PERFORMANCE AUDIT OF

SOUTHEASTERN CENTER FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

MARCH 1996

AUDITOR'S TRANSMITTAL

March 14, 1996

The Honorable James B. Hunt, Jr., Governor
Mr. Frank G. Hickman, Chairperson of the Southeastern Board of Directors
Dr. Arthur F. Costantini, Area Director of the Southeastern Center
Members of the North Carolina General Assembly

Ladies and Gentlemen:

We have completed a performance audit of the Southeastern Center for Mental Health, Developmental Disabilities, and Substance Abuse Services. The objectives of this audit were to review the organization structure, general operations, staffing patterns, salaries, contracts, and various expenditures.

This report consists of an executive summary, program overview, and audit findings and recommendations. The Area Director has reviewed a draft copy of this report and his written comments are included.

We wish to express our appreciation to the Area Director and staff of the Southeastern Center for Mental Health, Developmental Disabilities, and Substance Abuse Services, and the courtesy, cooperation, and assistance provided us during this performance audit.

Respectfully submitted,

Ralph Campbell, Jr.
State Auditor

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EXECUTIVE SUMMARY

The Southeastern Center for Mental Health, Developmental Disabilities, and Substance Abuse Services (the Center) serves a three-county area. The Center consists of a main center located in Wilmington (New Hanover County), and two satellite centers located in Bolivia (Brunswick County), and Burgaw (Pender County). Like the other forty area mental health programs, the Center is licensed and certified through the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services under the Department of Human Resources.

The Center was established in 1962 and operates under the direct authority of a Board as mandated by North Carolina General Statute 122C-116-120. An Area Director, appointed by the Board, administers the operations of the Center and carries out the directives of the Board. At July 31, 1995, the Center had 248 positions. Of these positions, 190 were full time, twenty-five were part time, and thirty-three were vacant. The Center also utilizes the services of volunteers. At June 30, 1994, expenditures amounted to $11,757,375.

The Center has been in a period of transition. A new Director was appointed in October, 1994, to provide new leadership for the program. Prior to the arrival of its new Director, the Center went through a period of severe budget and programmatic problems. The Center's image in the community was at a low point.

A variety of factors contributed to the Center's problems. Foremost among the Center's problems was a lack of strong leadership. According to Board members and staff, the former Director was not prepared to manage an agency of the size and complexity of the Center. Additionally, we found during our numerous interviews that there is still concern that the Board of Directors was not more aware of what was going on at the time and for not being more responsive to concerns expressed by staff members.

Also contributing to the Center's problems were financial difficulties. According to 1994 figures provided by the Wilmington Chamber of Commerce, New Hanover, Pender and Brunswick counties ranked among the top five counties in the State in population growth. However, recently the Center was ranked thirty-two among the forty-one mental health centers in state funding per capita. Poor accounting practices added to the Center's problems. The Center's independent accounting firm stated in its audit report for the year ended June 30, 1994, "The Center does not have a reasonable collection process for payments from clients." For two years patients were not billed for services. For the fiscal year ended June 30, 1994, the Center 's internal records reflected accounts receivable of $4,791,481; however, the auditors questioned the collectibility of $4,631,471 of this amount and would only report $160,010 as a receivable on the balance sheet.

A computer system was installed but employees were not trained to use the system properly. This resulted in errors, downtime, and limited use of the system.

Finally, we were repeatedly told through surveys and during interviews that Finance Department employees worked in an atmosphere of threats and intimidation. Staff outside the Finance Department also expressed reluctance in dealing with Finance Department leadership.

While the Center still faces formidable tasks in reestablishing its image both internally and in the community, improvements have been made. We mailed questionnaires to all staff and Board members. When these questionnaires were returned, they reflected an overwhelming support for and confidence in the Center's current Director. The Director working with the Board of Directors has reduced the budget deficit and improved productivity. Moreover, questionnaire responses and our interviews reflect that the Director has listened and responded to the concerns of the staff, the Board of Directors, and the community. As mentioned above, the Center's image in the community reached a low point in recent years. Our review has encouraged us to believe that conditions have improved at the Center during the last year. We think it is important that the Center reestablish a positive image in the community.

