

**WASHTENAW COMMUNITY  
HEALTH ORGANIZATION**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

# WASHTENAW COMMUNITY HEALTH ORGANIZATION

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON THE MEDICAID, GENERAL FUND, AND COMMUNITY  
MENTAL HEALTH SERVICES BLOCK GRANT PROGRAMS AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
CMH COMPLIANCE EXAMINATION GUIDELINES ISSUED BY THE  
MICHIGAN DEPARTMENT OF COMMUNITY HEALTH**

June 30, 2011

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

**Compliance**

We have examined the compliance of *Washtenaw Community Health Organization* (the "Organization") with the specified requirements described in the *CMH Compliance Examination Guidelines*, issued by the Michigan Department of Community Health (the "MDCH"), that could have a direct and material effect on its Medicaid, General Fund, and Community Mental Health Services Block Grant programs for the year ended September 30, 2010. 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 2010-1 in the accompanying schedule of findings and questioned costs, the Organization did not fully comply with the Consumer Fund Review requirement 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 this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Organization complied, in all material respects, with the requirements referred to above that are direct and material to its Medicaid, General Fund, and Community Mental Health Services Block Grant programs for the year ended September 30, 2010. In addition, the results of our auditing 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 2010-2, 2010-3, 2010-4, and 2010-5.

## Internal Control Over Compliance

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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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 material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is reasonable possibility 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 and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the Medicaid, General Fund, or Community Mental Health Services Block Grant program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-2 and 2010-3 to be significant deficiencies.

The Organization's responses to the findings identified in our audit 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 the responses.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, 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 FINANCIAL STATUS REPORT - MEDICAID  
FOR THE YEAR ENDED SEPTEMBER 30,2010**

		YEAR TO DATE REPORTING										
		A	B	C	D	E	F	G	H	I	J	K
		Reporting Board	CMHSP or CA							PIHP Total	Examination Adjustments	Adjusted Totals
1	PIHP or CMHSP or CA		# 1	# 2	# 3	# 4	# 5	# 6	# 7			
		Washtenaw	Lenawee	Livingston	Monroe							
<b>A</b>	<b>MEDICAID SERVICES - PIHP USE ONLY</b>											
<b>A 100</b>	<b>REVENUE</b>											
A 101	State Plan ( B )	\$ 42,712,621								\$ 42,712,621	\$ (165,892)	\$ 42,546,729
A 102	State Plan ( B3 )	30,561,311								30,561,311	-	30,561,311
A 103	Hab Support Waiver ( C )	39,210,506								39,210,506	(1,001,815)	38,208,691
A 104	Medicaid Managed Care - Affiliate Contracts	(50,203,737)	12,515,719	15,767,579	21,920,439	-	-	-	-	-	-	-
<b>A 120</b>	<b>Subtotal - Current Period Medicaid Services Revenue</b>	<b>62,280,701</b>	<b>12,515,719</b>	<b>15,767,579</b>	<b>21,920,439</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>112,484,438</b>	<b>(1,167,707)</b>	<b>111,316,731</b>
A 121	1st & 3rd Party Collections - Medicare/Medicaid Consumers - Rpting Bd	213,460								213,460	-	213,460
A 122	1st & 3rd Party Collections - Medicare/Medicaid Consumers - Affiliate		41,160	141,688	62,441	-	-	-	-	245,289	(141,688)	103,601
A 123	Prior Year Medicaid Savings (Funding Current Year Expenses)	-								-	1,363,724	1,363,724
A 124	ISF Abatement	-								-	-	-
<b>A 140</b>	<b>Subtotal - Other Medicaid Revenue</b>	<b>213,460</b>	<b>41,160</b>	<b>141,688</b>	<b>62,441</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>458,749</b>	<b>1,222,036</b>	<b>1,680,785</b>
<b>A 190</b>	<b>TOTAL REVENUE</b>	<b>\$ 62,494,161</b>	<b>\$ 12,556,879</b>	<b>\$ 15,909,267</b>	<b>\$ 21,982,880</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 112,943,187</b>	<b>\$ 54,329</b>	<b>\$ 112,997,516</b>
<b>A 200</b>	<b>EXPENDITURE</b>											
A 201	PIHP QAAP/Use Tax Liability	\$ 6,704,199	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,704,199	\$ -	\$ 6,704,199
A 202	Medicaid Services	45,115,066	12,556,879	15,909,267	21,982,880	-	-	-	-	95,564,092	(379,944)	95,184,148
A 203	Payment into Medicaid ISF	6,661,994	-	-	-	-	-	-	-	6,661,994	-	6,661,994
A 204	Psych Hospital Rate Adjuster (HRA)	1,320,896	-	-	-	-	-	-	-	1,320,896	-	1,320,896
<b>A 290</b>	<b>TOTAL EXPENDITURE</b>	<b>59,802,155</b>	<b>12,556,879</b>	<b>15,909,267</b>	<b>21,982,880</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110,251,181</b>	<b>(379,944)</b>	<b>109,871,237</b>
<b>A 295</b>	<b>SUBTOTAL NET MEDICAID SERVICES SURPLUS (DEFICIT)</b>	<b>\$ 2,692,006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,692,006</b>	<b>\$ 434,273</b>	<b>\$ 3,126,279</b>
<b>A 300</b>	<b>Redirected Funds (To) From</b>											
A 301	(TO) CMHSP to CMHSP Earned Contracts - J304	\$ -								\$ -	\$ -	\$ -
A 302	FROM CMHSP to CMHSP Earned Contracts - J301 (explain - section AB)	-								-	-	-
A 303	FROM Non-MDCH Earned Contracts - K301 (explain - section AB)	-								-	-	-
A 325	Info only - Affiliate Total Redirected Funds -I390		-	-	-	-	-	-	-	-	-	-
<b>A 330</b>	<b>Subtotal Redirected Funds rows 301 - 303</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
A 331	FROM General Fund - Redirected to Unfunded Medicaid Costs -B301	-								-	-	-
A 332	FROM Local Funds - M301	-								-	-	-
A 333	FROM Risk Corridor - PIHP Share - N301	-								-	-	-
A 334	FROM Risk Corridor - MDCH Share - N302	-								-	-	-
<b>A 390</b>	<b>Total Redirected Funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>A 400</b>	<b>BALANCE MEDICAID SERVICES</b>	<b>\$ 2,692,006</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,692,006</b>	<b>\$ 434,273</b>	<b>\$ 3,126,279</b>

