
Program Audit: Mental Health Earnings Fund

*Prepared for the Committee on Legislative Research
by the Oversight Division*

Jeanne Jarrett, CPA, Director

Audit Team:

Mickey Wilson, CPA, Team Leader, James Oetting, CPA, Frances Hayes

December 1995

TABLE OF CONTENTS

COMMITTEE ON LEGISLATIVE RESEARCH	ii
LETTER OF TRANSMITTAL	iii
SUMMARY OF OVERSIGHT DIVISION'S FINDINGS	iv
INTRODUCTION, BACKGROUND	page 1
OBJECTIVES	page 5
SCOPE, METHODOLOGY	page 5
FINDINGS/RECOMMENDATIONS/AGENCY RESPONSES	
#1 DMH has not maintained proper documentation	page 6
#2 DMH has certified below standard programs	page 8
#3 No assurance supplemental fees are received	page 9
#4 Restructuring of SATOP	page 11
#5 Ensure reimbursements are correct	page 15
#6 Insufficient Funding	page 18
#7 Expand SATOP options	page 19
#8 Letter of Understanding is unsigned	page 20
#9 Demonstration projects funding-lack of compliance ...	page 22
#10 Inadequate monitoring and control	page 23
#11 Lack of statutory authority to expend funds	page 25

COMMITTEE ON LEGISLATIVE RESEARCH

OVERSIGHT SUBCOMMITTEE

THE COMMITTEE ON LEGISLATIVE RESEARCH, Oversight Division, is the audit agency of the Missouri General Assembly as established in Chapter 23 of the Revised Statutes of Missouri. The programs and activities of the State of Missouri cost approximately \$13 billion annually. Each year the General Assembly enacts laws which add to, delete or change these programs. To meet the demands for more responsive and cost effective state government, legislators need to receive information regarding the status of the programs which they have created and the expenditure of funds which they have authorized. The audit work of the Oversight Division provides the General Assembly with a means to evaluate state agencies and state programs.

THE OVERSIGHT DIVISION conducts its audits in accordance with government auditing standards set forth by the U.S. General Accounting Office. These standards pertain to auditors' professional qualifications, the quality of audit effort and the characteristics of professional and useful audit reports.

THE COMMITTEE ON LEGISLATIVE RESEARCH is a permanent joint committee of the Missouri General Assembly comprised of the chairman of the Senate Appropriations Committee and nine other members of the Senate and the chairman of the House Budget Committee and nine other members of the House of Representatives. The Senate members are appointed by the President Pro Tem of the Senate and the House members are appointed by the Speaker of the House of Representatives. No more than six members from the House and six members from the Senate may be of the same political party.

AUDITS ARE ASSIGNED to the Oversight Division pursuant to a duly adopted concurrent resolution of the General Assembly or pursuant to a resolution adopted by the Committee on Legislative Research. Legislators or committees may make their requests for program or management audits through the Chairman of the Committee on Legislative Research or any other member of the Committee.

COMMITTEE ON LEGISLATIVE RESEARCH

Representatives:

*Representative Donald Prost, Chairman**
Representative Gracia Backer
Representative Doyle Childers
Representative F. E. "Gene" Copeland
Representative Laurie Donovan
Representative Raymond Hand
*Representative Kenneth Legan**
*Representative Sheila Lumpe**
Representative Annette Morgan
*Representative Larry Thomason**

Senators:

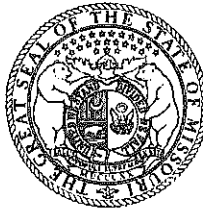
*Senator Harry Wiggins, Vice Chairman**
*Senator Harold Caskey**
Senator William Clay
Senator Ronnie DePasco
*Senator Franc Flotron**
*Senator Mike Lybyer**
Senator Walt Mueller
Senator John Russell
Senator Marvin Singleton
Senator Irene Trepler

*Oversight Subcommittee**

REPRESENTATIVES
DONALD PROST*
Chairman
GRACIA Y. BACKER
DOYLE CHILDERS
GENE COPELAND
LAURIE B. DONOVAN
RAYMOND W. HAND
KENNETH LEGAN*
SHEILA LUMPE*
ANNETTE N. MORGAN
LARRY THOMASON*

OVERSIGHT SUBCOMMITTEE*
DONALD PROST
Chairman

STATE OF MISSOURI



COMMITTEE ON LEGISLATIVE RESEARCH

STATE CAPITOL
JEFFERSON CITY, MISSOURI 65101-6806

SENATORS
HARRY WIGGINS*
Vice Chairman
HAROLD L. CASKEY*
WILLIAM L. CLAY, JR.
RONNIE DePASCO
FRANC E. FLOTRON*
MIKE LYBYER*
WALT MUELLER
JOHN T. RUSSELL
MARVIN SINGLETON
IRENE TREPPLER

OVERSIGHT SUBCOMMITTEE*
HARRY WIGGINS
Vice Chairman

December, 1995

Members of the General Assembly:

As authorized by Chapter 23, RSMo, the Committee on Legislative Research adopted a resolution in June, 1995 directing the Oversight Division to perform a program audit of the Mental Health Earnings Fund which included the examination of records and procedures in the Department of Mental Health to determine and evaluate program performance in accordance with program objectives, responsibilities, and duties as set forth by statute or regulation.

The accompanying report includes Oversight's comments on internal controls, compliance with legal requirements, management practices, program performance and related areas. We hope this information is helpful and can be used in a constructive manner for the betterment of the state program to which it relates.

Respectfully,

A handwritten signature in cursive script that reads "Donald Prost".