We commend the Center's Director and the Board of Directors for the progress the Center has made.

During our audit, we identified the following areas which need improvement.

Operational Issues **Page**

Operational Issues (Continued) **Page**

Governance Issues

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

Under the North Carolina General Statutes, the State Auditor has the authority for reviewing the economy, efficiency, and effectiveness of state government operations. Performance audits are examinations of operating policies, practices, controls, and activities, to determine where improvements may be made in the use of public resources and management of programs.

During our audit of the Southeastern Center for Mental Health, Developmental Disabilities, and Substance Abuse Services our objectives were to:

- Review the current organization and identify the functions and responsibilities of the Center's staff.
- Review and evaluate the effectiveness of leadership provided by the Board of Directors.
- Review and evaluate the effectiveness and efficiency of leadership provided by the Center's management team.
- Analyze the activities of the administrative and the clinical operations of the Center.
- Identify areas throughout the Center where improvements are needed and make recommendations for improvements.

The scope of our audit was the activities of the Southeastern Center for Mental Health, Developmental Disabilities, and Substance Abuse Services (the Center). The Center's headquarters is located in Wilmington and satellite centers are located in Burgaw (Pender County), and in Bolivia (Brunswick County).

In accomplishing our objectives, we performed the following procedures.

- Reviewed applicable general statutes, regulations, statistics, and policies and procedures.
- Conducted interviews with state mental health officials, the Center Board of Directors, as well as Center management and staff.
- Prepared and mailed out survey questionnaires to all staff members of the Center asking for their opinions, assessments of operations, and suggestions for improvements.
- Visited and conducted interviews with parties outside the Center as we deemed appropriate, including representatives of advocacy groups, related agencies, former employees, and others.
- Examined organizational charts, payroll and personnel data, job descriptions and contract information.
- Examined samples of expenditures and contract payments.
- Reviewed personnel and salary actions.

Performance Audits are conducted in accordance with *Governmental Auditing Standards* issued by the Comptroller General of the United States.

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BACKGROUND INFORMATION

The Southeastern Center for Mental Health, Developmental Disabilities, and Substance Abuse Services (The Center) is headquartered in Wilmington, North Carolina. The Center serves the three-county area which includes New Hanover, Pender, and Brunswick counties. The Pender County center is located in Burgaw and the Brunswick County center is located in Bolivia. Services are available to all residents of the three county area (Exhibit 1).

The Center is one of forty-one area mental health programs (and one of twenty-five multi-county programs) which serve the State's 100 counties. The area programs are licensed and certified through the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services under the Department of Human Resources.

The Center was established in 1962 and operates under the direct authority of a Board as mandated by North Carolina General Statute 122C-116-120. An Area Director, appointed by the Board, administers the operations of the Center and carries out the directives of the Board. At June 30, 1994, expenditures totaled $11,757,375.

The Center's operating revenue consists of federal, state, and local funds. The federal government contributes approximately 19%, the State provides approximately 42%, and the remaining 39% of operating revenue comes from local government funds and patient fees. Total funds received from the three county governments totaled $1,141,479. Of this amount, New Hanover County contributed 65%, Brunswick County contributed 26%, and Pender County contributed approximately 9% (Exhibit 2).

At July 31, 1995, the Center had 248 positions. Of these positions, 190 were full-time, 25 were part-time, and 33 were vacant. The Center also utilizes the services of volunteers.

In order to better serve the residents in Brunswick and Pender counties, satellite centers are located in Bolivia (Brunswick County) and Burgaw (Pender County).

The Brunswick center is staffed with nineteen positions. Of those positions, five are part-time and fourteen are full-time positions of which six were vacant at the time of our interviews. The Brunswick center is headed by a director who also has clinical responsibilities in Adult Mental Health Services. In addition to the director, there are two additional positions in Adult Mental Health, eight positions in Child Mental Health, three positions in Substance Abuse Services, four positions in general support, and one position in Case Management. In 1994 Brunswick County had a population of 58,518 residents. The Brunswick center served approximately 1,664 clients in the 1994-95 fiscal year.