<b>AB</b>	<b>REMARKS</b>
AB	Remarks may be added about any entry or activity on the report for which additional information may be useful.
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**WASHTENAW COMMUNITY HEALTH ORGANIZATION  
EXAMINED CONTRACT RECONCILIATION AND CASH SETTLEMENT - MEDICAID  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	PIHP Contract Cost Settled
<b>1. Medicaid Services - Available Resources</b>	
a. State Plan (b) (FSR A 101)	\$ 42,546,729
b. State Plan (b3) (FSR A 102)	30,561,311
c. Habilitation Support Waiver (c) (FSR A 103)	38,208,691
d. Total Managed Care Capitation	<b>\$ 111,316,731</b>

e. 1st & 3rd Party Collections (FSR A 121)	\$ 317,061
f. Prior Year Medicaid Savings (FSR A 123)	1,363,724
g. ISF Abatement - Medicaid (FSR A 124)	-
h. Redirected CMHSP to CMHSP Contracts (FSR A 302)	-
i. Redirected Non-MDCH Earned Contracts (FSR A 303)	-
j. Sub-Total Other Medicaid Services - Resources	<b>\$ 1,680,785</b>
k. Total Medicaid Services - Available Resources	<b>\$ 112,997,516</b>

<b>2. Medicaid Services - Expenditures</b>	
a. PIHP QAAP / Use Tax Liability (FSR A 201)	6,704,199
b. Medicaid Services (FSR A 202)	95,184,148
c. Deposits into Medicaid ISF (FSR A 203)	6,661,994
d. Psych Hospital HRA (FSR A 204)	1,320,896
e. Sub-Total Medicaid Services - Expenditures	<b>\$ 109,871,237</b>
f. Redirected CMHSP to CMHSP Contracts (FSR A 301)	-
g. Total Medicaid Services - Expenditures	<b>\$ 109,871,237</b>

<b>3. Net Medicaid Services Surplus / (Deficit)</b>	
a. Medicaid Funding Surplus / (Deficit)	3,126,279
b. Less: Forced Lapse to MDCH	-
c. Net Medicaid Services Surplus / (Deficit)	<b>\$ 3,126,279</b>

<b>4. Disposition</b>		<b>Amount</b>
a. Surplus		
1. Transfer to Fund Balance - Medicaid Savings Earned		(3,126,279)
2. Lapse to MDCH - Contract Settlement		-
3. Total Disposition - Surplus		<b>\$ (3,126,279)</b>

b. Deficit		
1. Redirected from General Fund (FSR A 331)		-
2. Redirected from Local (FSR A 332)		-
3. Redirected Risk Corridor - PIHP Share (FSR A 333)		-
4. Redirected Risk Corridor - MDCH Share (FSR A 334)		-
5. Total Disposition - Deficit		<b>\$ -</b>

<b>5. Cash Settlement: (Due MDCH) / Due PIHP</b>		<b>Amount</b>
a. Forced Lapse to MDCH		-
b. Lapse to MDCH - Contract Settlement		-
c. Risk Corridor - MDCH Share		-
d. Return of Prior Year Medicaid Savings		-
e. Misc (please explain)		-
f. Misc (please explain)		-
g. Total Cash Settlement: (Due MDCH) / Due PIHP		<b>\$ -</b>

<b>6. Medicaid MDCH Commitment</b>	
MDCH / PIHP Medicaid Funded Expenditures	108,190,452
Earned Medicaid Savings	3,126,279
Sub-Total MDCH Commitment	<b>\$ 111,316,731</b>
Risk Corridor - MDCH Share	-
Total MDCH Medicaid Commitment	<b>\$ 111,316,731</b>
General Fund Supplement for Unfunded Medicaid	-

<b>Medicaid Savings Earned</b>	
Examined	\$ 3,126,279
Original Settlement	2,692,006
Increase (Decrease)	<b>\$ 434,273</b>
<b>Comments:</b>	

**WASHTENAW COMMUNITY HEALTH ORGANIZATION  
FINANCIAL STATUS REPORT - ALL NON MEDICAID  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

		Reported	EXAMINATION ADJUSTMENTS	ADJUSTED TOTALS
<b>A</b>	<b>MEDICAID SERVICES - Summary From FSR - Medicaid Worksheet</b>			
A 190	TOTAL REVENUE	112,697,898	196,017	112,893,915
A 290	TOTAL EXPENDITURE	110,005,892	(238,256)	109,767,636
A 295	NET MEDICAID SERVICES SURPLUS (DEFICIT)	2,692,006	434,273	3,126,279
A 390	Total Redirected Funds	-	-	-
A 400	BALANCE MEDICAID SERVICES	2,692,006	434,273	3,126,279

<b>B GENERAL FUND (GF)</b>				
<b>B 100</b>	<b>REVENUE</b>			
B 101	CMH Operations	8,638,251	-	8,638,251
B 102	Categorical	1,159,548	40,452	1,200,000
B 103	State Services	1,333,341	-	1,333,341
B 120	Subtotal - Current Period General Fund Revenue	11,131,140	40,452	11,171,592
B 121	1st & 3rd Party Collections (Not in Section 226a Funds) 100% Services	-	-	-
B 122	1st & 3rd Party Collections (Not in Section 226a Funds) 90% Services	-	-	-
B 123	Prior Year GF Carry Forward	-	-	-
B 124	ISF Abatement	-	-	-
B 140	Subtotal - Other General Fund Revenue	-	-	-
B 190	TOTAL REVENUE	11,131,140	40,452	11,171,592
<b>B 200</b>	<b>EXPENDITURE</b>			
B 201	100% MDCH Matchable Services	3,531,317	238,733	3,770,050
B 202	100% MDCH Matchable Services Based on CMHSP Local Match Cap	-	-	-
B 203	90% MDCH Matchable Services	7,313,809	(570,113)	6,012,315
B 204	State Services - Payments to MDCH for State Services	1,033,150	(1,672)	1,031,478
B 205	Payment into GF ISF	-	-	-
B 290	TOTAL EXPENDITURE	11,146,895	(333,052)	10,813,843
B 295	NET GENERAL FUND SURPLUS (DEFICIT)	(15,755)	373,504	357,749
<b>B 300</b>	<b>Redirected Funds (To) From</b>			
B 301	(TO) Medicaid - Redirected for Unfunded Medicaid Costs - A331 (PIHP use only)	-	-	-
B 302	(TO) GF Cost of ABW - C301	-	-	-
B 303	(TO) GF Cost of MiChild - Required Match - D302	(7,751)	-	(7,751)
B 304	(TO) GF Cost of MiChild - Above Required Match - D303	(29,152)	-	(29,152)
B 305	(TO) GF Cost of SED - Required Match - E301	-	-	-
B 306	(TO) GF Cost of SED - Above Required Match Screen - E303	-	-	-
B 307	(TO) GF Cost of SED - Not SED Waiver eligible - E305	-	-	-
B 308	(TO) GF Cost of Children's Wavier - F301	(383,328)	2,038	(381,290)
B 309	(TO) Allowable GF Cost of Injectable Medications - G301	(238,733)	-	(238,733)
B 310	(TO) CMHSP to CMHSP Earned Contracts - J304 (explain - section Q)	-	-	-
B 311	(TO) Substance Abuse - L301	-	-	-
B 312	FROM SED Waiver - ARRA / stimulus - E307	-	-	-
B 313	FROM CMHSP to CMHSP Earned Contracts - J302	-	-	-
B 314	FROM Non-MDCH Earned Contracts - K302	-	-	-
B 330	Subtotal Redirected Funds rows 301 - 314	(658,964)	2,038	(656,926)
B 331	FROM Local Funds - M302	674,719	(375,542)	299,177
B 332	FROM Risk Corridor - N303	-	-	-
B 390	Total Redirected Funds	15,755	(373,504)	(357,749)
B 400	BALANCE GENERAL FUND	-	-	-

