authorized by law. The funds generated through client enterprise activities should be recorded in the District's financial system, and proper financial controls consistent with District laws should apply to their use.		**Letter dated January 25, 2005 from Martha Knisley, Director, DMH**: This recommendation is inapplicable as DMH chose not to adopt the client enterprise model.
The Mayor, through the Director of the Department of Mental Health, should promulgate rules, regulations and policies governing the client enterprise program as required by D.C. Code, Section 44-922.		**Letter dated January 25, 2005 from Martha Knisley, Director, DMH**: This recommendation is inapplicable as DMH chose not to adopt the client enterprise model.
The Director of the Department of Mental Health should establish proper oversight of the "Stamps for a Living" program since		

District resources are used to operate it.	"This has been implemented. As part of their treatment, certain forensic patients at St. Elizabeth's Hospital do participate in this program. The Director of DMH, through the Chief Exec. Officer of St. Elizabeth's Hospital has established proper oversight over the program."	
The Council of the District of Columbia should consider amending the Mental Health Services Client Enterprise Establishment Act to allow the Department of Mental Health to establish a best practices vocational rehabilitation model. Upon amendment of the Act, the Department of Health should immediately implement an effective best practices model. The model must be well-planned, its mission well defined, with adequate component managerial and financial resources and appropriate performance measures.		**Letter dated January 25, 2005 from Martha Knisley, Director, DMH**: "Recommendation seven has to date not proven necessary to move forward with viable supported employment program."

OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR FISCAL YEAR 2003 REPORTS:

"Examination of the Commission on Mental Health Services' Financial Operations Under Court-Ordered Receivership Revealed Ineffective Management Accountability and Inadequate Financial Controls"

RELEASED: June 19, 2003

TOTAL RECOMMENDATIONS: 7 **RECOMMENDATIONS IMPLEMENTED OR CORRECTIVE ACTIONS TAKEN: 7** **RECOMMENDATIONS PARTIALLY IMPLEMENTED OR IN PROGRESS:** **RECOMMENDATIONS NOT IMPLEMENTED:**		
FINDING NO. 1: CMHS WAS UNABLE TO COLLECT APPROXIMATELY $153 MILLION IN REIMBURSEMENTS FROM MEDICAID, MEDICARE, AND OTHER FEDERAL BENEFIT PROGRAMS **Subfinding 1:** Deficiencies Were Found In CMHS' Management of Accounts Receivable		
RECOMMENDATIONS	**STATUS OF IMPLEMENTING RECOMMENDATION**	**EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED**
The Director and Chief Financial Officer of DMH immediately implement stronger internal controls over the review, recording, and write-off of accounts receivables including the establishment of an effective methodology to age accounts receivable.	**Letter dated February 4, 2005 from Martha Knisley, Director DMH:** "Subsequent to September 30, 2001, the date on which the analysis in your report ended, the Director of DMH and the DMH Fiscal Officer further downward revised the accounts receivable balance shown in Table II of your report. By way of example, table II of your report shows an accounts receivable balance for Medicare of over $37M at the start of FY 2002. As of today, the accounts receivable balance for FY2002 and prior is approximately one-tenth of that number, or slightly more than $3.8M. This action, and similar revisions of accounts receivable balances are consistent with DMH's improved procedures for accounts receivable review and management and equally importantly, are tangible evidence of the effectiveness of these improved procedures. By way of further explanation, DMH revenues are subject to an annual review at the agency, as well as the central office of the CFO. In addition, DMH revenues are also reviewed as part of the District's CAFR. DMH received no comments—in a management letter or otherwise—as part of the 2004 CAFR."	
The Director and Chief Financial Officer of DMH immediately evaluate systems for the collection of encounter and per diem data that support a successful claims	**Letter dated February 4, 2005 from Martha Knisley, Director DMH:** "Even prior to the issuance of report, Director and DMH Fiscal Officer had not only evaluated, but implemented a system for the collection of encounter data under a community-based fee	

reimbursement process. DMH must also enhance staff training on data collection.	for service system in which providers must submit encounter data in order to submit claims. Significantly, outpatient services no longer utilize per diem reimbursement. As described above, these services are now reimbursed on a fee-for-service basis. Accordingly, per diem reimbursement is limited to inpatient reimbursement to St. Eliz. Hospital under Medicare and Medicaid. DMH staff currently collect substantially more data, encounter data and otherwise, than under court-ordered receivership. In part, this is due to various performance measures that DMH has negotiated as part of its strategy for exiting the Dixon case."	
The Chief Financial Officer of DMH must develop realistic projections for third-party billings representing Medicaid, Medicare, and federal benefits.	**Letter dated February 4, 2005 from Martha Knisley, Director DMH:** "DMH Fiscal Officer working with DMH staff has developed more realistic projections for Medicaid, Medicare, and other federal healthcare reimbursement for those years subsequent to the issuance of report. In addition, DMH revenues are subject to annual review from the agency, OCFO, and as part of the CAFR. Revenue projections are never certain and changes in operations and reimbursement methodologies make historical data less reliable than they otherwise might be. By way of further explanation, during FY 2004 and 2005, DMH has made improved use of community hospitals for voluntary acute care and reduced the size of the Medicare/Medicaid certified part of the facility at St. Eliz. Hospital. In FY 2005, changes in Medicare reimbursement for inpatient psychiatric facilities were announced. These changes will be phased in over the next 3 years. Any one of these changes would have affected revenues and the interaction among the three creates additional variables."	
FINDING NO. 2: CMHS PAID $9 MILLION FOR SERVICES PROVIDED BY VENDORS WITHOUT VALID WRITTEN CONTRACTS **Subfinding 1**: $16 Million In Other Services Were Provided Without Benefit of a Contract **Subfinding 2:** CMHS Awarded An Additional $6.5 Million in Sole Source Emergency Contracts For Residential Services and Treatment For the District's Child And Youth Mental Health Consumers		
RECOMMENDATIONS	**STATUS OF IMPLEMENTING RECOMMENDATION**	**EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED**
The Director of DMH must discontinue the practice of authorizing the delivery of services without competition or written contracts, and immediately solicit and award	**Letter dated February 4, 2005 from Martha Knisley, Director DMH:** "Director of DMH has—assuming solely for purposes of responding that such practice was ever "authorized"—discontinued the practice of authorizing the delivery of services without	

