

**WASHTENAW COMMUNITY  
HEALTH ORGANIZATION**

**COMMUNITY MENTAL HEALTH (CMH)  
COMPLIANCE EXAMINATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

# WASHTENAW COMMUNITY HEALTH ORGANIZATION

## Table of Contents

---

	<u>PAGE</u>
Independent Accountants' Report.....	1
Independent Accountants' Report on Compliance with Requirements Applicable to the Medicaid, General Fund, and Community Mental Health Services Block Grant Programs and Internal Control Over Compliance in Accordance with <i>CMH Compliance Examination</i> <i>Guidelines</i> Issued by the Michigan Department of Community Health.....	2-3
Examined Financial Status Report Schedule – Revenues.....	4
Examined Financial Status Report Schedule – Expenditures.....	5
Examined Cost Settlement Schedule.....	6-15
Schedule of Findings and Questioned Costs.....	16-21

**INDEPENDENT ACCOUNTANTS' REPORT**

June 28, 2010

To the Board of Directors of the  
Washtenaw Community Health Organization  
Ypsilanti, Michigan

We have examined the Financial Status Report (FSR) and Cost Settlement Schedule of the **Washtenaw Community Health Organization** (the "Organization") in accordance with the specified requirements described in *CMH Compliance Examination Guidelines*, issued by the Michigan Department of Community Health (MDCH), that are applicable to its Medicaid and General Fund programs for the year ended September 30, 2009. Compliance with these requirements is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Organization's compliance with specified requirements.

In our opinion, the Organization's FSR and Cost Settlement Schedule referred to above complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2009.

This report is intended solely for the information and use of the Organization's board, management, and the MDCH and is not intended to be and should not be used by anyone other than these specified parties.



**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO THE MEDICAID, GENERAL FUND, AND  
COMMUNITY MENTAL HEALTH SERVICES BLOCK GRANT PROGRAMS  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH *CMH COMPLIANCE EXAMINATION GUIDELINES* ISSUED BY  
THE MICHIGAN DEPARTMENT OF COMMUNITY HEALTH**

June 28, 2010

To the Board of Directors of the  
Washtenaw Community Health Organization  
Ypsilanti, Michigan

### **Compliance**

We have examined the compliance of the *Washtenaw Community Health Organization* (the "Organization") with the specified requirements described in *CMH Compliance Examination Guidelines*, issued by the Michigan Department of Community Health (MDCH), that are applicable to its Medicaid, General Fund, and Community Mental Health Services Block Grant programs for the year ended September 30, 2009. Compliance with these requirements is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the Organization's compliance with specified requirements based on specified criteria established by MDCH and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Organization's compliance with those requirements.

As described in item 2009-2 in the accompanying schedule of findings and questioned costs, the Organization did not comply with the requirements of Consumer Fund Monitoring that are applicable to its Medicaid and General Fund programs. Compliance with this requirement is necessary, in our opinion, for the Organization to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Organization complied, in all material respects, with the specified requirements referred to above that are applicable to its Medicaid, General Fund, and Community Mental Health Services Block Grant programs for the year ended September 30, 2009. In addition, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with *CMH Compliance Examination Guidelines* and which are described in the accompanying schedule of findings and questioned costs as items 2009-3 and 2009-4.

## **Internal Control Over Compliance**

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to its Medicaid, General Fund and Community Mental Health Services Block Grant programs. In planning and performing our examination, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on its Medicaid, General Fund and Community Mental Health Services Block Grant programs in order to determine our examination procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Organization's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of the Medicaid, General Fund or Community Mental Health Services Block Grant program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer the Medicaid, General Fund or Community Mental Health Services Block Grant program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of the Medicaid, General Fund or Community Mental Health Services Block Grant program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-1 and 2009-2 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of the Medicaid, General Fund or Community Mental Health Services Block Grant program will not be prevented or detected by the entity's internal control. We consider both deficiencies described above to be material weaknesses.

The Organization's responses to the findings identified in our examination are described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Organization's board, management, and the MDCH and is not intended to be and should not be used by anyone other than these specified parties.