**OTHER GF CONTRACTUAL OBLIGATIONS**

<b>C ADULT BENEFIT WAIVER (ABW) - MENTAL HEALTH</b>				
C 190	Revenue	1,368,051	45,979	1,414,030
C 290	Expenditure	1,338,958	24,390	1,363,348
C 295	NET ADULT BENEFIT WAIVER SURPLUS (DEFICIT)	29,093	21,589	50,682
<b>C 300</b>	<b>Redirected Funds (To) From</b>			
C 301	FROM General Fund - B302	-	-	-
C 302	FROM Local Funds - M303	-	-	-
C 390	Total Redirected Funds	-	-	-
C 400	BALANCE ADULT BENEFIT WAIVER (cannot be < 0)	29,093	21,589	50,682

<b>D MICHILD - MENTAL HEALTH</b>				
D 1	Enter Current MiChild FFP	0.7423		
D 190	Revenue	22,327	18,346	40,673
D 290	Expenditure	59,230	(133)	59,097
D 295	NET MICHILD SURPLUS (DEFICIT)	(36,903)	18,479	(18,424)
<b>D 300</b>	<b>Redirected Funds (To) From</b>			
D 301	Federal share applied	22,327		
D 302	FROM General Fund - Required Match - B303	7,751	-	7,751
D 303	FROM General Fund - Above Required Match - B304	29,152	-	29,152
D 304	FROM Local Funds - M304	-	-	-
D 390	Total Redirected Funds	36,903	-	36,903
D 400	BALANCE MICHILD (cannot be < 0)	-	18,479	18,479

**WASHTENAW COMMUNITY HEALTH ORGANIZATION  
FINANCIAL STATUS REPORT - ALL NON MEDICAID  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

		Reported	EXAMINATION ADJUSTMENTS	ADJUSTED TOTALS
<b>E</b>	<b>SED WAIVER</b>			
E 1	Enter Current Year SED Waiver FFP	0.6319		
E 2	Enter Subsequent Year SED Waiver FFP	0.5810		
E 3	Enter Enhanced SED Waiver FFP	0.0000		
<b>E 100</b>	<b>REVENUE</b>			
E 101	Revenue FFS Medicaid - Federal portion received at current year FFP rate	-	-	-
E 102	Revenue FFS Medicaid - Federal portion received at subsequent year FFP rate	-	-	-
E 103	Revenue FFS Medicaid - Federal portion received at enhanced FFP rate	-	-	-
E 104	Revenue FFS Medicaid - American Recovery & Reinvestment Act (ARRA / stimulus) increase	-	-	-
<b>E 190</b>	<b>TOTAL REVENUE</b>	-	-	-
<b>E 200</b>	<b>EXPENDITURE</b>			
E 201	Expenditure - Federal Reimbursable	-	-	-
E 202	Expenditure - Not SED waiver eligible	-	-	-
<b>E 290</b>	<b>TOTAL EXPENDITURE</b>	-	-	-
<b>E 295</b>	<b>NET SED WAIVER SURPLUS (DEFICIT)</b>	-	-	-
<b>E 300</b>	<b>Redirected Funds (To) From</b>			
E 301	FROM General Fund - Required Match - <b>B305</b>	-	-	-
E 302	FROM Local Funds - Required Match - <b>M305</b>	-	-	-
E 303	FROM General Fund - Above Required Match Screen - <b>B306</b>	-	-	-
E 304	FROM Local Funds - Above Required Match Screen - <b>M306</b>	-	-	-
E 305	FROM General Fund - Not SED Waiver eligible - <b>B307</b>	-	-	-
E 306	FROM Local Funds - Not SED Waiver eligible - <b>M307</b>	-	-	-
E 307	(TO) General Fund - ARRA / stimulus increase - <b>B312</b>	-	-	-
E 308	(TO) Local Funds - ARRA / stimulus increase - <b>M314</b>	-	-	-
<b>E 390</b>	<b>Total Redirected Funds</b>	-	-	-
<b>E 400</b>	<b>BALANCE SED WAIVER (must = 0)</b>	-	-	-
<b>F</b>	<b>CHILDREN'S WAIVER</b>			
F 190	Revenue	635,221	-	635,221
F 290	Expenditure	1,018,549	(2,038)	1,016,511
<b>F 295</b>	<b>NET CHILDREN'S WAIVER (cannot be &gt; 0)</b>	<b>(383,328)</b>	<b>2,038</b>	<b>(381,290)</b>
<b>F 300</b>	<b>Redirected Funds (To) From</b>			
F 301	FROM General Fund - <b>B308</b>	383,328	(2,038)	381,290
F 302	FROM Local Funds - <b>M308</b>	-	-	-
F 303	FROM Activity not otherwise reported - <b>O301</b>	-	-	-
<b>F 390</b>	<b>Total Redirected Funds</b>	<b>383,328</b>	<b>(2,038)</b>	<b>381,290</b>
<b>F 400</b>	<b>BALANCE CHILDREN'S WAIVER (must = 0)</b>	-	-	-
<b>G</b>	<b>INJECTABLE MEDICATIONS</b>			
G 190	Revenue	1,402,072	-	1,402,072
G 290	Expenditure	1,640,805	-	1,640,805
<b>G 295</b>	<b>NET INJECTABLE MEDICATIONS (cannot be &gt; 0)</b>	<b>(238,733)</b>	<b>-</b>	<b>(238,733)</b>
<b>G 300</b>	<b>Redirected Funds (To) From</b>			
G 301	FROM General Fund - <b>B309</b>	238,733	-	238,733
G 302	FROM Local Funds - <b>M309</b>	-	-	-
<b>G 390</b>	<b>Total Redirected Funds</b>	<b>238,733</b>	<b>-</b>	<b>238,733</b>
<b>G 400</b>	<b>BALANCE INJECTABLE MEDICATIONS (must = 0)</b>	-	-	-
<b>H</b>	<b>MDCH EARNED CONTRACTS</b>			
<b>H 100</b>	<b>REVENUE</b>			
H 101	PASARR	681,016	110,182	791,198
H 102	DCH Block Grants for CMH services	162,470	-	162,470
H 103	DD Council Grants	-	-	-
H 104	PATH/Homeless	166,995	-	166,995
H 105	Prevention	-	-	-
H 106	Aging	-	-	-
H 107	HUD Shelter Plus Care	-	-	-
H 150	Other MDCH Earned Contracts (describe): Med Match Grant Through U of M	56,671	(56,671)	-
H 151	Other MDCH Earned Contracts (describe):	-	-	-
H 152	Other MDCH Earned Contracts (describe):	-	-	-
<b>H 190</b>	<b>TOTAL REVENUE</b>	<b>1,067,152</b>	<b>53,511</b>	<b>1,120,663</b>
<b>H 200</b>	<b>EXPENDITURE</b>			
H 201	PASARR	681,016	110,182	791,198
H 202	DCH Block Grants for CMH services	162,470	-	162,470
H 203	DD Council Grants	-	-	-
H 204	PATH/Homeless	166,995	-	166,995
H 205	Prevention	-	-	-
H 206	Aging	-	-	-
H 207	HUD Shelter Plus Care	-	-	-
H 250	Other MDCH Earned Contracts (describe): Med Match Grant Through U of M	56,671	(56,671)	-
H 251	Other MDCH Earned Contracts (describe):	-	-	-
H 252	Other MDCH Earned Contracts (describe):	-	-	-
<b>H 290</b>	<b>TOTAL EXPENDITURE</b>	<b>1,067,152</b>	<b>53,511</b>	<b>1,120,663</b>
<b>H 400</b>	<b>BALANCE MDCH EARNED CONTRACTS (must = 0)</b>	-	-	-