contracts on a competitive basis in a manner that complies with District contracting and procurement laws and regulations.	competition or written contracts. DMD's policy, reinforced by several memoranda from the Director of DMH, is to award contracts in compliance with District contracting and procurement law. In those few instances where staff deviate from DMH policy and District law, DMH take appropriate and timely corrective measures."	
FINDING NO. 3: CMHS WAS BILLED APPROXIMATELY $6 MILLION DURING THE THREE-YEAR AUDIT PERIOD FOR INTENSIVE CASE MANAGEMENT SERVICES THAT WERE NOT SUPPORTED BY ADEQUATE DOCUMENTATION		
RECOMMENDATIONS	**STATUS OF IMPLEMENTING RECOMMENDATION**	**EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED**
The Director of DMH immediately establish adequate contractor monitoring policies, procedures, and recordkeeping requirements ensuring the delivery of services to consumers. All services, whether intensive or regular, must be supported with proper authorizing documentation.	**Letter dated February 4, 2005 from Martha Knisley, Director DMH:** "Since Nov. 2001, pursuant to District regulations, the Director of DMH has established contractor monitoring and recordkeeping requirements. These requirements can be found in Chapter 34 of Title 22 of DCMR. They include, but are not limited to a certification and re-certification process as well as a requirement that providers "notify DMH immediately of any changes in its operation that affect the providers continued compliance with the certification standards, including changes in ownership or control, changes in service and changes in its affiliation and referral arrangements. 22 DCMR § 3401.13. These regulations also impose documentation on and record-keeping requirements." See 22 DCMR §§ 3408, 3409, 3410.16 and 3410.30"	
FINDING NO. 4: CMHS' COSTS OF VENDOR PROVIDED CARE TO CONSUMERS SERVED IN MHCRFs AVERAGED APPROXIMATELY $37,546 PER CONSUMER FOR FISCAL YEARS 1998 THROUGH 2000: No recommendations. **Subfinding 1:** Administrative Costs Increased the Total Estimated Program Costs for CMHS Consumers Residing in MHCRFs To Approximately $60,000 Per Consumer Per Year **Subfinding 2:** CMHS Incurred Costs Totaling $6.6 Million for Consumers in Supported Independent Living Arrangements		

FINDING NO. 5: THE DISTRICT HOUSED AND EDUCATED AN AVERAGE OF APPROXIMATELY 180 CHILDREN AND YOUTH IN OUT-OF-STATE FACILITIES AT AN AVERAGE COST OF APPROXIMATELY $53,586 PER CHILD PER YEAR **Subfinding 1:** There Is a Wide Disparity in The Rates Paid to Providers That House District Child and Youth Mental Health Consumers		
RECOMMENDATIONS	**STATUS OF IMPLEMENTING RECOMMENDATION**	**EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED**
The Director of DMH must explore the possibility of establishing facilities within the District of Columbia to provide mental health care and related services to District child and youth mental health consumers.	**Letter dated February 4, 2005 from Martha Knisley, Director DMH:** "DMH through the Certification Division of the Office of Accountability has certified numerous core service agencies within the District of Columbia that provide community-based mental health services to District child and youth mental health consumers."	**Letter dated February 4, 2005 from Martha Knisley, Director DMH:** "By way of further explanation, recommendations six and seven followed a section in [Auditor's] report that discussed the costs associated with residential placement of children and youth at facilities outside of the District. While the creation of a community-based mental health system was designed to minimize the need for residential placement of children and youth, it cannot eliminate it. As of today, there remain more children in residential placement than spaces at Medicaid certified residential treatment centers located in the District. DMH is working to bring as many of those children back to the District as possible, and to move those who must remain in out of state placements to Medicaid certified facilities in those states."
The Director of DMH immediately negotiate contracts with vendors who provide services to the District's child and youth mental health population. These contracts should be awarded on a competitive basis in compliance with District contracting and procurement laws and regulations.	**Letter dated February 4, 2005 from Martha Knisley, Director DMH:** "While DMH does not negotiate contracts with its core service agencies, it does operate an "any willing provider" system that allows any qualified provider to apply for certification and to receive a human care agreement and task order, as required under District procurement laws and regulations.	**Letter dated February 4, 2005 from Martha Knisley, Director DMH:** "By way of further explanation, recommendations six and seven followed a section in [Auditor's] report that discussed the costs associated with residential placement of children and youth at facilities outside of the District. While the creation of a community-based mental health system was designed to minimize the need for residential placement of children and youth, it cannot eliminate it. As of today, there remain more children in residential placement tan spaces at Medicaid certified residential treatment centers located in the District. DMH is working to bring as many of those children back to the District as possible, and to move those who must remain in out of state placements to Medicaid certified facilities in those states."