Representative Donald Prost, Chairman

PROGRAM AUDIT OF THE MENTAL HEALTH EARNINGS FUND

Summary of Oversight Division's Findings

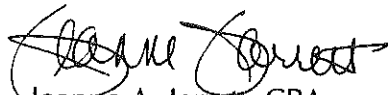
The Mental Health Earnings Fund was created in 1993 specifically for the purpose of supporting the Substance Abuse Traffic Offender Program (SATOP), an educational and rehabilitation system for individuals with traffic-related alcohol or drug problems. Offenders enter the Offender Management Unit of their choice and are assessed to determine which of three programs they must complete: 1) Offender Education Program, 2) Weekend Intervention Program, or 3) Clinical Intervention Program. The assessment function and all three program options are provided by private vendors who must become certified by the Department to provide the services. In addition to \$1.4 million in fees generated from more than 23,000 offenders who have completed a SATOP, approximately \$50 million in non-SATOP revenues flowed through the fund from July, 1992 through June, 1995.

Has the Department of Mental Health's program administration of the SATOP been effective, efficient, and operating according to law and legislative intent? The Department should give consideration to restructuring the Substance Abuse Traffic Offender Program so that it would provide financial integrity and accountability to the program and lower the cost to offenders. Oversight believes that by transferring the Offender Management Unit assessment function to the Department rather than being provided by private vendors as it is currently done, a cost savings to the program could be realized. Offenders currently pay a total of \$1.3 million annually for assessment services and the Department could perform the same services for approximately \$430,000. It appears that DMH has included excessive overhead costs in its calculation of the Weekend Intervention Program fee of \$350 per person. Oversight believes that the fee should be reduced to \$300 per person, saving offenders and the SATOP \$330,000 annually in reduced reimbursements to program providers. In addition, the Department has certified substance abuse traffic offender programs that did not meet minimum certification standards and in some instances has not maintained proper documentation of SATOP certifications. Further, DMH does not have procedures which allow it to ensure reimbursement requests submitted by program providers are proper and that all supplemental fees are being received as required.

Were funds flowing through the Mental Health Earnings Fund administered appropriately and accurately? The SATOP funding level is not sufficient to meet projected expenditures for program reimbursements for the Weekend Intervention Program and the Clinical Intervention Program. The appropriation for fiscal year 1996 from the Mental Health Earnings Fund for the SATOP is \$1.3 million while current spending levels for SATOP would produce at least \$1.9 million in program expenditures. DMH currently plans to use appropriations from the Health Initiatives Fund to meet the difference between the appropriation authority and projected expenditures in the Mental Health Earnings Fund.

On the other hand, expenditures for SATOP demonstration projects from the Fund do not appear to be in compliance with statutory authority and should be funded from the Health Initiatives Fund as described in 191.831(1), RSMo. It also appears that no statutory authority existed for federal reimbursements to be deposited and expended from the Fund. In FY95, approximately \$50 million in federal reimbursements for Medicare/Medicaid were deposited into the Fund, even though the Fund was originally created specifically to receive fees generated by SATOP. \$27 million remained in the Fund at the end of the audit period and interest earned on the Fund balance accrues to the benefit of the Fund administered by the Department of Mental Health.

This audit includes a schedule for suggested changes to the sources of revenue/expenses in the Mental Health Earnings Fund. Also included are recommendations for changes in management practices and procedures. The Department of Mental Health's official responses to the findings and recommendations are incorporated into the report. Our audit was performed in accordance with generally accepted government auditing standards as they relate to program and performance audits. We did not examine departmental financial statements and do not express an opinion on them.



Jeannie A. Jarrett, CPA
Director, Oversight Division

Introduction

The Joint Committee on Legislative Research directed the Oversight Division to conduct a program audit of the operations of the Mental Health Earnings Fund (MHEF) within the Department of Mental Health. The audit had two major focuses. One, review of the Substance Abuse Traffic Offender Program (SATOP), an educational and rehabilitation system for individuals with traffic-related alcohol or drug problems. The MHEF was created in 1993 specifically for the purpose of supporting the SATOP program. Two, evaluation of the approximately \$50 million in non-SATOP funds that flowed through the MHEF. This audit informs the General Assembly of whether state resources are being used efficiently and effectively, administered as authorized or required by law, and used as intended by law.

Background

SATOP

SATOP is the successor to the Alcohol Related Traffic Offender Program (ARTOP) which was created in the early 1980's. ARTOP provided a ten hour basic alcohol education program. Irregardless if it was a first, second or subsequent offense only one program was available, the ten-hour basic education course. At that time all DWI violations were handled in municipal courts throughout the state. Senate Bill 167 adopted during the 1993 session altered the system in a number of ways, it allowed for certain DWI violations to be handled in circuit court and it created a multi-tier SATOP in which offenders would participate in a program matched to their level of need. Violations are handled simultaneously by the criminal and administrative system. The offender goes through the court system and is either fined or serves jail time or probation. At the same time they must follow the SATOP program in order to have their license reinstated by the Department of Revenue (DOR).

SATOP consists of the following steps. An offender enters the program through an Offender Management Unit (OMU) of their choice at one of the SATOP certified programs. A thorough assessment is done to determine

for accuracy. Data from the Department of Revenue was obtained and tested against the records of DMH.