**Washtenaw Community Health Organization**  
**EXAMINED FSR SCHEDULE**  
**FYE 9/30/2009**

REVENUES		REPORTED	EXAMINATION ADJUSTMENTS	ADJUSTED TOTALS
<b>A.</b>	<b>REVENUES NOT OTHERWISE REPORTED</b>	\$ 3,136,112	\$ (90,000)	\$ 3,046,112
<b>C.</b>	<b>EARNED CONTRACTS (Non DCH) TOTAL</b>	\$ -	\$ -	\$ -
1	CMH to CMH	-	-	-
2	Other	-	-	-
3	Medicaid Managed Care - CMHSP Affiliate	-	-	-
<b>D.</b>	<b>MI CHILD - MENTAL HEALTH</b>	\$ 80,793	\$ -	\$ 80,793
<b>D.1</b>	<b>ADULT BENEFITS WAIVER</b>	\$ 786,009	\$ -	\$ 786,009
<b>E.</b>	<b>LOCAL FUNDING TOTAL</b>	\$ 4,900,411	\$ 390,302	\$ 5,290,713
1	Special Fund Account (226(a))	320,821	-	320,821
2	Title XX Replacement	19,065	-	19,065
3	All Other	3,672,693	390,302	4,062,995
4	Affiliate Local Contribution to State Medicaid Match Provided from CMHSP	887,832	-	887,832
<b>F.</b>	<b>RESERVE BALANCES - PLANNED FOR USE</b>	\$ -	\$ 249,339	\$ 249,339
1	GF Carryforward-Sec. 226(2)(b)( c)	-	-	-
2	Medicaid Savings	-	-	-
3	Internal Service Fund - Abatement	-	249,339	249,339
4	Internal Service Fund - Risk Corridor	-	-	-
5	Other (205(4)(h)) - Reserves - Vested Employee Benefit / Depreciation	-	-	-
6	Stop/Loss Ins.	-	-	-
<b>G.</b>	<b>DCH EARNED CONTRACTS TOTAL</b>	\$ 1,237,126	\$ -	\$ 1,237,126
1	PASARR	647,263	-	647,263
2	Block Grant for CMH Services	414,787	-	414,787
3	DD Council Grants	-	-	-
4	PATH/Homeless	175,076	-	175,076
5	Prevention	-	-	-
6	Aging	-	-	-
7	HUD Shelter Plus Care	-	-	-
8	Other DCH Earned Contracts	-	-	-
<b>H.</b>	<b>GROSS MEDICAID TOTAL</b>	\$ 99,729,061	\$ 196,018	\$ 99,925,079
1	Medicaid Specialty Managed Care	98,891,142	196,018	99,087,160
2	Medicaid - Children's Waiver Total	837,919	-	837,919
3	Medicaid - SED Waiver - Federal Dollars	-	-	-
<b>I.</b>	<b>REIMBURSEMENTS TOTAL</b>	\$ 758,088	\$ -	\$ 758,088
1	1st and 3rd Party	758,088	-	758,088
2	SSI	-	-	-
<b>J.</b>	<b>STATE GENERAL FUNDS TOTAL</b>	\$ 10,353,669	\$ 36	\$ 10,353,705
1	CMH Operations	7,743,927	-	7,743,927
2	Categorical Funding	607,584	36	607,620
3	State Services Base	2,002,158	-	2,002,158
<b>K.</b>	<b>GRAND TOTAL REVENUES</b>	\$ 120,981,269	\$ 745,695	\$ 121,726,964
<b>L.</b>	<b>Estimated MDCH Obligation including Federal Medicaid (D + D1 + H + J)</b>	\$ 110,949,532	\$ 196,054	\$ 111,145,586

Washtenaw Community Health Organization  
EXAMINED FSR SCHEDULE  
FYE 9/30/2009

EXPENDITURES	REPORTED	EXAMINATION ADJUSTMENTS	ADJUSTED TOTALS
<b>A. GROSS TOTAL EXPENDITURES</b>	\$ 120,187,458	\$ 249,339	\$ 120,436,797
<b>B. EXPENDITURES NOT OTHERWISE REPORTED</b>	\$ 3,265,901	\$ -	\$ 3,265,901
<b>D. EARNED CONTRACTS (NON DCH) TOTAL</b>	\$ -	\$ -	\$ -
1 CMH to CMH	-	-	-
2 Other Earned Contracts	-	-	-
3 Medicaid Managed Care - Affiliate	-	-	-
<b>F. LOCAL TOTAL</b>	\$ 1,880,739	\$ -	\$ 1,880,739
1 Local Cost for State Provided Services	302,959	-	302,959
2 Other Not Used As Local Match	-	-	-
3 Affiliate Local Contribution to State Medicaid Match Provided to PIHP	887,832	(887,832)	-
4 PIHP Contribution to State Medicaid Match Provided to DCH	689,948	887,832	1,577,780
5 Prior Year Carry-Forward	-	-	-
<b>G. EXPENDITURES FROM RESERVE BALANCES</b>	\$ -	\$ 249,339	\$ 249,339
1 GF Carryforward - Sec. 226(2)(b)(c)	-	-	-
2 Medicaid Savings	-	-	-
3 Internal Service Fund - Abatement	-	249,339	249,339
4 Other (205(4)(h)) - Reserves - Vested Employee Benefits / Depreciation	-	-	-
5 Stop/Loss Ins.	-	-	-
<b>H. MDCH EARNED CONTRACTS TOTAL</b>	\$ 1,237,126	\$ -	\$ 1,237,126
1 PASARR	647,263	-	647,263
2 Block Grant for CMH Services	414,787	-	414,787
3 DD Council Grants	-	-	-
4 PATH/Homeless	175,076	-	175,076
5 Prevention	-	-	-
6 Aging	-	-	-
7 HUD Shelter Plus Care	-	-	-
8 Other DCH Earned Contracts	-	-	-
<b>I. MATCHABLE SERVICES (A minus B through H)</b>	\$ 113,803,692	\$ -	\$ 113,803,692
<b>J. PAYMENTS TO MDCH FOR STATE SERVICES</b>	\$ 1,427,399	\$ -	\$ 1,427,399
<b>K. SPECIALTY MANAGED CARE SERVICES TOTAL</b>	\$ 99,073,373	\$ -	\$ 99,073,373
1 100% MDCH Matchable Services	93,381,165	-	93,381,165
2 All SSI and Other Reimbursements	182,230	-	182,230
3 Net MDCh Share for 100% Services (K.1 - K.2)	93,198,935	-	93,198,935
4 QAAP Expenditures	5,692,208	-	5,692,208
5 Total MDCH (K.3 + K.4)	98,891,143	-	98,891,143
<b>L. GF CATEGORICAL AND FORMULA SERVICES TOTAL</b>	\$ 11,406,277	\$ -	\$ 11,406,277
1 100% MDCH Matchable Services	4,667,547	-	4,667,547
2 All SSI and Other Reimbursements	1,583,647	(1,583,647)	-
3 Net GF and Formula for 100% Services (L1 - L2)	3,083,900	1,583,647	4,667,547
4 90/10 Matchable Services	6,738,730	-	6,738,730
5 Reimbursements	575,858	-	575,858
6 10% Local Match Funds	616,287	-	616,287
7 Net GF and Formula for 90/10 Services (L4 - L5 - L6)	5,546,585	-	5,546,585
8 Total MDCH GF and Formula (L3 + L7)	8,630,485	1,583,647	10,214,132
<b>L.a. MIChild Mental Health</b>	\$ 133,229	\$ -	\$ 133,229
1 MIChild Mental Health - Capitation - Medicaid only	80,793	-	80,793
2 MIChild Mental Health - MDCH GF Operations Base	52,436	-	52,436
<b>L.b. Adult Benefits Waiver</b>	\$ 682,146	\$ -	\$ 682,146
1 ABW - Capitation - Medicaid and State Match	682,146	-	682,146
2 ABW - MDCH GF Operations Base	-	-	-
<b>L.c. SED Waiver</b>	\$ -	\$ -	\$ -
1 SED - Federal	-	-	-
2 SED - MDCH GF Operations Base	-	-	-
3 SED - Other	-	-	-
4 SED - Non-Federal Reimbursable - Other	-	-	-
<b>M. CHILDREN'S WAIVER - TOTAL</b>	\$ 1,081,268	\$ -	\$ 1,081,268
1 Medicaid	837,919	-	837,919
2 Other Reimbursements	-	-	-
3 MDCH GF Operations Base	243,349	-	243,349
<b>O. TOTAL LOCAL FUNDS (F + L6)</b>	\$ 2,497,026	\$ -	\$ 2,497,026
<b>P. TOTAL MDCH SHARE OF EXPENDITURES (J+K5+L8+La+Lb+Lc1+Lc2+M1+M3)</b>	\$ 110,845,670	\$ 1,583,647	\$ 112,429,317