**WASHTENAW COMMUNITY HEALTH ORGANIZATION  
FINANCIAL STATUS REPORT - ALL NON MEDICAID  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

		Reported	EXAMINATION ADJUSTMENTS	ADJUSTED TOTALS
<b>I</b>	<b>PIHP to AFFILIATE MEDICAID SERVICES CONTRACTS - CMHSP USE ONLY</b>			
<b>I 100</b>	<b>REVENUE</b>			
<b>I 101</b>	Revenue - from PIHP	-	-	-
<b>I 102</b>	1st & 3rd Party Collections - Medicare/Medicaid Consumers - Affiliate	-	-	-
<b>I 190</b>	<b>TOTAL REVENUE</b>	-	-	-
<b>I 290</b>	Expenditure	-	-	-
<b>I 295</b>	<b>NET PIHP to AFFILIATE MEDICAID SERVICES CONTRACTS SURPLUS (DEFICIT)</b>	-	-	-
<b>I 300</b>	<b>Redirected Funds (To) From</b>			
<b>I 301</b>	(TO) CMHSP to CMHSP Earned Contracts - <b>J306</b>	-	-	-
<b>I 302</b>	FROM CMHSP to CMHSP Earned Contracts - <b>J303</b>	-	-	-
<b>I 303</b>	FROM Non-MDCH Earned Contracts - <b>K303</b>	-	-	-
<b>I 390</b>	<b>Total Redirected Funds</b>	-	-	-
<b>I 400</b>	<b>BALANCE PIHP to AFFILIATE MEDICAID SERVICES CONTRACTS (must = 0)</b>	-	-	-

<b>J</b>	<b>CMHSP to CMHSP EARNED CONTRACTS</b>			
<b>J 190</b>	Revenue	-	-	-
<b>J 290</b>	Expenditure	-	-	-
<b>J 295</b>	<b>NET CMHSP to CMHSP EARNED CONTRACTS SURPLUS (DEFICIT)</b>	-	-	-
<b>J 300</b>	<b>Redirected Funds (To) From</b>			
<b>J 301</b>	(TO) Medicaid Services - <b>A302</b> (PIHP use only)	-	-	-
<b>J 302</b>	(TO) General Fund - <b>B313</b>	-	-	-
<b>J 303</b>	(TO) PIHP to Affiliate Medicaid Services Contracts - <b>I302</b>	-	-	-
<b>J 304</b>	FROM Medicaid Services - <b>A301</b> (PIHP use only)	-	-	-
<b>J 305</b>	FROM General Fund - <b>B310</b>	-	-	-
<b>J 306</b>	FROM PIHP to Affiliate Medicaid Services Contracts - <b>I301</b>	-	-	-
<b>J 307</b>	FROM Local Funds - <b>M310</b>	-	-	-
<b>J 390</b>	<b>Total Redirected Funds</b>	-	-	-
<b>J 400</b>	<b>BALANCE CMHSP to CMHSP EARNED CONTRACTS (must = 0)</b>	-	-	-

<b>K</b>	<b>NON-MDCH EARNED CONTRACTS</b>			
<b>K 190</b>	Revenue	518,169	56,671	574,840
<b>K 290</b>	Expenditure	-	574,840	574,840
<b>K 295</b>	<b>NET NON-MDCH EARNED CONTRACTS SURPLUS (DEFICIT)</b>	518,169	(518,169)	-
<b>K 300</b>	<b>Redirected Funds (To) From</b>			
<b>K 301</b>	(TO) Medicaid Services - <b>A303</b> (PIHP use only)	-	-	-
<b>K 302</b>	(TO) General Fund - <b>B314</b>	-	-	-
<b>K 303</b>	(TO) PIHP to Affiliate Medicaid Services Contracts - <b>I303</b>	-	-	-
<b>K 304</b>	(TO) Local Funds - <b>M315</b>	(518,169)	518,169	-
<b>K 305</b>	FROM Local Funds - <b>M311</b>	-	-	-
<b>K 390</b>	<b>Total Redirected Funds</b>	(518,169)	518,169	-
<b>K 400</b>	<b>BALANCE NON-MDCH EARNED CONTRACTS (must = 0)</b>	-	-	-