Findings

Recommendations

Agency Responses

FINDING #1:	The Department of Mental Health, Division of Alcohol and Drug Abuse has not maintained proper documentation of Substance Abuse Traffic Offender Program certification.
--------------------	---

As Substance Abuse Traffic Offender Program (SATOP) was implemented existing Alcohol Related Traffic Offender Programs (ARTOP) were "grandfathered" into the SATOP system. The first new step was to work with programs to implement an Offender Management Unit (OMU). Once this is accomplished then program applications were considered under the new guidelines. When a program's existing ARTOP certification expires an application to become SATOP certified as a OMU/ Offender Education Program (OEP) is submitted. A sliding scale fee of \$125 to \$500, based on the number of participants in the prior twelve months, is submitted along with the application. The application includes: the name and address of the administration office and the address of sites where the courses are given, type of organization, physical environment, staff members, and compliance with curriculum and student accessibility. The application is reviewed by SATOP staff and if it meets the minimum standards a site survey document is sent to the program. This document is completed by the program and returned to SATOP staff. This document forms the basis for a site survey which is performed by SATOP staff at the program office. If the program obtains a 90% or greater compliance level on the site review a full two year certification is awarded.

The Weekend Intervention Program (WIP) and the Clinical Intervention Program (CIP) did not exist under ARTOP and thus all program applications are new. The program application process for both programs is similar to the OMU/OEP process outlined above. A WIP application and a CIP application each would include a fee of \$125 to \$500, based on the number of participants in the prior twelve months.

A sample of 25 certified programs was selected from a SATOP directory containing 152 certified programs. The directory was dated May 1, 1995 and was provided by the Department of Mental Health (DMH). These files were tested to determine if the agencies were in good standing with the Missouri Secretary of State, if their fees were paid properly, if a site survey had been performed, and if written offender complaints were addressed. In many instances it was impossible to track or follow what had taken place in the certification process. In over 30% of the files reviewed the certification apparently had expired and no evidence of renewal was found in the file. Oversight was unable to determine whether the program was operating without a certification or if renewal documentation simply was lost or not included in the file. In addition, registration with the Secretary of State appeared to be lacking in 39% of the agencies DMH certified.

RECOMMENDATION TO FINDING #1

Oversight recommends that the Department of Mental Health perform a review of all existing certified SATOP programs to ensure compliance with current statutes and regulations. A document should be created and included in each file which tracks the certification process and verifies compliance with applicable standards. For example, a form similar to that used in the individual certification process could be utilized.

Response To Finding #1

Department of Mental Health

Certification for SATOP programs is conducted in two ways. The OMUs and WIPs are certified by the SATOP section in the Department for a period of two years. CIPS are certified as outpatient service providers by the treatment certification section of the Division for a period of one year. The Department is

considering changing both to one year certifications.

The Department agrees that a certification review of all programs would be appropriate. A complete review of certification status and recertification where required will be done by late spring. Programs remain certified until the Department recertifies them or certification is withdrawn.

Of the seven program files that were cited as not including documentation of current certification, three programs were certified as CIP and WIP, the other three programs were originally ARTOP programs that converted to WIP programs. All CIP certifications are up to date. The WIP programs were issued provisional certifications. a review will be done by spring on all of these programs.

The programs in which the file did not contain evidence of registration with the Secretary of State's Office were contacted. All programs are currently certified with the Secretary of State.

FINDING #2:	The Department of Mental Health has certified substance abuse traffic offender programs that did not meet minimum certification standards.
--------------------	---

Oversight selected a sample of 25 certified programs from a SATOP directory containing 152 certified programs. The directory was dated May 1, 1995 and was provided by the Department of Mental Health (DMH). These programs files were reviewed to verify that the certification process had been properly followed.

In three instances the program files included DMH memorandum which stated the program could not meet minimum standards but was being certified anyway. This was due to the expanded standards included in the Substance Abuse Traffic Offender Program (SATOP) as opposed to the prior Alcohol Related Traffic Offender Program (ARTOP) standards. It appears that the SATOP standards are more stringent. Thus a program unable to meet the ARTOP standards would possibly have trouble meeting new SATOP standards.

RECOMMENDATION TO FINDING #2

Oversight recommends the Department of Mental Health, Division of Alcohol and Drug Abuse only certify those programs that fully comply with the Substance Abuse Traffic Offender Program standards.

Response to Finding #2

Department of Mental Health

The three programs described in this audit were grandfathered in from the ARTOP program. One of these programs has a current certification on record. One program is in the process of being recertified. One of the programs has gone out of business.

The Division will continue to certify programs based on the new SATOP standards. If the programs obtain a 90% or better compliance, they will be certified.

FINDING #3:	The Department of Mental Health does not have a procedure to ensure that all supplemental fees are being received as required.
--------------------	---

The Mental Health Earnings Fund and the Substance Abuse Traffic Offender Program (SATOP) were created by Senate Bill 167, 1993 session (Section 630.053, RSMO 1994). This section established a \$60 supplemental fee which is paid by offenders entering the SATOP system. These offenders have had their drivers licenses or commercial drivers licenses suspended for substance abuse traffic offenses. The fee is collected by the program provider when the offender enters the SATOP system through its Offender Management Unit (OMU). These providers are, with one exception, private companies or non-profit agencies. They are allowed to retain two percent of the fees collected to cover administrative costs. The fees are to be remitted by the fifteenth of the month following the month in which they are collected. The monthly remittance forms are submitted to the Controller of the Department of Mental Health (DMH) with a list of offenders who have paid the \$60 supplemental

fee with their social security numbers. The remittance form is reviewed for accuracy and completeness. No comparison is performed to records available from the Department of Revenue to ensure that all fees have been properly received.

Oversight selected a sample of sixty monthly remittances from a population of 1,080 monthly remittances. The remittances appear to be accurate and complete. In addition, the administrative fee of two percent was recalculated and withheld correctly in all of the remittances sampled. In two of the sampled remittances the document failed to include the social security numbers on the remittance form. Further, in 63% of the remittances tested the remittance was received after the due date, the 15th of the following month.