**EXAMINED CONTRACT RECONCILIATION AND CASH SETTLEMENT  
SECTION A: SETTLEMENT SUMMARY**

CMHSP: Washtenaw Community Health Organization  
FISCAL YEAR: 2008/2009

1. Medicaid		Matchable Expenditures	Medicaid Savings	Moe / Categorical Redistribution	Sub-Total Expenditures	Redirection of GF	Total Expenditures	Total Lapse	Total Risk Corridor
a.	Maintenance of Effort	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b.	Specialty Managed Care	\$ 99,087,160	\$ 196,017	\$ -	\$ 99,087,160	\$ -	\$ 99,087,160	\$ -	\$ -
c.	Total Medicaid	\$ 99,087,160	\$ 196,017	\$ -	\$ 99,087,160	\$ -	\$ 99,087,160	\$ -	\$ -

2. General Fund		Matchable Expenditures	GF Carry Forward	Moe / Categorical Redistribution	Sub-Total Expenditures	Redirection of GF	Total Expenditures	Total Lapse	Total Risk Corridor
a.	Maintenance of Effort	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b.	Categorical	\$ 607,620	\$ -	\$ -	\$ 607,584	\$ -	\$ 607,584	\$ 36	\$ -
c.	General Fund	\$ 9,746,085	\$ -	\$ -	\$ 11,329,732	\$ -	\$ 11,329,732	\$ -	\$ (1,583,647)
d.	Total General Fund	\$ 10,353,705	\$ -	\$ -	\$ 11,937,316	\$ -	\$ 11,937,316	\$ 36	\$ -

3. CASH SETTLEMENT		MDCH COMMITMENT	SETTLEMENT CASH	BALANCE DUE (MDCH) / CMH	EXAMINED BALANCE DUE (MDCH) / CMH	ORIGINAL STL BALANCE DUE (MDCH) / CMH	NET IMPACT BALANCE DUE (MDCH) / CMH
a.	Medicaid	\$ 99,087,160	\$ 99,087,160	\$ -	\$ -	\$ -	\$ -
b.	General Fund	\$ 10,353,669	\$ 10,353,705	\$ (36)	\$ (36)	\$ -	\$ (36)
c.	Total	\$ 109,440,829	\$ 109,440,865	\$ (36)	\$ (36)	\$ -	\$ (36)

MDCH Commitment is the lesser of Authorization less Forced Lapses or Total Expenditures

4. State Purchased Services		CMHSP Obligation	Payments Sent MDCH	Balance Due (MDCH) / CMH	EXAMINED Balance Due (MDCH) / CMH	ORIGINAL STL BALANCE DUE (MDCH) / CMH	NET IMPACT BALANCE DUE (MDCH) / CMH
a.	State Facility	\$ 1,427,399	\$ 1,412,553	\$ (14,846)	\$ (14,846)	\$ -	\$ (14,846)

5. Miscellaneous		Balance Due (MDCH) / CMH	EXAMINED Balance Due (MDCH) / CMH	ORIGINAL STL BALANCE DUE (MDCH) / CMH	NET IMPACT BALANCE DUE (MDCH) / CMH
a.	FY 08 Carry Forward	\$ -	\$ -	\$ -	\$ -
b.		\$ -	\$ -	\$ -	\$ -
c.	Sub-Total	\$ -	\$ -	\$ -	\$ -

6. Total Cash Settlement		\$ (14,862)	\$ (14,862)	\$ -	\$ (14,862)
--------------------------	--	-------------	-------------	------	-------------

MEDICAID SAVINGS EARNED	
EXAMINED	\$ 196,017
ORIGINAL SETTLEMENT INCREASE (DECREASE)	\$ -
	\$ 196,017

Comments:

GF CARRY FORWARD EARNED	
EXAMINED	\$ -
ORIGINAL SETTLEMENT INCREASE (DECREASE)	\$ -
	\$ -

Comments:

**EXAMINED CONTRACT RECONCILIATION AND CASH SETTLEMENT**  
**SECTION B: CARRY FORWARD & MEDICAID SAVINGS**

CMHSP: Washtenaw Community Health Organization  
 FISCAL YEAR: 2008/2009

1. Carry Forward - State Mental Health General Funds (Formula Funding)				
	Specialty Managed Care	GF Categorical & Formula	Children's Waiver	Total
a.	Prior Year Carry Forward Earned			\$ -
b.	Current Year Expenditures			
1.	100% MDCH Matchable Services	\$ -	\$ -	\$ -
2.	90/10% MDCH Matchable Services	-	-	-
3.	10% Local Match Funds	-	-	-
4.	Net State Share for 90/10% Services	-	-	-
5.	Total MDCH Share	\$ -	\$ -	\$ -
c.	Unspent Carry Forward			\$ -