<b>L</b>	<b>SUBSTANCE ABUSE MDCH CONTRACT</b>			
<b>L 100</b>	<b>REVENUE</b>			
<b>L 101</b>	State Agreement	2,901,987	-	2,901,987
<b>L 102</b>	MIChild - SA	4,515	-	4,515
<b>L 103</b>	Adult Benefit Waiver - SA	191,850	(66,289)	125,561
<b>L 190</b>	<b>TOTAL REVENUE</b>	3,098,352	(66,289)	3,032,063
<b>L 200</b>	<b>EXPENDITURE</b>			
<b>L 201</b>	State Agreement	2,759,084	-	2,759,084
<b>L 202</b>	MIChild - SA	291	-	291
<b>L 203</b>	Adult Benefit Waiver - SA	131,406	-	131,406
<b>L 290</b>	<b>TOTAL EXPENDITURE</b>	2,890,781	-	2,890,781
<b>L 295</b>	<b>NET SUBSTANCE ABUSE CONTRACT SURPLUS (DEFICIT)</b>	207,571	(66,289)	141,282
<b>L 300</b>	<b>Redirected Funds (To) From</b>			
<b>L 301</b>	FROM General Funds - <b>B311</b>	-	-	-
<b>L 302</b>	FROM Local Funds - <b>M312</b>	-	-	-
<b>L 390</b>	<b>Total Redirected Funds</b>	-	-	-
<b>L 400</b>	<b>BALANCE SUBSTANCE ABUSE CONTRACT</b>	207,571	(66,289)	141,282

<b>M</b>	<b>LOCAL FUNDS</b>			
<b>M 100</b>	<b>REVENUE</b>			
<b>M 101</b>	County Appropriation for Mental Health	1,554,967	-	1,554,967
<b>M 102</b>	County Appropriation for Substance Abuse - Non Public Act 2 Funds	-	-	-
<b>M 103</b>	Section 226 (a) Funds	23,602	-	23,602
<b>M 104</b>	Affiliate Local Contribution to State Medicaid Match Provided from CMHSP	887,832	-	887,832
<b>M 105</b>	Title XX	19,065	-	19,065
<b>M 106</b>	Local Grants	-	-	-
<b>M 107</b>	Interest	49,175	-	49,175
<b>M 108</b>	Public Act 2 - SA	521,063	-	521,063
<b>M 109</b>	SED Partner	-	-	-
<b>M 110</b>	All Other Local Funding	-	-	-
<b>M 190</b>	<b>TOTAL REVENUE</b>	3,055,704	-	3,055,704

**WASHTENAW COMMUNITY HEALTH ORGANIZATION  
FINANCIAL STATUS REPORT - ALL NON MEDICAID  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

		Reported	EXAMINATION ADJUSTMENTS	ADJUSTED TOTALS
<b>M</b>	<b>LOCAL FUNDS</b>			
<b>M</b>	<b>200 EXPENDITURE</b>			
<b>M</b>	201 GF 10% Local Match	731,381	(34,955)	696,426
<b>M</b>	202 Local match cap amount	-		
<b>M</b>	203 GF Local Match Capped per MHC 330.1308	-	-	-
<b>M</b>	204 Local Cost for State Provided Services	217,890	-	217,890
<b>M</b>	205 Local Contribution to State Medicaid Match	689,948	-	689,948
<b>M</b>	206 Local Contribution to State Medicaid Match on Behalf of Affiliate	887,832	-	887,832
<b>M</b>	207 Local Match to Grants and MDCH Earned Contracts	-	99,956	99,956
<b>M</b>	208 Public Act 2 - SA	521,063	-	521,063
<b>M</b>	209 Local Only Expenditures	-	-	-
<b>M</b>	290 <b>TOTAL EXPENDITURE</b>	3,048,114	65,001	3,113,115
<b>M</b>	295 <b>NET LOCAL FUNDS SURPLUS (DEFICIT)</b>	7,590	(65,001)	(57,411)
<b>M</b>	300 <b>Redirected Funds (To) From</b>			
<b>M</b>	301 (TO) Medicaid Services - <b>A332</b> (PIHP use only)	-	-	-
<b>M</b>	302 (TO) General Fund - <b>B331</b>	(674,719)	375,542	(299,177)
<b>M</b>	303 (TO) Adult Benefit Waiver - <b>C302</b>	-	-	-
<b>M</b>	304 (TO) MICHild - <b>D304</b>	-	-	-
<b>M</b>	305 (TO) SED Waiver - Required Match - <b>E302</b>	-	-	-
<b>M</b>	306 (TO) SED Waiver - Above Required Match Screen - <b>E304</b>	-	-	-
<b>M</b>	307 (TO) Not SED Waiver eligible - <b>E306</b>	-	-	-
<b>M</b>	308 (TO) Children's Waiver - <b>F302</b>	-	-	-
<b>M</b>	309 (TO) Injectable Medications - <b>G302</b>	-	-	-
<b>M</b>	310 (TO) CMHSP to CMHSP Earned Contracts - <b>J307</b>	-	-	-
<b>M</b>	311 (TO) Non-MDCH Earned Contracts - <b>K305</b>	-	-	-
<b>M</b>	312 (TO) Substance Abuse - <b>L302</b>	-	-	-
<b>M</b>	313 (TO) Activity Not Otherwise Reported - <b>O302</b>	-	-	-
<b>M</b>	314 FROM SED Waiver - ARRA / stimulus - <b>E308</b>	-	-	-
<b>M</b>	315 FROM Non-MDCH Earned Contracts - <b>K304</b>	518,169	(518,169)	-
<b>M</b>	390 <b>Total Redirected Funds</b>	(156,550)	(142,627)	(299,177)
<b>M</b>	400 <b>BALANCE LOCAL FUNDS</b>	(148,960)	(207,628)	(356,588)
<b>N</b>	<b>RISK CORRIDOR</b>			
<b>N</b>	100 <b>REVENUE</b>			
<b>N</b>	101 Stop/Loss Insurance	-	-	-
<b>N</b>	102 Medicaid ISF for PIHP Share Risk Corridor	-	-	-
<b>N</b>	103 MDCH for MDCH Share of Medicaid Risk Corridor	-	-	-
<b>N</b>	104 GF ISF for State Facility Cost Over Runs	-	-	-
<b>N</b>	190 <b>TOTAL REVENUE</b>	-	-	-
<b>N</b>	300 <b>Redirected Funds (To) From</b>			
<b>N</b>	301 (TO) Medicaid Services - PIHP Share - <b>A333</b> (PIHP use only)	-	-	-
<b>N</b>	302 (TO) Medicaid Services - MDCH Share - <b>A334</b> (PIHP use only)	-	-	-
<b>N</b>	303 (TO) General Fund - <b>B332</b>	-	-	-
<b>N</b>	390 <b>Total Redirected Funds</b>	-	-	-
<b>N</b>	400 <b>BALANCE RISK CORRIDOR (must = 0)</b>	-	-	-
<b>O</b>	<b>ACTIVITY NOT OTHERWISE REPORTED</b>			
<b>O</b>	100 <b>REVENUE</b>			
<b>O</b>	101 Other Revenue (describe): Administrative Billings, Livingston Docs. Billings and Other	933,382	-	933,382
<b>O</b>	102 Other Revenue (describe): Private MH Grants & Federal SA Grants	1,299,788	-	1,299,788
<b>O</b>	103 Other Revenue (describe): PASSAR Excess of Revenue over Expenses	110,182	(110,182)	-
<b>O</b>	190 <b>TOTAL REVENUE</b>	2,343,352	(110,182)	2,233,170
<b>O</b>	200 <b>EXPENDITURE</b>			
<b>O</b>	201 Other Expenditure (describe): Administrative Billings, Livingston Docs. Billings and Other	794,649	-	794,649
<b>O</b>	202 Other Expenditure (describe): Private MH Grants & Federal SA Grants	1,299,788	-	1,299,788
<b>O</b>	203 Other Expenditure (describe): Med Match & Block Grant Exp over Rev	99,956	(99,956)	-
<b>O</b>	290 <b>TOTAL EXPENDITURE</b>	2,194,393	(99,956)	2,094,437
<b>O</b>	295 <b>NET ACTIVITY NOT OTHERWISE REPORTED SURPLUS (DEFICIT)</b>	148,959	(10,226)	138,733
<b>O</b>	300 <b>Redirected Funds (To) From</b>			
<b>O</b>	301 (TO) Children's Waiver - <b>F303</b>	-	-	-
<b>O</b>	302 FROM Local Funds - <b>M313</b>	-	-	-
<b>O</b>	390 <b>Total Redirected Funds</b>	-	-	-
<b>O</b>	400 <b>BALANCE ACTIVITY NOT OTHERWISE REPORTED</b>	148,959	(10,226)	138,733
<b>P</b>	<b>GRAND TOTALS</b>			
<b>P</b>	190 <b>GRAND TOTAL REVENUE</b>	137,339,438	234,505	137,573,943
<b>P</b>	290 <b>GRAND TOTAL EXPENDITURE</b>	134,410,769	44,307	134,455,076
<b>P</b>	390 <b>GRAND TOTAL REDIRECTED FUNDS (must = 0)</b>	-	-	-
<b>P</b>	400 <b>NET INCREASE (DECREASE)</b>	2,928,669	190,198	3,118,867

