

**Report on Compliance**  
**Community Mental Health Partnership  
of Southeast Michigan**

*September 30, 2019*



Community Mental Health Partnership of Southeast Michigan  
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September 30, 2019

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## INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE

To the Members of the Board  
Community Mental Health Partnership of Southeast Michigan  
Ann Arbor, Michigan

### Report On Compliance

We have examined Community Mental Health Partnership of Southeast Michigan's (the PIHP) compliance with the requirements described in the *Compliance Examination Guidelines* issued by Michigan Department of Health and Human Services that are applicable to its Medicaid Contract, General Fund (GF) Contract, Community Mental Health Services (CMHS) Block Grant, and Substance Abuse Prevention and Treatment (SAPT) Block Grant programs for the year ended September 30, 2019.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Medicaid Contract, GF Contract, CMHS Block Grant, and SAPT Block Grant programs.

### Independent Accountants' Responsibility

Our responsibility is to express an opinion on the PIHP's compliance with the Medicaid Contract, GF Contract, CMHS Block Grant, and SAPT Block Grant programs based on our examination of the compliance requirements referred to above.

Our examination of compliance was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the PIHP complied, in all material respects, with the compliance requirements referred to above.

An examination involves performing procedures to obtain evidence about the PIHP's compliance with the specified requirements referred to above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. However, our examination does not provide a legal determination of the PIHP's compliance.

### Basis for Qualified Opinion

As discussed in the Schedule of Findings as items 2019-01 and 2019-02, our examination disclosed material noncompliance related to the Medicaid Contract during the year ended September 30, 2019.

### Opinion on Each Program

In our opinion, except for the material noncompliance noted above, the PIHP complied, in all material respects, with the specified requirements referred to above that are applicable to its Medicaid Contract, GF Contract, CMHS Block Grant, and SAPT Block Grant programs for the year ended September 30, 2019.

**Purpose of this Report**

This report is intended solely for the information and use of the board and management of the PIHP and the Michigan Department of Health and Human Services, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Roslund, Prestage & Company, P.C.*

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

June 29, 2020

Control deficiencies that are individually or cumulatively material weaknesses in internal control over the Medicaid Contract, General Fund Contract, and/or Community Mental Health Services Block Grant Program(s):

None

Material noncompliance with the provisions of laws, regulations, or contracts related to the Medicaid Contract, General Fund Contract, and/or Community Mental Health Services Block Grant Program(s):

**2019-01 Fiscal Soundness of The Risk-Based PIHP (Repeat Comment)**

Criteria or specific requirements:

Provision 32.0 Fiscal Soundness of The Risk-Based PIHP states “Federal regulations require that the risk-based PIHPs maintain a fiscally solvent operation and MDHHS has the right to evaluate the ability of the PIHP to bear the risk of potential financial losses, or to perform services based on determinations of payable amounts under the contract.” (Medicaid Contract General Provision 32.0)

Condition:

Row A400 Balance Medicaid Services (Examined Totals) is \$(8,777,340) and Row AI400 Balance Healthy Michigan Plan Services (Examined Totals) is \$(1,845,157). These total \$10,622,497 which represents the PIHP's portion of the shared risk that is unfunded. The PIHP does not have sufficient resources to manage the local portion of the shared risk and is not fiscally solvent. As a result of this insolvency, the PIHP is not in compliance with General Provision 32.0 of the Medicaid Contract.

Examination adjustments:

None

Context and perspective:

The PIHP has incurred substantial annual deficits in the last three fiscal years. During FY18, the PIHP liquidated its remaining investments in the ISF and \$4,286,744 in local risk remained unfunded as of FY18 year end. The deficit for FY19 was \$15,264,468 of which \$11,730,507 was the local portion of shared risk and \$3,533,961 was the State portion of risk. Since the PIHP liquidated its remaining investments in the ISF during FY18, the PIHP did not have any funds remaining to fund its local risk for FY19.

Effect:

Unable to determine

Recommendations:

The PIHP should work with stakeholders on how to address its annual deficits and the remaining unfunded risk at year end.

Views of responsible officials:

Management is in agreement with this recommendation.