2. Medicaid Savings						
	FY	FY	FY	Total		
a.	Prior Year Medicaid Savings Earned	\$ -	\$ -	\$ -		
b.	Current Year Expenditures	\$ -	\$ -	\$ -		
c.	Balance of Medicaid Savings:	\$ -	\$ -	\$ -		
d.	Reinvestment Strategy - Medicaid Savings					
1.	Project Title	Approved Initiative	Actual Expenditures	Variance Amount	Percentage	Concise Description Of Outcome(s) Achieved
a.		\$ -	\$ -	\$ -	0%	
b.		-	-	-	0%	
c.		-	-	-	0%	
d.	Total Reinvestment	\$ -	\$ -	\$ -	0%	

Footnote: If space provided for Reinvestment Strategy - Medicaid Savings is not sufficient, please attach additional sheet(s).

**EXAMINED CONTRACT RECONCILIATION AND CASH SETTLEMENT  
SECTION C: MAINTENANCE OF EFFORT (MOE) & CATEGORICAL WORKSHEET**

**CMHSP: Washtenaw Community Health Organization  
FISCAL YEAR: 2008/2009**

1. MOE - Totals Categories	Contract Authorization		Medicaid		General Fund		Total MOE Expenditures		Revised Authorizations	
	MOE Expenditures	Percent of Total Exp.	MOE Expenditures	Percent of Total Exp.	MOE Expenditures	Percent of Total Exp.	Total MOE Expenditures	Medicaid	General Fund	Total
a. Ethnic Population	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -
b. OBRA Active Treatment	-	0.00%	-	0.00%	-	0.00%	-	-	-	-
c. OBRA Residential	-	0.00%	-	0.00%	-	0.00%	-	-	-	-
d.	-	0.00%	-	0.00%	-	0.00%	-	-	-	-
e. Residential Direct Care Wage #2	-	0.00%	-	0.00%	-	0.00%	-	-	-	-
f. Total	\$ -		\$ -		\$ -		\$ -	\$ -	\$ -	\$ -

2. MOE - Medicaid Categories	Revised Authorization	MOE Requirement	MOE Expectation	MOE Savings	Maximum C/F	MOE Expenditures	MOE Balance	Forced Lapse	Savings	Total MOE Exp. & C/F
a. Ethnic Population	\$ -	95.00%	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -
b. OBRA Active Treatment	-	95.00%	-	-	-	-	-	-	-	-
c. OBRA Residential	-	95.00%	-	-	-	-	-	-	-	-
d.	-	100.00%	-	-	-	-	-	-	-	-
e. Residential Direct Care Wage #2	-	100.00%	-	-	-	-	-	-	-	-
f. Total	\$ -		\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -

3. MOE - General Fund Categories	Revised Authorization	MOE Requirement	MOE Expectation	MOE Savings	Maximum C/F	MOE Expenditures	MOE Balance	Forced Lapse	Carry Forward	Total MOE Exp. & C/F
a. Ethnic Population	\$ -	95.00%	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -
b. OBRA Active Treatment	-	95.00%	-	-	-	-	-	-	-	-
c. OBRA Residential	-	95.00%	-	-	-	-	-	-	-	-
d.	-	100.00%	-	-	-	-	-	-	-	-
e. Residential Direct Care Wage #2	-	100.00%	-	-	-	-	-	-	-	-
f. Total	\$ -		\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -

4. Recap-MOE	Total MOE Expenditures		Total MOE Savings - C/F		Total MOE LAPSE		Total MOE
	Expenditures	Savings - C/F	Expenditures	LAPSE	Expenditures	LAPSE	
a. Medicaid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. General Fund	-	-	-	-	-	-	-
c. Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

5. Categorical - Categories	Authorizations		Expenditures		Lapse	
	Authorizations	Expenditures	Expenditures	Lapse	Authorizations	Lapse
a. Grant Pickup	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. Respite - Tobacco Tax	7,620	7,620	7,620	-	-	-
c. Multicultural Services	-	-	-	-	-	-
d. Other Funding	600,000	599,964	599,964	36	-	-
e. "space holder"	-	-	-	-	-	-
f. Total	\$ 607,620	\$ 607,584	\$ 607,584	\$ 36	\$ -	\$ -

Sections C.1 through C.4 are not required for FY 2009

**EXAMINED CONTRACT RECONCILIATION AND CASH SETTLEMENT  
SECTION D: STATE FACILITY WORKSHEET**

**CMHSP: Washenaw Community Health Organization  
FISCAL YEAR: 2008/2009**

	Caro Center	Kalamazoo	W. Reuther	Hawthorn	Mt. Pleasant	Mt. Pleasant	Total
<b>1. Days Of Care</b>	<b>\$ 385 \$</b>	<b>353 \$</b>	<b>306 \$</b>	<b>152 \$</b>	<b>142 \$</b>	<b>498</b>	