The Department of Mental Health needs to have the ability to determine who should be paying the \$60 supplemental fee. The current system provides very little control over or detection of agencies collecting fees and not forwarding them properly.

RECOMMENDATION TO FINDING #3

Oversight recommends the Department of Mental Health institute a system that allows supplemental fee collections to be checked against the Department of Revenue's (DOR) drivers license records. This would allow DMH to identify any unpaid fees.

Response to Finding #3

Department of Mental Health

The Department is currently preparing a data base that will include all individuals who have paid the \$60 fee. The data base can be checked against the Department of Revenue's (DOR) drivers license records. This will only verify that the individuals that have paid the fee have in fact lost their license. DOR does not have information of court-referred SATOP clients who have not been administratively suspended or revoked.

In addition, DOR's records will include individual's names that will never get their license back and will never be present at a SATOP program. It

would be difficult to know who would be present at a SATOP OMU.

The Department proposes another method to identify unpaid fees. This method will be available once all programs submit their invoices electronically. The invoices processed electronically are entered into the system by client name and identification number. The clients for which a program bills the Department for services will be checked against the data base of supplemental fees collected. A variance report could be generated for any client for which services have been billed and the supplemental fee not paid. The follow-up with the provider will give us the referring OMU and a letter will be sent to the OMU requesting payment. This process would assure that the Department receives supplemental fees for the clients that are provided WIP or CIP services.

Monitoring procedures are in place to assure that all future monthly remittances include social security numbers.

In addition, the Department does have a procedure in place to handle remittances which are received late. Currently the Department records the date received. In future remittances, the date postmarked will be recorded. If the postmarked date had been used previously (assumption: received by the 20th), it appears that 35% instead of 63% would have been considered late. Since this percentage is still high, the Department will send a reminder to programs about the due date.

FINDING #4:

The Department of Mental Health should give consideration to restructuring the Substance Abuse Traffic Offender Program so that it would provide financial integrity and accountability to the program and lower the cost to offenders. In addition, the Department should pursue alternative and additional sources of funding.

Financial Integrity and Accountability

Oversight's calculation of the projected financial position of the Substance Abuse Traffic Offender Program (SATOP) for Fiscal Year 1996 reflects a projected deficit. Oversight projects revenue of \$2.7 million with estimated expenditures of \$2.9 million for the current fiscal year. It appears the program may have insufficient revenues to cover expenditures.

SATOP is currently funded with a \$60 supplemental fee paid by offenders to the Mental Health Earnings Fund (MHEF) and a five percent allocation of revenues received by the Health Initiatives Fund (HIF). In order to increase accountability and to clarify the amount of available funds for SATOP, Oversight recommends that the allocation from the HIF should be transferred to the MHEF and all expenditures for SATOP should be charged to appropriations from the MHEF. The Department of Mental Health (DMH) would need to determine if a statutory change would be necessary to authorize this transfer or if the transfer would be handled administratively. In addition, the current DMH administrative staff positions supporting SATOP are funded from the HIF and the Blockgrant Administration Fund. Oversight recommends that all SATOP administrative staff positions should be funded from the MHEF.

Lower Cost

Oversight believes that by transferring the Offender Management Unit (OMU) assessment function to DMH a cost savings could be realized. The \$60 supplemental fee would be eliminated and an increase in the assessment fee from \$65 to \$80 would be required. Oversight estimates the change in the fee structure would result in an increase in SATOP revenues of \$400,000. The transfer of the assessment function to DMH would also save the program providers the administrative burden of processing the supplemental fee. DMH would realize cost savings of \$24,000 in administrative fees that are currently retained by the program providers. Oversight estimates that DMH would need an additional seven full-time equivalent employees to perform the OMU assessment function at a cost of approximately \$240,000 annually. DMH would have additional cost of \$120,000 per year for the Drivers Risk Inventory (DRI) assessment test that is administered to each offender entering SATOP. One time startup costs of \$70,000 would include desks, computers, and office expenses. This would

result in costs to DMH of approximately \$430,000 in the first year and \$70,000 less in the second and subsequent years. Offenders currently are paying \$1.3 million for assessment services. By transferring the assessment function to DMH the cost of these services would be reduced to \$430,000.

Program providers and individual instructors currently pay a fee upon filing a new or renewal application for certification. Renewals for certification are required every two years for program providers and every three years for instructors. These certification fees are deposited in the state General Revenue Fund (GR). An annual certification fee equal to the current fee for both programs and individuals would generate approximately \$50,000 annually. These fees would be deposited in the MHEF.

Oversight reviewed the basis for the Weekend Intervention Program (WIP) fee of \$350. From this review it appears that DMH has included excessive overhead costs in its calculation of the WIP fee. Oversight believes that a WIP fee of \$300 is appropriate. This reduction of \$50 in the WIP fee would result in a corresponding reduction in the maximum reimbursement by DMH to program providers. The overall cost savings to SATOP would be approximately \$330,000.

DMH further stated that it is their intent to cease funding the demonstration projects from the MHEF at the end of fiscal year 1996. The current funding levels of the demonstration projects is approximately \$300,000 annually.

These changes should have the effect of assuring the financial integrity of the program at lower cost to offenders and providing a higher level of quality in the assessment process.