**WASHTENAW COMMUNITY HEALTH ORGANIZATION  
EXAMINED CONTRACT RECONCILIATION AND CASH SETTLEMENT - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

1. General Fund Services - Available Resources		Funding Resources
a.	CMH Operations (FSR B 101)	8,638,251
b.	Categorical (FSR B 102)	1,200,000
c.	State Services (FSR B 103)	1,333,341
d.	Sub-Total General Fund Contract Resources	\$ 11,171,592
e.	1st & 3rd Party Collections (FSR B 121 + B 122)	-
f.	Prior Year GF Carry-Forward (FSR B 123)	-
g.	ISF Abatement - State Facility (FSR B 124)	-
h.	Redirected CMHSP to CMHSP Contracts (FSR B 313)	-
i.	Redirected Non-MDCH Earned Contracts (FSR B 314)	-
j.	Sub-Total Other General Fund Resources	\$ -
k.	Local 10% Associated to 90/10 Services (FSR M 201)	696,426
l.	Local 10% Match Cap Adjustment (FSR M 203)	-
m.	Sub-Total Local 10% Associated to 90/10 Services	\$ 696,426
n.	Total General Fund Services - Resources	\$ 11,868,018

3. Summary of Resources / Expenditures		Amount
a.	Total General Fund Services - Resources	11,868,018
b.	Total General Fund Services - Expenditures	12,167,195
c.	Sub-Total General Fund Services Surplus (Deficit)	\$ (299,177)
d.	Less: Forced Lapse to MDCH	(40,452)
e.	Net General Fund Services Surplus (Deficit)	\$ (339,629)

4. Disposition:		Amount
<b>Surplus</b>		
a.	Transfer to Fund Balance - GF Carry-Forward Earned	-
b.	Lapse to MDCH - Contract Settlement	-
d.	Total Disposition - Surplus	\$ -

<b>Deficit</b>		
f.	Redirected from Local (FSR B 331)	299,177
g.	Redirected from ISF (FSR B 332)	-
h.	Total Disposition - Deficit	\$ 299,177

5. Cash Settlement: (Due MDCH) / Due CMHSP		Amount
a.	Forced Lapse to MDCH	(40,452)
b.	Lapse to MDCH - Contract Settlement	-
c.	Return of Prior Year General Fund Carry-Forward	-
d.	State Facility	-
e.	Contract Authorization - Late Amendment	-
f.	Misc: (please explain)	-
g.	Total Cash Settlement: (Due MDCH) / Due CMHSP	\$ (40,452)

2. General Fund Services - Expenditures		90/10 - Local Cap	Expenditures
a.	100% MDCH Matchable Services (FSR B 201)		3,770,050
b.	100% MDCH Matchable Services - CMHSP Local Match Cap (FSR B 202)		-
c.	90/10% MDCH Matchable Services (FSR B 203 Column A)	6,708,741	
d.	Local 10% Match Cap Adjustment (FSR M 203)	-	6,708,741
e.	State Services (FSR B 204)		1,031,478
f.	Payment into GF ISF (FSR B 205)		-
g.	Sub-Total General Fund Services - Expenditures		\$ 11,510,269
h.	GF Supplement for Unfunded Medicaid (FSR B 301)		-
i.	GF Supplement for ABW (FSR B 302)		-
j.	GF Supplement / Match for MICHild (FSR B 303 & B 304)		36,903
k.	GF Supplement / Match for SED (FSR B 305 + B 306 + B 307 - B312)		-
l.	GF Supplement for Children's Waiver (FSR B 308)		381,290
m.	GF Supplement for Injectable Medications (FSR B 309)		238,733
n.	GF Supplement for CMHSP to CMHSP Contracts (FSR B 310)		-
o.	GF Supplement for Substance Abuse (FSR B 311)		-
p.	Sub-Total General Fund Services Supplement - Expenditures		\$ 656,926
q.	Total General Fund Services - Expenditures		\$ 12,167,195