	State Report 16007-01	1. Days Of Care	2. Billed Costs	1. Days Of Care	2. Billed Costs	1. Days Of Care	2. Billed Costs	1. Days Of Care	2. Billed Costs	1. Days Of Care	2. Billed Costs	Total
a.												
1.	Days Of Care	-	\$ -	1,211	2,652	372	950	950	5,185	-	-	5,185
2.	Billed Costs	-	\$ -	427,483	811,512	56,544	134,900	134,900	1,430,439	-	-	1,430,439
b.	CMHSP Reported											
1.	Days Of Care	-	\$ -	1,211	2,652	352	950	950	5,165	-	-	5,165
2.	Billed Costs	-	\$ -	427,483	811,512	53,504	134,900	134,900	1,427,399	-	-	1,427,399

c.	Narrative of any variances between State Report 16007-01 and the CMHSP Reported data. Data to include Client Name, Case Number, and Dates of Services:											
	Consumer - M. F. Case# 31714 \$1,672 Issue related to County of Residence - 11 x \$152 - Hawthorn											
	Consumer - M. P. Case# 32520 \$1,368 Issue related to County of Residence - 9 x \$152 - Hawthorn											
	Total \$3,040											

	State Facility Cash Settlement	State Facility Cost	Payments Sent MDCH through 9/30	Payments Sent MDCH after 9/30	Total Payments Sent to MDCH	Balance Due (MDCH)/CMH
a.	State Facility Total	\$ 1,427,399	\$ 1,084,118	\$ 328,435	\$ 1,412,553	\$ (14,846)

3. Reconciliation to FSR		Expenditures	Narrative of Variance
a.	FSR Expenditures (Line J)	\$ 1,427,399	
b.	State Facility Cost	1,427,399	
c.	Variance	-	

**EXAMINED CONTRACT RECONCILIATION AND CASH SETTLEMENT  
SECTION E: SPECIALTY MANAGED CARE SERVICES WORKSHEET**

**CMHSP: Washtenaw Community Health Organization  
FISCAL YEAR: 2008/2009**

**1. Specialty Managed Care Savings Forward Calculation**

a.	Specialty Managed Care Authorization (PEPM & Accrual):	\$ 99,087,160	d.	Medicaid Non-MOE Maximum Savings	\$ 7,431,537
b.	Less: MOE Authorization	-	e.	MOE Savings (From MOE Worksheet)	-
c.	Balance Used for Calculation of Savings	99,087,160	f.	Maximum Savings	7,431,537

**2. Specialty Managed Care Expenditures**

	Total Program Expenditures	Total Program Funding			Control Total
		State Responsibility Federal 58.10%	State 41.90%	CMHSP Responsibility Local Other	
<b>a. 100% Matchable Services</b>					
1.	Total Program Expenditures (inc. QAAP)	\$ 99,073,373	\$ 57,455,754	\$ 41,435,389	\$ 99,073,373
2.	All SSI and Other Reimbursement	182,230			
3.	Net State Share 100% Services	98,891,143			
<b>b. 90% Matchable Services</b>					
1.	Total Program Expenditures	-	-	-	-
2.	Other Reimbursement	-	-	-	-
3.	Sub-Total - Medicaid Base	-	-	-	-
4.	Medicaid Federal Share	-	-	-	-
5.	Sub-Total - Match Base	-	-	-	-
6.	10% Local Match Funds	-	-	-	-
7.	Net State Share 90/10 Services	-	-	-	-
8.	Total Specialty Managed Care	\$ 99,073,373	\$ 57,455,754	\$ 41,435,389	\$ 99,073,373

**3. Specialty Managed Care Authorization to Expenditures**

a.	State Authorization	\$ 99,087,160	\$ 57,569,640	\$ 41,517,520	\$ 99,087,160
b.	Local Funding / Other Reimbursements	182,230			182,230
c.	Total Specialty Managed Care Authorization	99,269,390	57,569,640	41,517,520	99,269,390
d.	Total Specialty Managed Care Expenditures	99,073,373	57,455,754	41,435,389	99,073,373
e.	Redirection of GF - From GF	-	-	-	-
f.	Redirection of Freed-Up GF - To GF	-	-	-	-
g.	Adjusted Expenditures	99,073,373	\$ 57,455,754	\$ 41,435,389	\$ 99,073,373
h.	Funding Surplus / (Deficit)	196,017			
i.	Less: Forced Lapse (MOE)	-			
j.	Sub-Total	196,017			
k.	Balance Available for Savings	196,017			
l.	State Obligation for Savings	196,017			
m.	Non-MOE Lapse	-			
n.	Risk Corridor	-			

**4. Recap**

	Total Prog. Exp.	State Obligation	CMHSP / Other
a.	Recap: Total Authorization	\$ 99,269,390	\$ 182,230
b.	Recap: Total Matchable Expenditures	99,073,373	98,891,143
c.	Recap: Total Redirection	-	196,017
d.	Recap: Total Savings	-	-
e.	Recap: Forced Lapse MOE	-	-
f.	Recap: Forced Lapse Non-MOE	-	-
g.	Recap: Total Risk Corridor	-	-

**EXAMINED CONTRACT RECONCILIATION AND CASH SETTLEMENT  
SECTION EE: MEDICAID SAVINGS / MEDICAID LAPSE WORKSHEET**

**CMHSP: Washtenaw Community Health Organization  
FISCAL YEAR: 2008/2009**

**1. Specialty Managed Care**

a.	Operating Budget	\$	99,087,160						
1.	Band # 1 (100 - 105%)	5%	4,954,358						PIHP shall retain
2.	Band # 2 (105 - 110%)	5%	4,954,358						Shared PIHP / MDCH
b.	Balance Available for Savings (from Specialty Managed Care Worksheet)		196,017						
1.	Band # 1 Liability		196,017						
2.	Sub-Total - Band # 1		-						
3.	Band # 2 Liability		-						
4.	Sub-Total - Band # 2		-						
5.	Band # 3 Liability		-						
6.	Totals		\$						

	Medicaid Lapse	Medicaid Savings	Total Savings Corridor
\$	-	\$ 196,017	\$ 196,017
	-	-	-
	-	-	-
	-	-	-
\$	-	\$ 196,017	\$ 196,017