Alternative Sources of Funding

Oversight noted as part of its review that a number of industries are impacted by drunk driving accidents. The life, health, property, and casualty insurance industries pay the majority of the cost related to drunk driving accidents. Most individuals have life, medical, and automobile insurance which pays for property damage, medical cost, death benefits, and lost wages for offenders and their victims. The National Highway Traffic Safety Administration (NHTSA) includes these costs in the calculation of the "cost to society" of drunk driving accidents. Based upon a NHTSA study titled

Saving Lives and Dollars: Highway Safety Contribution to Health Care Reform and Deficit Reduction, NHTSA estimates the cost to society of each alcohol related accident fatality to be \$702,300. In 1994 Missouri had 288 alcohol related fatalities which generates a cost to society of \$202,262,400. Their estimate of injury related costs vary from a minor injury of \$6,145 to a major injury of \$589,055. NHTSA estimates injury related cost to be 2.2 times higher than fatality related cost. Alcohol related injuries in Missouri in 1994 totaled 7,528 and the total cost of these injuries is estimated at \$451,680,000. Therefore, based upon this study, the total estimated cost to society of alcohol related accidents in Missouri totals \$653,942,000. Although Oversight is unable to determine what portion of this cost to society is paid directly by the insurance industry, Oversight believes that sufficient costs are incurred by the industry to warrant their involvement in further addressing this problem. It appears that the insurance industry may be a source of additional voluntary funding for the Substance Abuse Traffic Offender Program (SATOP). In addition, there may be other industries, both public and private, that would appear to be interested in contributing to SATOP.

RECOMMENDATION TO FINDING # 4

Oversight recommends the Department of Mental Health consider the restructuring of the Substance Abuse Traffic Offender Program as outlined above (see Exhibit 1).

Response to Finding #4

Department of Mental Health

According to the Division's calculations, the SATOP program, for the rest of the fiscal year, will have a cash surplus in excess of \$400,000 in the Mental Health Earnings Fund. We do not agree with the projections provided by the Oversight Audit Review and have great difficulty in regard to their restructuring of the administrative fee being collected by the Division.

The Department of Mental Health and the Division see no reason to raise the administrative fee which it is currently receiving per recipient to a fee of \$65 - \$80 which is being recommended by the Oversight Audit. We do not see

presently, or in the future, any shortfall relating to any fiscal accountability in operating the current SATOP program.

The Administrative Oversight Audit also recommended hiring six new FTE to do the assessment of the program. The Department of Mental Health and the Division do not agree with that assessment. We believe we have the staff in place to provide a quality review and would see this as an excessive administrative cost to the State to employ such an activity at this time or within the near future. The assessment instrument also functions as a check and balance system to ensure that clients are placed in the most appropriate level of care.

Based on the Division's projections, adequate cash is available to fund this project and, therefore, it is not necessary to pursue additional funding.

FINDING #5:	The Department of Mental Health does not have procedures which allow it to ensure reimbursement requests submitted by program providers are proper.
--------------------	--

Offenders who are referred to a Weekend Intervention Program (WIP) or a Clinical Intervention Program (CIP) may not have to pay the full fee of \$350 or \$750, respectively. They must pay a minimum of \$70 but the amount above that level can be reduced based on the Standard Means Test (SMT). The SMT would include size of family and monthly income. These two factors are used to determine the offenders ability to pay. The program provider obtains financial data from the offender and calculates the amount they need to pay. The difference is billed to the Department of Mental Health (DMH). The program completes a "Purchase of Service Invoice" and forwards the request to the DMH-Division of Alcohol and Drug Abuse (ADA). ADA reviews the invoice and, if appropriate, approves it for payment. The invoice is forwarded to DMH-Accounting where a "Warrant Request" is prepared. The "Warrant" includes the proper accounts, amounts, and authorization to allow a check to be issued by the Office of Administration, Division of Accounting (OA). The warrant is forwarded to OA where a check is issued and mailed to the program. DMH has a system whereby some programs submit their data and request for reimbursement directly to DMH using an online computer system.

A test was performed on request for reimbursement forms submitted by programs to obtain payment for services. A review for the proper completion of the form by the program was done. For example, was the invoice completed, dated, and signed, was proper supporting documentation attached, and was the payment properly authorized. Oversight selected a sample of 60 requests for reimbursement from a population of 638 reimbursement requests. The test revealed that the reimbursement form was properly submitted with supporting documentation and included the date and signature from the program.

It appears that reimbursements requested through the online computer system are not reviewed by DMH staff but are forwarded directly for payment. The sample reviewed included instances where non-SATOP services were submitted and paid from SATOP funds. In addition, DMH has no procedures in place to verify that the client has paid their required \$70 portion. Also, it is difficult to verify that the proper amount of services have been paid for and that services were not paid for more than once. DMH does not have a system to ensure that the offender underlying the request for reimbursement has actually completed a WIP/CIP program. In addition, no crosscheck is made to verify that the \$60 supplemental fee has been received by DMH prior to paying out reimbursement under SMT. With no review of the electronic billings prior to payment, errors or intentional overbilling would not be detected by DMH.

RECOMMENDATION TO FINDING # 5

Oversight recommends that the Department of Mental Health implement procedures to allow for computer checks, edits and staff review of requests for reimbursements to programs for services rendered.

Response to Finding #5

Department of Mental Health

The Department is aware that the data processing system does not have adequate edits. A data processing change request that would reject incorrect service codes on SATOP invoices has been forwarded to the Department's Office of Information Systems. In the mean time, the Department has been monitoring the services billed after the fact and making adjustments as needed. Many SATOP providers

also provide other Alcohol and Drug Abuse services and in some cases have used an incorrect service code. These coding errors are being monitored and corrected after the invoice is processed.

