



STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

November 12, 2008

The Honorable John Nelson, Chair
Joint Legislative Audit Committee

The Honorable Robert Blendu, Vice Chair
Joint Legislative Audit Committee

Dear Representative Nelson and Senator Blendu:

Our Office has recently completed a 24-month followup of the Department of Health Services—Behavioral Health Services for Adults with Serious Mental Illness in Maricopa County regarding the implementation status of the 17 audit recommendations (including sub-parts of the recommendations) presented in the performance audit report released in September 2006 (Auditor General Report No. 06-09). As the attached grid indicates:

- 16 have been implemented, and
- 1 is in the process of being implemented.

Unless otherwise directed by the Joint Legislative Audit Committee, this concludes our follow-up work on the Department's efforts to implement the recommendations from the September 2006 performance audit report.

Sincerely,

Melanie M. Chesney, Director
Performance Audit Division

MMC:Acm
Attachment

cc: January Contreras, Acting Director
Department of Health Services

**DEPARTMENT OF HEALTH SERVICES
 BEHAVIORAL HEALTH SERVICES FOR ADULTS
 WITH SERIOUS MENTAL ILLNESS IN MARICOPA COUNTY
 Auditor General Report No. 06-09
 24-Month Follow-Up Report**

| Recommendation | Status/Additional Explanation |
|----------------|-------------------------------|
|----------------|-------------------------------|

FINDING 1: SMI monies fund a diverse range of services in Maricopa County

No recommendations for this finding.

FINDING 2: Division should strengthen focus on outcomes

2.1 The Division should continue its implementation of the Boston University training program by monitoring the RBHA's compliance with the recovery model and ensuring that the Maricopa County RBHA:

- | | | |
|----|---|---------------------------------|
| a. | Continues to train clinical leadership and staff; and | Implemented at 18 Months |
| b. | Maintains the training principles in service planning and clinical practices. | Implemented at 18 Months |

2.2 The Division should incorporate measurement of consumer outcomes into its oversight mechanisms by:

- | | | |
|----|--|---------------------------------|
| a. | Using the results of its quality management plan pilot test, as well as the measures used in the HB2003 program and by SAMHSA, to define outcome goals and develop appropriate outcome measures; | Implemented at 12 Months |
| b. | Continuing to incorporate these measures into the Division's quality management plan and RBHA's contract; | Implemented at 12 Months |
| c. | Continuing to tie a portion of the RBHA's profits to achieving agreed-upon performance outcomes; | Implemented at 12 Months |
| d. | Ensuring that an information management system exists to properly collect accurate outcome data that can be used to reliably measure recovery outcomes; and | Implemented at 6 Months |
| e. | Requiring the RBHA to demonstrate that it has an adequate information technology system to collect, report, and validate agreed-upon outcome data. | Implemented at 6 Months |

Recommendation**Status/Additional Explanation**

2.3 The Division should consider renegotiating measures of improvement in the court orders arising from the Arnold v. Sarn lawsuit by:

a. Determining which court mandates focus on process rather than outcomes and inhibit full implementation of an outcome-oriented model; and

Implemented at 6 Months

The Department identified two court mandates that focused on process rather than outcomes and in a January 12, 2007, status hearing, suggested modifying those mandates. In addition, in a March 8, 2007, brief to the Court, the Department proposed that the Court consider innovative approaches that require the parties and/or experts to re-examine court orders. According to the Department, the plaintiffs have not pursued the suggested changes or been amenable to changing any court orders. The Department reported that it intends to continue its efforts to modify the court orders.

b. Discussing this with the plaintiffs and working to modify the provisions.

Implemented at 6 Months

FINDING 3: Division can improve financial oversight and limit use of SMI monies

3.1 To better ensure monies are spent appropriately, the Division should consider expanding the current compliance audit requirement to include all program monies. If the Division determines a compliance audit is needed, it should:

a. Determine which requirements and standards are most important to it and should be included as part of a contractually required audit;

Implemented at 6 Months

b. Develop contract provisions that would require auditing nonfederal program monies against those requirements; and

Implemented at 6 Months

c. Review the results of these audit reports and take action when appropriate.

Implementation in Process

The Department has made changes to its *Financial Reporting Guide* and newly established contract with Magellan Health Services to implement the new auditing requirements. These requirements will be incorporated in Magellan's audited financial statements for fiscal year 2008 and a separate OMB A-133 compliance audit. As of October 2008, Magellan's audited financial statements were still in draft form, and the Department expected to receive the OMB A-133 audit in November 2008. The Department reported that it would inform the Auditor General how it planned to address any concerns in the audits.

| Recommendation | Status/Additional Explanation |
|---|---|
| <p>3.2 The Division should consider a contract provision that would limit the Maricopa County RBHA's ability to use SMI monies for other programs. As the Division considers this option, it should consider the impact this contract limit would have on the RBHA's ability to manage other programs.</p> | <p>Implemented at 6 Months The contract with Magellan Health Services, effective September 1, 2007, contains a provision stating that SMI profits earned above the contractually allowed amounts must be returned to the State, unless otherwise requested in writing and approved by the Department.</p> |
| <p>3.3 The Legislature may wish to consider statutorily limiting monies appropriated for adults with SMI to be used only for this population. As the Legislature considers this option, it should consider the impact on other behavioral health programs.</p> | <p>Implemented at 12 Months Laws 2007, Chapter 263, §14, which was signed into law on June 25, 2007, added several new provisions to A.R.S. §36-3410 related to regional behavioral health authorities including A.R.S. §36-3410 (K), which prohibits monies appropriated for adults with serious mental illness to be spent on any other purpose starting in fiscal year 2008, and each fiscal year thereafter.</p> |
| <p>FINDING 4: Better oversight needed of service level provided</p> | |
| <p>4.1 The Division should continue its efforts to better ensure that sufficient services are delivered by modifying its <i>Financial Reporting Guide</i> to identify a fee schedule to be used in valuing encounters to determine whether the minimum requirement has been met. For example, it could use the AHCCCS-approved fee schedule or an adjusted value based on the AHCCCS-approved schedule, or require ValueOptions to develop a fiscally sound method to develop a schedule of encounter values and submit the schedule for division approval.</p> | <p>Implemented at 6 Months</p> |
| <p>4.2 The Division should:</p> <ul style="list-style-type: none"> a. Determine an appropriate level for the minimum encounter submission requirement; and b. Modify its <i>Financial Reporting Guide</i> accordingly. | <p>Implemented at 6 Months</p> <p>Implemented at 6 Months</p> |