**EXAMINED CONTRACT RECONCILIATION AND CASH SETTLEMENT**  
**SECTION F: GENERAL FUND WORKSHEET**

**CMHSP: Washtenaw Community Health Organization**  
**FISCAL YEAR: 2008/2009**

1. GF Authorization / Carry-Forward Calculation					
a.	CMH Operations Funding	\$	7,743,927		\$
b.	Categorical Funding		607,620		607,620
c.	DCH Risk Authorization		-		9,746,085
d.	State Facility Funding		2,002,158		487,304
e.	DD Center Adjustment		-		-
f.	Total GF Authorization	\$	10,353,705		\$

	Total Program Expenditures	State	Redirect GF	CMHSP Responsibility		Control Total
				Local	Other	

<b>2. General Fund Expenditures</b>						
<b>a. 100% Matchable Services</b>						
1.	Total Program Expenditures (inc MICHild, ABW, SED, CW - GF)	\$	4,963,332	\$	4,963,332	\$
2.	All SSI and Other Reimbursements		-		-	
3.	Net State Share 100% Services		4,963,332			
<b>b. 90% Matchable Services</b>						
1.	Total Program Expenditures		6,738,730		5,546,585	
2.	Other Reimbursements		575,858		616,287	
3.	Sub-Total		6,162,872		5,446,585	
4.	10% Local Match Funds		616,287		616,287	
5.	Net State Share 90/10 Services		5,546,585			
<b>c.</b>	Liability for State Services		1,427,399		1,427,399	
<b>d.</b>	Total GF & Local - Expenditures	\$	13,129,461	\$	11,937,316	\$
					616,287	575,858

<b>3. General Fund Authorization to Expenditures</b>						
a.	State Authorization	\$	10,353,705	\$	10,353,705	\$
b.	Local Funding / Other Reimbursements		1,192,145		575,858	
c.	Total GF & Local Authorization		11,545,850		10,353,705	
d.	Total GF & Local Expenditures		13,129,461		11,937,316	
e.	Redirection of GF to Medicaid		-		-	
f.	Redirection of Freed Up GF - From Medicaid		-		-	
g.	Adjusted Expenditures		13,129,461		11,937,316	
h.	Funding Surplus / (Deficit)		(1,583,611)			
i.	Less: Forced Lapse (MOE & Categorical)		36			
j.	Sub-Total		(1,583,647)			
k.	Balance Available for Carry-Forward		-			
l.	State Obligation for Carry-Forward		-			
m.	Non-MOE Lapse		-			
n.	Risk Corridor	\$	(1,583,647)			

4. Recap		Total Prog. Exp.	State Obligation	CMHSP / Other	
a.	Recap: Total Authorization	\$	11,545,850	\$	1,192,145
b.	Recap: Total Matchable Expenditures		13,129,461		1,192,145
c.	Recap: Total Redirection		-		-
d.	Recap: Total Carry Forward		-		-
e.	Recap: Forced Lapse MOE & Categorical		36		
f.	Recap: Forced Lapse Non-MOE & Categorical		-		
g.	Recap: Total Risk Corridor		(1,583,647)		



**EXAMINED CONTRACT RECONCILIATION AND CASH SETTLEMENT**  
**SECTION H: CHILDREN'S WAIVER**

**CMHSP: Washtenaw Community Health Organization**  
**FISCAL YEAR: 2008/2009**

**For 2009 - Optional reporting only.**

<b>1. Prior Fiscal Year Reporting</b>				
	Accounts Receivable At 9/30	Cash Received Current FY	Variance	Medicaid Claims Pending
a. Services Provided October 1 - September 30	\$ -	\$ -	\$ -	\$ -

**Informational Purposes Only**

The Children's Waiver program remains on a Fee-For-Service basis. The information reported will be used to justify the accounts payable on the State's books for the outstanding liability.

<b>2. Current Fiscal Year Cost</b>				
	Number of Approved Waivers	Gross Cost Of Children's Waiver	Fee-For-Service Expenditures	Variance
a. Services Provided October 1 - September 30	26	\$ 1,081,268	\$ 837,919	\$ 243,349

**Informational Purposes Only**

Comparing Medicaid screen reimbursement to actual Children's Waiver expenditures.

<b>3. Current Fiscal Year Reporting</b>					
	Fee-For-Service Expenditures	Fee-For-Service Cash Received	Amounts Billed and Not Received	Amounts Not Billed	Total Amount Due For Fee-For-Service
a. Services Provided October 1 - September 30	\$ 837,919	\$ 516,169	\$ 168,945	\$ -	\$ 168,945

**Informational Purposes Only**

The Children's Waiver program remains on a Fee-For-Service basis. The information reported will be used to establish an accounts payable on the State's books for the outstanding liability.

**EXAMINED CONTRACT RECONCILIATION AND CASH SETTLEMENT  
SECTION I: CASH AND ACCRUED REVENUE WORKSHEET**

**CMHSP:** Washtenaw Community Health Organization  
**FISCAL YEAR:** 2008/2009

**1. Speciality Managed Care - Medicaid**

a.	Current FY Capitation Payments Received through 9/30	\$ 99,142,265
b.	Current FY DD Center Adjustment	-
c.	* Current FY Accruals Established for Period Ending 9/30	(165,890)
d.	Sub-Total:	98,976,375
	LESS	
e.	** Prior FY Accruals Established for period ending 9/30	(110,785)
f.	Total Current FY Settlement Accrued Revenue:	\$ 99,087,160

<b>* Current FY Accrual Breakdown:</b>	
FY 09 HSW Paid Thru	\$ -
FY 09 HSW Open as of	-
<b>Payment Sub-total:</b>	-
FY 09 HSW Recoveries thru	-
FY 09 HSW Recoveries Open as of	(165,890)
<b>Recovery Sub-total:</b>	(165,890)
<b>Total Accrual</b>	\$ (165,890)