The Department does billing audits after payment is made to determine whether providers are billing appropriately. This audit includes a verification that providers have credited the Department for the \$70 to be paid by the client for CIP and WIP services. If providers have inadvertently not credited the Department for the clients required \$70 payment, credit is taken on future invoices or a check is requested from the provider and deposited in the SATOP fund. The Department will not implement a system edit for these processes so that we can maintain an audit trail that indicates all aspects of billing and payment. Monitoring and billing audits will continued to uncover any problems with billing.

Billings audits also include verification of services provided and appropriate billing. This audit resolves issues such as verification that the proper amount of services have been paid and that the Department has not been billed for the services more than once.

A new data base has been developed an is being implement that captures data provided by the providers about client completion of WIP or CIP programs. This information will be useful for outcome reporting, however, if a client does not complete the program the Department is still liable to the provider for the services that they have provided.

Providers sign a billing page that has a statement that assures billing is accurate. This certification states "I certify that the services have been rendered and that I have not received payment. If payment is received from some other source, the Department of Mental Health will be reimbursed up to the amount invoiced." If inaccurate billings are discovered during billing audits, payment is requested for dollars due the Department. If payment is not made, any fraudulent activities are turned over to the Attorney General's Office.

Note the response to Finding #3 about assurances that supplemental fees are collected.

FINDING #6:	The Substance Abuse Traffic Offender Program funding level is not sufficient to meet projected expenditures for program reimbursements for the Weekend Intervention Program and the Clinical Intervention Program.
--------------------	---

The appropriation for fiscal year 1996 (FY 96) from the Mental Health Earnings Fund (MHEF) for the Substance Abuse Traffic Offender Program (SATOP) is \$1.3 million while current spending levels for SATOP would produce at least \$1.9 million in program expenditures. The Department of Mental Health (DMH) has available fund balance of approximately \$600,000 in supplemental fees that were collected before full implementation of reimbursements for the Weekend Intervention Program (WIP) and the Clinical Intervention Program (CIP). Supplemental appropriation authority from the legislature would be required for the fund balance to meet the difference between current appropriation authority and projected program expenditures for FY 96. DMH currently plans to use appropriations from the Health Initiatives Fund (HIF) to meet the difference between the appropriation authority and projected expenditures in the MHEF.

Oversight believes that without additional revenue sources or a reduction in expenditures the SATOP will be unable to meet its program obligations in Fiscal Year 1997.

RECOMMENDATION TO FINDING # 6

Oversight recommends the Department of Mental Health consider seeking supplemental appropriation for the Substance Abuse Traffic Offender Program in Fiscal Year 1996. In addition, the Department should seek statutory or administrative modifications to ensure financial integrity of the program for future fiscal years.

Response to Finding #6

Department of Mental Health

The Division disagrees with the projections made by the Oversight Auditors.

Based on the Division's projections for FY96, the Department will not need a supplemental appropriation for SATOP. The Division has submitted an FY97 decision item which will provide additional appropriation authority to the Department for approval.

FINDING #7:	The Department of Mental Health could improve the effectiveness of the Substance Abuse Traffic Offender Program by expanding the options available.
--------------------	--

During Oversight's review of the Substance Abuse Traffic Offender Program (SATOP) it was noted that there is no requirement for a primary prevention class. This class would be a mandatory education class for individuals seeking their initial drivers license. This class could be incorporated within most high school drivers education courses.

Oversight also noted the need for a residential treatment program with a work release option for those persistent offenders that have been identified with severe substance abuse problems with multiple driving while intoxicated (DWI) arrests. These offenders represent approximately two to five percent of the total SATOP participants; however, these offenders represent the highest risk to the public.

RECOMMENDATION TO FINDING # 7

Oversight recommends that the Department of Mental Health consider seeking legislative authority to require a substance abuse education class for individuals prior to receiving their initial drivers license. In addition, the Department of Mental Health should consider the creation of a long-term counseling option for persistent offenders.

Response to Finding #7

Department of Mental Health

The Division of Alcohol and Drug Abuse has discussed plans for both prevention programming and further treatment for the persistent offenders with severe substance abuse problems with the Oversight auditors and are glad that you

concur with our plans. In order to attempt to meet the needs without additional funding, the Division is in the process of coordinating a response to these needs.

The first recommendation was for the Department to require a primary prevention class for individuals seeking their initial drivers license. Since Driver's Education classes are not required of every individual, the Division is proposing an alternative to the classes that should impact all individuals that attempt to get a Missouri driver's license. The Division is working with the Highway Patrol to make substance abuse knowledge and the effect that it has on driving a part of the requirement to obtain a driver's license. The Division is working with the Highway Patrol to make substance abuse knowledge and the effect that it has on driving a part of the requirement to obtain a driver's license. Since all individuals are required to take a driver's written test prior to obtaining a license, questions related to substance abuse and its impact on driving are recommended as part of the testing questions. Costs to include these questions should be minimal and may include development of criteria to be included in the test training manual and additional costs for a lengthier test. Implementation of the project, if agreed to by the Highway Patrol, may be impacted by the numbers of testing manuals already printed and the revision of the test. This preventative testing will require all individuals who apply for a Missouri driver's license to be knowledgeable of substance abuse impacts on driving.

The second portion of the recommendation is the creation of a long-term counseling option for persistent offenders. This option has always been available on a voluntary basis through the current treatment programs offered by the Division. In order to give Courts more options, the Division could educate Judges of our treatment programs and recommends that after a fourth offense, an option other than jail time, might be that offenders be mandated to receive treatment through the Division's programs.