Planned corrective action:

The CMHPSM and its partner CMHSPs have worked hard to contain costs and return the PIHP to the point where it can again make contributions to the ISF. As of this writing, the PIHP anticipates making at least a \$1,500,000 contribution to the ISF at the end of FY 20 and hopes to contribute more. Revenue has increased as FY20 capitation payment rates were re-developed and improved entity specific factors were partially implemented for FY20. The latest information available indicates that the CMHPSM will receive the fully implemented entity specific rate changes in FY21 which will increase our region's rates above FY20 levels.

The CMHPSM and its partner CMHSPs have continued an administrative appeal and legal proceedings related to FY17, FY18 and FY19 Medicaid revenue. The administrative appeal provides details supporting the region not being provided with the revenue necessary to deliver the medically necessary services that individuals are entitled to as eligible Medicaid enrollees. Resolution of the administrative appeal, legal actions and/or a renegotiation of revenue capitation rates will correct the financial status of the CMHPSM.

Material noncompliance with the provisions of laws, regulations, or contracts related to the Medicaid Contract, General Fund Contract, and/or Community Mental Health Services Block Grant Program(s) (continued):

The CMHPSM will continue to work with all stakeholders to resolve the FY19 deficit and rebuild the ISF while continuing to deliver medically necessary behavioral health services within our region.

Responsible party:

MDHHS, CMHPSM and CMHPSM stakeholders

Anticipated completion date:

As soon as possible

**2019-02 FSR Examination Adjustments (Repeat Comment)**

Criteria or specific requirements:

The FSR must include revenues and expenditures in proper categories and follow the reporting instructions. (Contract Section 7.8)

Condition:

The PIHP is not in compliance with FSR instructions.

Examination adjustments:

Examination adjustments were made to sections of the FSR. See detailed descriptions of these examination adjustments in the Explanation of Examination Adjustments section of this report.

Context and perspective:

The examination adjustments were made to 1) agree revenue and expenses reported on the trial balance with amounts reported on the FSR 2) reclassify administrative expenses into the appropriate funding source and 3) bring the FSR in accordance with the reporting instructions.

Effect:

See detailed descriptions of these examination adjustments in the Explanation of Examination Adjustments section of this report.

Recommendations:

The PIHP should review its current policies and procedures regarding the preparation and review of the Financial Status Report to assure that all amounts are reported in compliance with the reporting instructions. Specifically, a review of the final draft should be performed by a knowledgeable person who is independent from the original preparation of the report(s).

Views of responsible officials:

Management is in agreement with our recommendation.

Planned corrective action:

The current CMHPSM CFO, Matt Berg, who prepared the FY19 FSR, was new to the PIHP/CMHSP system and was only able to receive some limited training in preparation of an MDHHS FSR before the FY19 FSR was due.

Since preparing that FSR, the CFO has received a significant amount of training and background through conversations with auditors and other CFOs who have prepared the report. By the time of this response, we believe the CFO has received sufficient training and background information to prepare the FY 20 FSR, while avoiding any of the findings from FY19.

The CFO will continue to participate in professional groups to further enhance his knowledge of all MDHHS required reports.

Community Mental Health Partnership of Southeast Michigan  
Schedule of Findings  
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Material noncompliance with the provisions of laws, regulations, or contracts related to the Medicaid Contract, General Fund Contract, and/or Community Mental Health Services Block Grant Program(s) (continued):

Responsible party:

Matt Berg, CFO

Anticipated completion date:

June 29, 2020

Known fraud affecting the Medicaid Contract, General Fund Contract, and/or Community Mental Health Services Block Grant Program(s):

None

Community Mental Health Partnership of Southeast Michigan  
Explanation of Examination Adjustments  
September 30, 2019

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**Examined Financial Status Report – Medicaid**

An examination adjustment was made to Row A202 (CMHPSM) to agree expenses reported on the trial balance with expenses reported on the FSR.

- Row A202 (CMHPSM) was increased from \$2,002,491 to \$3,074,562; a difference of \$1,072,071

An examination adjustment was made to Row A202 (CMHPSM) to reclassify Medicaid administrative expenses that had inadvertently been included in HMP administrative expenses.