<b>** Prior Year Accruals:</b>	
AY 08 HSW	\$ 44,852
AY 07 HSW	(155,637)
<b>Total Prior Year Accrual</b>	\$ (110,785)

**2. General Fund (Formula and Categorical Funding)**

a.	Current FY CMH Operations Funding Received through 9/30	\$ 7,768,742
b.	Current FY Categorical Funding Received through 9/30	607,620
c.	Current FY State Facility Funding Received through 9/30	2,002,158
d.	Sub-Total:	10,378,520
e.	Estimated Accruals	(24,815)
f.	Total Current FY GF Settlement Accrued Revenue:	\$ 10,353,705

# Washtenaw Community Health Organization

## Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2009

---

### SECTION I – SUMMARY OF ACCOUNTANTS’ RESULTS

#### Medicaid Program

Type of accountants’ report issued on compliance: Qualified

Internal control over Medicaid program:

Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported

Material noncompliance with the provisions of laws, regulations, or contracts noted?

	<u> X </u> yes	<u> </u> no
--	----------------	-------------

Known fraud identified?

	<u> X </u> yes	<u> </u> no
--	----------------	-------------

#### General Fund Program

Type of accountants’ report issued on compliance: Qualified

Internal control over General Fund program:

Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported

Material noncompliance with the provisions of laws, regulations, or contracts noted?

	<u> X </u> yes	<u> </u> no
--	----------------	-------------

Known fraud identified?

	<u> X </u> yes	<u> </u> no
--	----------------	-------------

#### Community Mental Health Services Block Grants

Type of accountants’ report issued on compliance: Unqualified

Internal control over CMHSBG program:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported

Material noncompliance with the provisions of laws, regulations, or contracts noted?

	<u> </u> yes	<u> X </u> no
--	--------------	---------------

Known fraud identified?

	<u> </u> yes	<u> X </u> no
--	--------------	---------------

# Washtenaw Community Health Organization

## Schedule of Findings and Questioned Costs (Continued)

For the Year Ended September 30, 2009

---

### SECTION II – FINDINGS AND QUESTIONED COSTS

#### 2009-1 Ability to Pay Forms – Material Weakness in Internal Controls over Compliance

**Criteria:** The Medicaid and General Fund contracts with the Michigan Department of Community Health require the Organization to have each consumer that receives services complete and sign an ability to pay form.

**Condition:** We noted 1 instance out of 60 in which the consumer's file did not contain a completed and signed ability to pay form. Also, during our fraud risk inquiries, it came to our attention that a fraud had occurred at one of the Organization's providers, in which an employee of the provider forged an ability to pay form and redirect funds from a consumer's trust account into the employee's personal account. These funds were intended to cover the consumer's portion of the services being provided. This fraud is still under investigation and any effect insofar as it relates to the FSR and CRCS is indeterminable at this time and no adjustment to the FSR or CRCS has been made.

**Cause:** These issues appear to have been caused by an ineffective review process over completed ability to pay forms.

**Effect:** As a result of this condition, the Organization is exposed to an increased risk that ability to pay forms will not be completed properly and accurately as required.

**Recommendation:**

We recommend that the Organization establish appropriate review procedures to ensure that all required consumer ability to pay forms are completed and signed.

**Management's**

**Response:** This responsibility had been delegated to the Community Support and Treatment Services department of Washtenaw County. During the following fiscal year, plans are being implemented to merge the Finance Departments from that entity with the Finance Department of the WCHO. All billing functions will be centralized under the newly revised Budget, Finance, and Administration Services Department. As part of the responsibilities of the billing unit, Ability-to-Pay functions performed by Benefit Specialists will be overseen and monitored by the Billing Specialist and her Supervisor.

**Responsible**

**Individual:** This responsibility had been delegated to the Community Support and Treatment Services department of Washtenaw County. During the following fiscal year, plans are being implemented to merge the Finance Departments from that entity with the Finance Department of the WCHO. All billing functions will be centralized under the newly revised Budget, Finance, and Administration Services Department. As part of the responsibilities of the billing unit, Ability-to-Pay functions performed by Benefit Specialists will be overseen and monitored by the Billing Specialist and her Supervisor.

**Completion**

**Date:** October 2010

# Washtenaw Community Health Organization

## Schedule of Findings and Questioned Costs (Continued)

For the Year Ended September 30, 2009

---

### SECTION II – FINDINGS AND QUESTIONED COSTS (CONCLUDED)

**2009-2 Consumer Fund Monitoring – Material Noncompliance, Material Weakness in Internal Controls over Compliance.**

**Criteria:** The MDCH Compliance Examination Guidelines require that sufficient controls exist to protect consumers' funds. No consumer funds are held directly by the Organization, but are held by various providers. In this case, adequate monitoring should take place at the provider to ensure consumers' funds are protected.

**Condition:** No monitoring of consumers' funds was conducted by the Organization during the year.

**Cause:** This appears to be a result from a change in the Organization's personnel. The individual originally responsible for the monitoring procedures no longer works for the Organization and there was not a sufficient transition of duties to ensure that this monitoring continued.

**Effect:** As a result, no procedures were performed by the Organization to ensure that consumers' funds are adequately protected.

**Recommendation:**

We recommend that the Organization establish appropriate procedures to ensure that consumers' funds are periodically monitored.

**Management's**

**Response:** This responsibility is assigned to the Deputy Finance Director and will be part of his financial review of Providers. Mr. Holda will conduct annual reviews of at least half of all contracted service Providers each year. For those Providers that directly hold consumer funds; however, an annual review of those funds will be conducted.