6. General Fund MDCH Commitment		
MDCH / CMHSP Contract Funded Expenditures		11,131,140
Earned General Fund Carry-Forward		-
Total MDCH General Fund Commitment	\$	11,131,140

GF Carry Forward Earned		
Examined	\$	-
Original Settlement		-
Increase (Decrease)	\$	-
<b>Comments:</b>		

# WASHTENAW COMMUNITY HEALTH ORGANIZATION

## Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2010

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### SECTION I – SUMMARY OF ACCOUNTANTS’ RESULTS

#### Medicaid Program

Type of accountants’ report issued on compliance	<u>Qualified</u>	
Internal control over the Medicaid program:		
Material weakness(es) identified?	<u>  X  </u> yes	<u>      </u> no
Significant deficiency(ies) identified?	<u>  X  </u> yes	<u>      </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>      </u> yes	<u>  X  </u> no

#### General Fund Program

Type of accountants’ report issued on compliance	<u>Qualified</u>	
Internal control over the General Fund program:		
Material weakness(es) identified?	<u>  X  </u> yes	<u>      </u> no
Significant deficiency(ies) identified?	<u>  X  </u> yes	<u>      </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>      </u> yes	<u>  X  </u> no

#### Community Mental Health Services Block Grants (CMHSBG)

Type of accountants’ report issued on compliance	<u>Unqualified</u>	
Internal control over the CMHSBG program:		
Material weakness(es) identified?	<u>      </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<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, 2010

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### SECTION II – FINDINGS AND QUESTIONED COSTS

**2010-1**                      **Consumer Fund Monitoring; Material Weakness in Internal Control over Compliance; Material Noncompliance – Consumer Fund Review**

**Program:**                      Medicaid and General Fund

**Criteria:**                      The *MDCH Compliance Examination Guidelines* require that consumer funds are maintained separate from other CMH funds, amounts are accurate, SSI revenue is properly recorded, rent payments made on behalf of consumers are accurate, consumer funds are not commingled and used for each others' expenses, and sufficient controls exist to protect the consumer funds. The Organization is required to ensure that these requirements are followed for consumer funds held directly by the Authority and consumer funds held at providers.

**Condition:**                      During the year ended September 30, 2010, the Organization completed monitoring visits for only 1 of the 9 providers that hold consumer funds.

**Cause:**                              The Organization was unaware of the requirement that states monitoring must be performed for each of its providers that hold consumer funds.

**Effect:**                              The Organization was unable to determine if its providers were complying with the requirements regarding consumer funds.

**Recommendation:**              We recommend that the Organization implement procedures to ensure that those providers which hold consumer funds have an on-site monitoring visit completed on an annual basis.

**Management's Response:**              This responsibility is assigned to the Deputy Finance Director and is part of the financial review of Providers. The Deputy Finance Director will conduct annual reviews of contracted service Providers in accordance with Policy standards. For those Providers that directly hold Consumer funds, an annual review of those funds will be conducted.

**Responsible Individual:**              WCHO Deputy Finance Director

**Estimated Completion Date:**      September 30, 2011

# WASHTENAW COMMUNITY HEALTH ORGANIZATION

## Schedule of Findings and Questioned Costs (Continued)

For the Year Ended September 30, 2010

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

**2010-2**                      **Financial Statement Reporting; Significant Deficiency in Internal Control over Compliance; Immaterial Noncompliance – FSR Reconciliation**

**Program:**                      Medicaid and General Fund

**Criteria:**                      A CMHSP or PIHP should have a system in place that properly accumulates and tracks revenues and expenditures by funding source.

**Condition:**                      As described in the following section, a significant number of adjustments were necessary to present the financial status report in accordance with contractual provisions.

**Cause:**                      The Organization had retirements and employee turnover that resulted in new individuals working with the financial status report who had not had much experience with this report.

**Effect:**                      The FSR as initially submitted to MDCH included significant reporting errors.

**Recommendation:**                      We recommend that continued training be provided to those expected to be responsible for preparation of the financial status report to ensure proper reporting.

**Management's Response:**                      All revenues and expenditures have been recorded under the appropriate category for the FY 2010 Financial Status Report. Where revenues or expenditures were required to be adjusted as a result of the audit, these changes have been documented so that they will be included in the appropriate category for future report preparation.

**Responsible Individual:**                      WCHO Deputy Finance Director

**Estimated Completion Date:**                      September 30, 2011

# WASHTENAW COMMUNITY HEALTH ORGANIZATION

## Schedule of Findings and Questioned Costs (Continued)

For the Year Ended September 30, 2010

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

**2010-3**                      **Ability to Pay Determination; Significant Deficiency in Internal Control over Compliance; Immaterial Noncompliance – Rate Setting and Ability to Pay**

**Program:**                      General Fund

**Criteria:**                      The *MDCH Compliance Examination Guidelines* require that all consumers who receive services should complete an ability to pay form.

**Condition:**                      During the year ended September 30, 2010, the Organization was unable to provide a completed ability to pay form for two of the 60 consumers selected for testing.

**Cause:**                      The Organization was unable to secure information from the consumers tested that was needed to complete the ability to pay determination. Furthermore, the Organization does not require consumers who receive only screening services to complete an ability to pay form.

**Effect:**                      The Organization was unable to substantiate whether consumers were charged an appropriate amount based on their ability to pay.

**Recommendation:**                      We recommend that the Organization implement appropriate procedures to ensure that ability to pay forms are completed for all consumers that receive services and that these forms are updated on an annual basis.

**Management's Response:**                      The WCHO has developed a Reimbursement Unit under the direction of the CFO. This unit will focus on all ability to pay opportunities, and will complete ability to pay forms for all Consumers on at least an annual basis.

**Responsible Individual:**                      Reimbursement Supervisor

**Estimated Completion Date:**                      September 30, 2011

# WASHTENAW COMMUNITY HEALTH ORGANIZATION

## Schedule of Findings and Questioned Costs (Continued)

For the Year Ended September 30, 2010

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### SECTION III – EXAMINATION ADJUSTMENTS

Medicaid FSR Line A.101, A.103, and A.123 – Originally when reported, the FSR included prior year Medicaid revenues of \$165,892 and \$1,001,815 on lines A.101 and A.103. These amounts represent the difference between accrued HSW revenue in the prior year and the actual payments received from MDCH. These amounts are expected to be an adjustment to the 2009 Medicaid Savings (that MDCH has not settled yet) and have been reflected accordingly on line A.123. In addition to the \$1,167,707 being added to Line A.123 the Organization excluded the \$196,017 of Medicaid Savings reported in the prior year. These two issues result in the \$1,363,724 addition to line A.123.