- Row A202 (CMHPSM) was increased from \$3,074,562 to \$5,584,367; a difference of \$2,509,805

An examination adjustment was made to Row A334 to increase Risk Corridor - MDHHS Share to correspond with other examination adjustments that were made.

- Row A334 (CMHPSM) was increased from \$2,821,167 to \$3,357,202; a difference of \$536,035

**Examined Financial Status Report – Healthy Michigan**

An examination adjustment was made to Row AI202 (CMHPSM) to reclassify Medicaid administrative expenses that had inadvertently been included in HMP administrative expenses.

- Row AI202 (CMHPSM) was decreased from \$3,160,017 to \$650,212; a difference of \$(2,509,805)

**Examined Financial Status Report – Substance Use Disorder Services**

An examination adjustment was made to Row AC201 (CMHPSM) to agree expenses reported on the trial balance with expenses reported on the FSR.

- Row AC201 (CMHPSM) was decreased from \$7,340,328 to \$6,292,678; a difference of \$1,047,650

An examination adjustment was made to agree the PIHP FSR with a resubmitted CMHSP FSR (not shown as an examination adjustment on Livingston's compliance report)

- Row AC115 (Livingston) was increased from \$875,472 to \$875,742; a difference of \$270
- Row AC201 (Livingston) was increased from \$875,472 to \$875,742; a difference of \$270

**Examined Supplemental Financial Status Report – SUD Services**

An examination adjustment was made to the SUD Supplemental to agree revenue and expenses reported on the trial balance with amounts reported on the FSR.

- Row A1.c (Treatment) was increased from \$3,221,251 to \$3,221,521; a difference of \$270
- Row A5 (STR GY2) was increased from \$406,793 to \$457,034; a difference of \$50,241
- Row A6 (Gambling) was decreased from \$95,195 to \$93,051; a difference of \$2,144
- Row D1 (Budgeted Revenue) was increased from \$2,059,226 to \$2,065,596; a difference of \$6,370
- Row D1 (Treatment) was increased from \$1,705,924 to \$1,778,828; a difference of \$72,904
- Row D1 (Prevention) was decreased from \$353,302 to \$286,768; a difference of \$(66,534)

**Examined Restricted Fund Balance Activity**

An examination adjustment was made to add the PBIP received during FY19 as Current Period Deposits and Financing.

- Row 1b (PBIP) was increased from \$0 to \$1,108,010; a difference of \$1,108,010
- Row 1c (PBIP) was increased from \$0 to \$(1,108,010); a difference of \$(1,108,010)

**Examined Shared Risk Calculation and Risk Financing**

An examination adjustment was made to remove the General Fund Redirect shown on Row 2.e. since CMHPSM does not receive any GF funding

- Row 2.e was decreased from \$2,997,926 to \$0; a difference of \$(2,997,926).

An examination adjustment was made to Section 3 to correspond with other examination adjustments that were made.

- Row 3.b (State Risk) was increased from \$0 to \$3,357,202; a difference of \$3,357,202
- Row 3.b1 (State Risk) was decreased from \$2,997,926 to \$176,759; a difference of \$(2,821,167)
- Row 3.b (Local Risk) was increased from \$8,196,545 to \$9,885,350; a difference of \$1,688,805
- Row 3.b1 (Local Risk) was decreased from \$2,997,926 to \$1,845,157; a difference of \$(1,152,769)



Community Mental Health Partnership of Southeast Michigan  
Explanation of Examination Adjustments  
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**Examined Financial Status Report – All Non Medicaid**

An examination adjustment was made to Row N103 MDHHS Share of Medicaid Risk Corridor to correspond with other examination adjustments that were made.

- Row N103 was increased from \$2,997,926 to \$3,533,961; a difference of \$536,035

Community Mental Health Partnership of Southeast Michigan  
Comments and Recommendations  
September 30, 2019

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During our compliance audit, we may have become aware of matters that are opportunities for strengthening internal controls, improving compliance and increasing operating efficiency. These matters are not individually or cumulatively material weaknesses in internal control over the Medicaid Contract, General Fund Contract, and/or Community Mental Health Services Block Grant program(s). Furthermore, we consider these matters to be immaterial deficiencies, not findings. The following comments and recommendations are in regard to those matters.

There are no comments or recommendations for the September 30, 2019 fiscal year.