**Responsible**

**Individual:** Steven Holda, Deputy Finance Director

**Completion**

**Date:** July 2010

### SECTION III – EXAMINATION ADJUSTMENTS

**Revenue FSR:**

*Revenue FSR Section A*

Section A was initially reported as \$3,136,112. However, after submission of the FSR it was discovered that Washtenaw County had over paid for fees related to use of the Encompass system resulting in a decrease of "Revenue Not Otherwise Reported" by \$90,000. The Examined Revenue FSR has been updated to reflect this fact.

**Washtenaw Community Health Organization**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended September 30, 2009**

---

**SECTION III – EXAMINATION ADJUSTMENTS (CONTINUED)**

*Revenue FSR Section E, Line 3*

Line 3 was initially reported as \$3,672,693. However, after submission of the FSR it was determined that \$390,302 of local revenue had been inappropriately deferred. The appropriate amount of revenue to be reported on this line should have been \$4,062,995. The Examined Revenue FSR has been updated to reflect this fact.

*Revenue FSR Section F, Line 3*

Line 3 was initially reported as \$0. However, after submission of the FSR it was determined that \$149,900 needed to be abated from the ISF to fund the 2002/03 settlement with Lenawee CMHA and \$99,439 needed to be abated to fund the 2008/09 Medicaid deficit at Monroe CMHA, resulting in a \$249,339 increase. The Examined Revenue FSR has been updated to reflect this fact.

*Revenue FSR Section H, Line 1*

Line 1 was initially reported as \$98,891,142. However, after submission of the FSR it was determined that this amount did not take into consideration the prior year accrual reported to the Organization on the Statement of Medicaid and Substance Abuse Capitation schedule provided by MDCH, resulting in a \$196,018 increase. The Examined Revenue FSR has been updated to reflect this fact.

*Revenue FSR Section J, Line 2*

Line 2 was initially reported as \$607,584. However, after submission of the FSR it was determined that this amount should equal the gross amount received from MDCH for GF Categorical funding, not just the amount earned, resulting in a \$36 increase. The Examined Revenue FSR has been updated to reflect this fact.

**Expenditure FSR:**

*Expenditure FSR Section F, Lines 3 and 4*

Lines 3 and 4 were initially reported as \$887,832 and \$689,948, respectively. However, after submission of the FSR it was determined that the total of these amounts (\$1,577,780) should be reported on line 4 and that line 3 should be \$0 as required by the FSR instructions. The Examined Expenditure FSR has been updated to reflect this fact.

*Expenditure FSR Section G, Line 3*

Line 3 was initially reported as \$0. However, due to the adjustment to Revenue FSR Section F, Line 3, as described above, an equal amount of expenditures are required to be reported on the Expenditure FSR

# Washtenaw Community Health Organization

## Schedule of Findings and Questioned Costs (Continued)

For the Year Ended September 30, 2009

---

### SECTION III – EXAMINATION ADJUSTMENTS (CONCLUDED)

Section G, Line 3. The Examined Expenditure FSR has been updated to reflect this fact.

*Expenditure FSR Section L, Lines 2 and 3*

Line 2 was initially reported as \$1,583,647. However, after submission of the FSR it was determined that this amount did not truly represent SSI and Other Reimbursements but local funds used to cover GF expenditures over and above GF revenues in order to avoid showing entry to the GF risk corridor. Reduction of expenditures on Line 2 inversely effects the amount of expenditures shown on Line 3 which is formula driven. The Examined Expenditure FSR has been updated to reflect this fact.

### Contract Reconciliation and Cash Settlement (CRCS) schedules:

*Section A, Lines 1.b and 3.b*

Line 1.b “Medicaid Savings” and 3.b “Balance Due” were both initially reported as \$0. However, after the changes made to the Revenue FSR Section H, Line 1, and Section J, Line 2, the Organization did not have enough Medicaid and Categorical expense to cover Medicaid and Categorical revenue resulting in a Medicaid savings of \$196,017 and Categorical lapse of \$36. The Examined CRCS has been updated to reflect this fact.

### SECTION IV – COMMENTS AND RECOMMENDATIONS

#### 2009-3 Supporting Documentation - Expenditure Reporting

During our testing of Medicaid and GF disbursements, we noted a single invoice out of 40 tested in which the Organization was unable to provide supporting documentation. The amount of the invoice was \$24,573. However, the exact effect on the FSR and CRCS is not readily determinable; therefore, no examination adjustment was made for this item. We recommend that the Organization keep all documentation to support expenditures using Medicaid and GF funds.

#### Management’s

**Response:** In the redesign of the finance department, a revised accounts payable filing system is being implemented. All filing will be completed by the next working day following payment. In addition, no payments may be approved for payment without the proper documentation attached to the invoice being paid.

#### Responsible

**Individual:** Ann Murray, Director of Financial Operations

#### Completion

**Date:** July 2010

**Washtenaw Community Health Organization**  
**Schedule of Findings and Questioned Costs (Concluded)**  
**For the Year Ended September 30, 2009**

---

**SECTION IV – COMMENTS AND RECOMMENDATIONS (CONCLUDED)**

**2009-4      Community Mental Health Services Block Grants– Cash Management**

During our testing of cash management for the community mental health services block grant, we noted two instances in which the Organization requested reimbursement before payment to the subrecipient was made. We recommend that the Organization implement adequate procedures to ensure that payments have been made to subrecipients before requests for reimbursement are made.

**Management’s**

**Response:** We have reviewed this issue with staff and have reinforced the practice to pay subrecipients prior to requesting reimbursement unless otherwise indicated in a contractual agreement with the sub-recipient. If documentation from the subrecipient is insufficient to pay them, no reimbursement from the grantor will be submitted until the proper documentation is received.

**Responsible**

**Individual:** Ann Murray, Director of Financial Operations

**Completion**

**Date:** Completed

\* \* \* \* \*