Medicaid FSR Line A.122 and A.202 – Originally when reported, the FSR included \$141,688 of first and third party collections for Livingston County and offsetting Medicaid expense. These amounts were not reported this way by Livingston County and as such should not have been reported this way by the Organization.

Medicaid FSR Line A.202 and All Non Medicaid FSR Lines B.203, C.290, D.290, F.290, H.101, H.201, and O.103 – Originally when reported, the FSR included revenue earned by the OBRA PASSAR grant in the Activity Not Otherwise Reported section. An adjustment for \$110,182 from line H.101 to O.103 was done to properly report these revenues. The expenditures used to earn this revenue were included in administration that was spread to the Medicaid, GF, ABW, MICHild and Children's Waiver funding sources. Adjustments for \$89,192, \$16,781, \$2,038, \$132 and \$2,038 were made to reduce lines A.202, B.203, C.290, D.290 and F.290, respectively, and move the related expenses (\$110,182) to line H.201.

Medicaid FSR Line A.202 and All Non Medicaid FSR Lines B.203, C.290, and K.290 – Originally when reported, the FSR included revenue earned by local earned contracts on line K.190, but the expenditures used to earn this revenue were included in charges to the Medicaid, GF and ABW funding sources. Adjustments for \$149,064, \$349,554, and \$19,551 were made to reduce lines A.202, B.203 and C.290, respectively, and move the related expenses (\$518,169) to line K.290.

All Non Medicaid FSR Line B.102 – Originally when reported, the FSR reduced categorical revenue by the amount expected to lapse to MDCH (\$40,452). Based on the FSR instructions, the amount of the authorization should be reported on the FSR.

All Non Medicaid FSR Lines B.201 and B203 – Originally when reported, the FSR misclassified a \$238,733 of expenditures as 90% MDCH Matchable that were truly 100% MDCH Matchable. An adjustment was made to reclassify these expenses.

All Non Medicaid FSR Line B.204 – Originally when reported, the FSR included \$1,672 of State service expenditures related to a settlement from prior years. This amount should have been excluded from the FSR and has been adjusted accordingly.

# WASHTENAW COMMUNITY HEALTH ORGANIZATION

## Schedule of Findings and Questioned Costs (Continued)

For the Year Ended September 30, 2010

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### SECTION III – EXAMINATION ADJUSTMENTS (CONCLUDED)

All Non Medicaid FSR Lines B.308, B.331, F.301, K.304, M.302, and M.315 – Due to the adjustments above the amount of GF funds needed to cover excess Children’s Waiver expenses, the amount of local funds required to cover excess GF expenses, and the amount of non-MDCH earned contract revenue available to transfer to local were reduced by \$2,038, \$375,542, and \$518,169, respectively.

All Non Medicaid FSR Lines C.190 and C.290 – Originally when reported, the FSR did not offset \$45,979 of ABW revenue and expense related to use tax. An adjustment was made to increase both revenue and expense by this amount.

All Non Medicaid FSR Line D.190 – Originally when reported, the FSR did not include the MICHild AY10 retro-rate adjustment of \$18,346. An adjustment was made to properly include this amount.

All Non Medicaid FSR Lines H.150, H.250, K.190, and K.290 – Originally when reported, the FSR included earned contract revenue and expense of \$56,671 in Section H MDCH Earned Contracts that related to a contract not with MDCH. An adjustment was made to move this revenue and expense to Section K non-MDCH earned contracts.

All Non Medicaid FSR Line L.103 – Originally when reported, the FSR included State Agreement match revenue as substance ABW revenue. An adjustment was made to reduce the reported amount by \$66,289 to agree with the actual ABW revenue received.

All Non Medicaid FSR Line M.207 and O.203 – Originally when reported, the FSR included \$99,956 of match expenditures for MDCH earned contracts as Activity Not Otherwise Reported. These amounts are more properly reported as local expenses on line M.207.

# WASHTENAW COMMUNITY HEALTH ORGANIZATION

## Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended September 30, 2010

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### SECTION IV – COMMENTS AND RECOMMENDATIONS

2010-4 – Cash Management – Reimbursement to Subrecipients. The Organization is required to disburse monies for expenses incurred by a subrecipient prior to requesting reimbursement from the State. During our testing of the Organization's cash management procedures for the Community Mental Health Block grants, we noted four instances out of 16 in which the Organization reimbursed subrecipients after requesting reimbursement from the State. We noted that for these four instances, two were for the Supported Employment grant and two were for the Crisis Stabilization grant. We recommend that the Organization implement procedures to ensure that payments are made to subrecipients prior to submitting a reimbursement request.

**Management's  
Response:**

The WCHO prepares its financial statements using the accrual basis of accounting, consistent with Generally Accepted Accounting Principles. As such, revenues and expenditures are recorded in the period in which the liability has been incurred, and appropriate back-up provided. In the case of revenues, back-up will always consist of an invoice that is generated and sent to the party to whom the service was provided. To report expenditures and revenues any differently, or without the specified back-up, is in the opinion of the WCHO a violation of OMB Circular A-133.

**Responsible  
Individual:** N/A

**Estimated  
Completion Date:** N/A

# WASHTENAW COMMUNITY HEALTH ORGANIZATION

## Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended September 30, 2010

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

2010-5 – Internal Service Fund. Contributions to the internal service fund were supported by an actuarial analysis that was five years old. An actuarial analysis is currently in process to support the amount going forward. In addition, cash invested in the internal service fund was pooled with cash of another government. We recommend that the Organization ensure that the actuarial analysis is updated at least every three years as is commonly required in other instances where an actuary is used. In addition, we recommend that the Organization segregate cash invested in the internal service fund into a physically separate bank account.

**Management's  
Response:**

The WCHO has established an Internal Service Fund (ISF) as part of our risk management strategy. The ISF was established and is administered consistent with Statement No. 10 of the Governmental Accounting Standards Board (Accounting and Financial Reporting for Risk Financing and Related Insurance Issues), as well as, the Internal Service Fund Technical Requirement that is part of the FY 2010 MDCH Contract. As such, the WCHO has established a separate fund to exclusively account for the revenues, expenses, assets and liabilities related to the ISF. In addition, as the WCHO's fiduciary, the Washtenaw County Treasurer's Office invests the ISF funds as part of its overall management of County and WCHO funds. The County Treasurer's Office ensures that the appropriate interest income or expense (in the case of funds that are in a deficit position) is allocated to all funds based on each fund's percentage of the total portfolio invested

**Responsible  
Individual:**

N/A

**Estimated  
Completion Date:**

N/A

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