FINDING #8:	The letter of understanding between the Department of Mental Health and the Office of Administration which sets the guidelines for the Department's effort to maximize federal reimbursements is unsigned.
--------------------	---

During the Fiscal Year 1994 (FY 94) budget process a letter of understanding (LOU) was developed between the Department of Mental Health (DMH) and

the Office of Administration (OA) that allowed DMH to retain certain federal revenues and to spend those funds for expanded or enhanced mental health services. This LOU outlined a process by which DMH could maximize certain federal Medicaid/Medicare reimbursements. DMH informed Oversight that the LOU had never been signed, but that DMH was attempting to comply with the terms of the LOU. For FY 94 and FY 95, excess federal revenues of \$2,779,138 and \$1,373,512, respectively, exceeded the baseline and should have been returned to the state General Revenue Fund (GR). An increase in the DMH budget of the same amount should be available for FY 95 and FY 96. The actual increase to the DMH's FY 95 budget as calculated by OA-Budget and Planning was \$8,199,138. The difference included \$2,000,000 in Medicare earnings and \$3,420,000 in Medicaid Targeted Case Management Funds which can only be used for specific programs. Therefore, this \$5,420,000 was not returned to GR in compliance with the LOU. In addition, interest earnings applicable to federal earnings of over \$685,000 were credited to the MHEF. When the MHEF was created and allowed to keep interest earnings, only the Substance Abuse Traffic Offender Program revenues and expenditures were contemplated.

RECOMMENDATION TO FINDING # 8

Oversight recommends the Department of Mental Health formally sign the letter of understanding and adhere to its terms if the intent is to operate under its guidelines. Documentation and tracking of the earnings and transfers to state General Revenue Fund should be maintained by both the Office of Administration and the Department of Mental Health. Transfer of funds to the state General Revenue Fund should include interest earnings related to federal funds and should be accomplished on a timely basis.

Response to Finding #8

Department of Mental Health

The letter of understanding was intended as a guide for OA and DMH in formulating budget proposals and funding agreements. This was never signed as an official document but was used a framework for decision making to guide the

state budget office and the department.

Revenues of \$2,700,000 earned in FY94 were returned to general Revenue in July 1994. An agreement was reached that the Department retain the \$1,373,512 for FY95.

The \$5,420,000 in Medicare and Medicaid appropriated in FY95 were not included in the baseline agreement because these funds could be used only for specific purposes and therefore were not available to be appropriated for other budget requests. Interest was earned and credited to the MHEF in accordance with the statutory provisions for this fund.

FINDING #9:	The expenditure for Substance Abuse Traffic Offender Program demonstration projects from the Mental Health Earnings Fund does not appear to be in compliance with Section 630.053 (2), RSMo 1994.
--------------------	--

Section 630.053 (2), RSMo 1994, states that appropriations from the Mental Health Earnings Fund (MHEF) shall be used for assistance in securing alcohol and drug rehabilitation services for those individuals who are unable to pay for the services they would receive and for the development and certification of alcohol-related traffic offender programs. Oversight believes there is no authority in this section for the funding of Substance Abuse Traffic Offender Program (SATOP) demonstration projects from the MHEF.

Oversight believes the statutory authority for the funding of the SATOP demonstration projects is found in Section 191.831 (1), RSMo 1994. This section provides that five percent of the proceeds deposited to the Health Initiatives Fund (HIF) be appropriated annually to the Department of Mental Health (DMH), Division of Alcohol and Drug Abuse (ADA) for a pilot project to provide access to treatment and rehabilitative services by persons referred by an alcohol or drug related traffic offender education or rehabilitative program. The primary purpose of the demonstration projects is to educate communities, law enforcement agencies, and court personnel about SATOP.

RECOMMENDATION TO FINDING #9

Oversight recommends the Department of Mental Health fund the Substance Abuse Traffic Offender Program demonstration projects from the Health Initiatives Fund as described in Section 191.831 (1), RSMo 1994.

Response to Finding #9

Department of Mental Health

The statute (Section 630.053 (2), RSMo 1994) states that SATOP fees must be used for "Assistance in securing alcohol and drug rehabilitation services for persons who are unable to pay for the services they receive; and the development and certification of alcohol-related traffic offender programs." As Oversight explained in the background information, demonstration projects fund referral and prosecutorial resources to help monitor SATOP assessment and program development. This function is interpreted by this Division as meeting the criteria for "the development and certification of alcohol related-traffic offenders programs" as described in the statute.

FINDING #10:	The Department of Mental Health, Division of Alcohol & Drug Abuse has not adequately monitored and evaluated the demonstration projects.
---------------------	---

The Department of Mental Health's (DMH) monitoring of the demonstration projects consisted of approving invoices, receiving monthly activity reports, telephone conversations, and occasional visits to the demonstration sites. The monitoring was ineffective due to invoices not being consistently approved by ADA personnel, monthly activity reports are not maintained, but are routed around the division for internal review and not always returned to the central file, telephone conversations are not documented, and site visits are only prompted by a complaint against a SATOP.

Evaluations of the demonstration projects have not been conducted. DMH currently has a contract with the Missouri Institute of Mental Health (MIMH) to determine the appropriate means of evaluating SATOP programs.

In addition, Oversight noted during its review of the SATOP demonstration project contracts and contract amendments that one of the contracts and one contract amendment did not contain the appropriate signatures. Oversight further noted that the demonstration project contracts service areas had been expanded in three of the four projects upon verbal approval from DMH. Without proper review and documentation of changes to the demonstration project contracts, it cannot be ascertained if the purpose of the project is being achieved.

RECOMMENDATION TO FINDING #10

If the demonstration projects are to continue to receive funding beyond the current fiscal year, Oversight recommends the Department of Mental Health establish a system to monitor and evaluate the demonstration projects. In addition, Oversight recommends the Department of Mental Health ensure that in the future all contracts are properly signed and any amendments or changes to contracts are documented.

Response to Finding #10

Department of Mental Health

By the nature of the demonstration projects, local contractors (St. Charles County Prosecutor, Springfield Mayor's Office, Cooper County Circuit Court, and Jackson County Prosecutor) have primary responsibility for monitoring local demonstration project performance. The Division of Alcohol and Drug Abuse does assume an important secondary responsibility for demonstration project oversight. In addition to activities described, demonstration project staff (one per each of the demonstration sites, except for Jackson County) routinely participate in SATOP certification training, participate in SATOP staff meetings, join SATOP staff on site visits and participate in other Division activities. As a result, demonstration project staff and SATOP staff maintain continuous communications. Attempting to "document" every telephone call between SATOP and demonstration projects would be a major, and unnecessary, administrative burden.

Inasmuch as the contractor expenses for the demonstration projects varied very little from month-to-month (one staff person to be paid, mileage to be reimbursed,

etc.), reimbursement requests tended to be very consistent, thus very little oversight was needed. Monthly activities reports were, as reported, circulated through SATOP staff, which was the purpose for which they were required. SATOP will endeavor to keep demonstration projects files more in tact.

FINDING #II:	It appears that no statutory authority existed for federal reimbursements to be deposited and expended from the Mental Health Earnings Fund.
---------------------	---

In fiscal year 1995, approximately \$50 million in federal reimbursements for Medicare/Medicaid were deposited in the Mental Health Earnings Fund (MHEF). The MHEF was created by Senate Bill 167, 1993 session (Section 630.053, RSMO 1994). It was created specifically to receive fees generated by the Substance Abuse Traffic Offender Program (SATOP). It appears that no statutory authority exists for depositing and expending of funds not related to SATOP in the MHEF. Beginning in fiscal year 1996 a General Revenue Reimbursement Fund (GRRF) was created to receive and expend federal reimbursements. The MHEF had approximately \$32 million in fund balance at the end of fiscal year 1995. Of this fund balance, only \$5 million was transferred to the new GRRF. It is unclear why the remaining \$27 million has not been transferred. The \$27 million remaining in the MHEF accrues interest to the benefit of the Department of Mental Health. Once these funds are transferred to the GRRF interest would accrue to the state General Revenue Fund.

RECOMMENDATION TO FINDING #II

The Department of Mental Health should transfer all balances generated by federal reimbursements and interest on those funds remaining in the MHEF to the recently created General Revenue Reimbursement Fund and should deposit and expend only those funds in the Mental Health Earnings Fund which are related to the Substance Abuse Traffic Offender Program.

Response to Finding #11

Department of Mental Health

Statutory authority for the MHEF, section 630.053, RSMo, does not contain provisions for the receipt and expenditure of federal reimbursements. Proposed legislation to amend this statutory section was drafted but not acted upon last

session.

Absent this statutory authority, the General Assembly appropriated funding from the MHEF in FY95 which clearly indicated federal reimbursements would be deposited into and expended from the MHEF. Likewise, the General Revenue Reimbursement Fund was created in FY96 through the appropriation process for the receipt of certain federal reimbursements. Please note that we are in the process of transferring MHEF to GRRF as dictated by the appropriation process. A current proposal is included in the department's legislative package this session to mandate through statute that managed care contract receipts be deposited into the MHEF. Until this occurs the department will continue to operate under the authority of the appropriation process.

Exhibit 1

Substance Abuse Traffic Offender Program
 Recommended Changes
 Sources of Revenue/Expenses-Mental Health Earnings Fund

Type	Current		Proposed	
	Number	Amount	Amount	Changes
<u>Revenue</u>				
Supplemental Fees	20,000	\$60	\$0	0 Eliminate
Assessment Fee(1)	20,000	\$65	\$80	1,600,000 DMH Assume/Increase Fee
Program Certification(2)	200	\$125-\$500	0	25,000 Annual Fee
Individual Certification(3)	477	\$60	0	28,620 Annual Fee
HIF 5%(4)			1,500,000	Deposit in MHEF
Total		<u>2,700,000</u>		<u>3,153,620</u>
<u>Expenses</u>				
DRI Test(5)	20,000	0	\$6	120,000 Paid by DMH
Assessment Staff(6)		0	306,600	Assessment Staff
WIP Reimbursements	6,600	\$250	\$200	1,320,000 Reduce Reimbursement to program by \$50
CIP Reimbursements	1,400	\$650	\$650	910,000
Demo Projects(7)	4	300,000	0	End Funding
State Court Administrators		90,000	90,000	
2% Administrative Fee		24,000	0	
Current Staff-DMH	6	0	6	254,063 Fund from MHEF
Total		<u>2,974,000</u>		<u>3,000,663</u>
Net		<u>(274,000)</u>		<u>152,957</u>

(1) Assessments currently are not collected by DMH but are retained by the program.

(2) Fees currently are deposited to GR

(3) Fees currently are not paid annually and are deposited in GR

(4) Currently not deposited in the Mental Health Earnings Fund(MHEF) but used to cover SATOP related expenses.

(5) Not paid from MHEF currently.

(6) 20,000 offenders at .5 hour per assessment divided by 1500 hours per FTE = 7. Clinical Social Worker at 26,000 plus 30% benefits plus travel expenses, computers and start up cost of \$70,000.

(7) DMH intends to end funding for these projects 6/30/96. Projects believe funding will continue.