BACKGROUND INFORMATION (CONCLUDED)

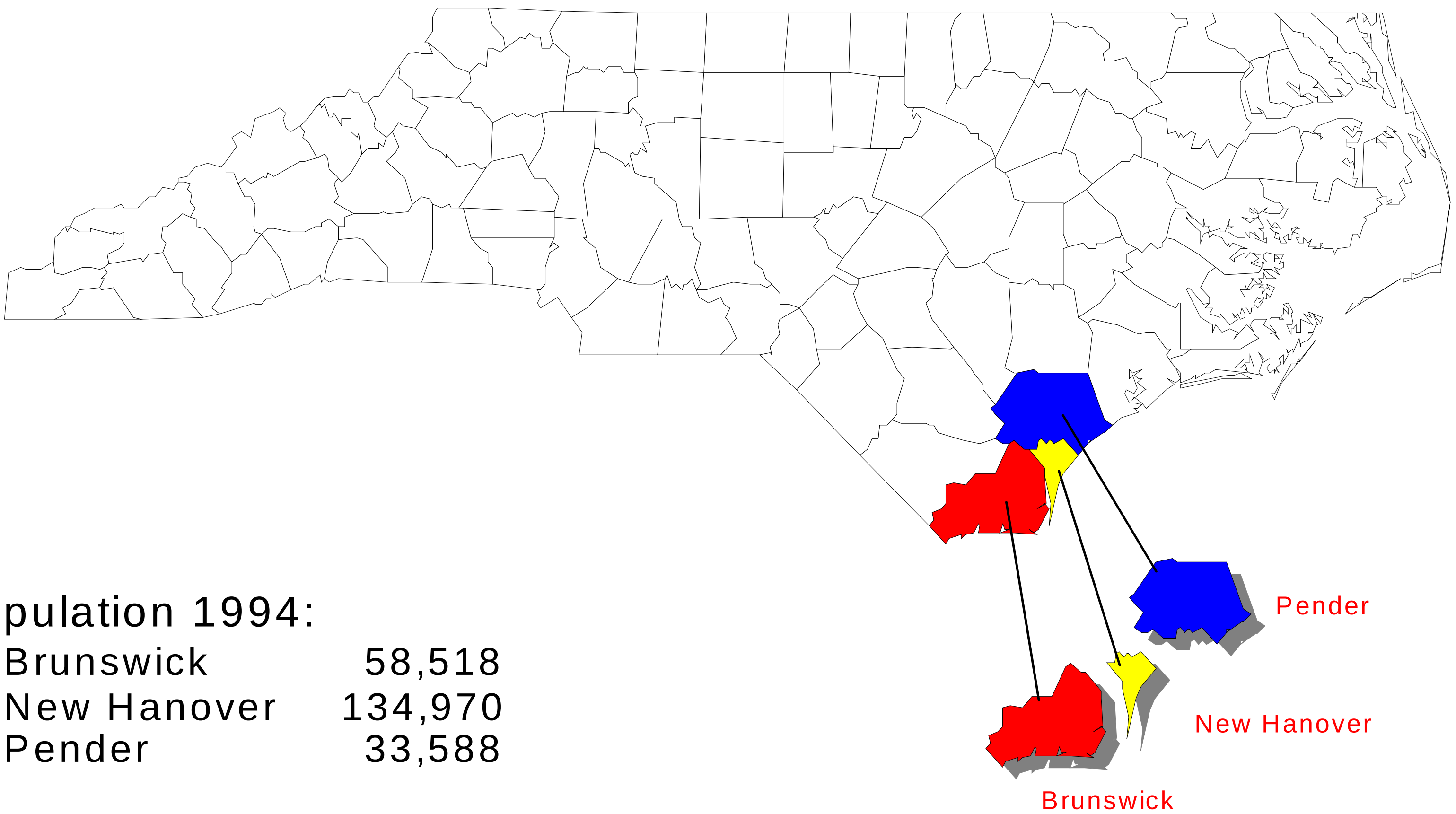
The Brunswick center had an operating budget of $482,129 for fiscal year ending June 30, 1995. For the same fiscal year, the Brunswick County Board of Commissioners allocated $295,847 of county general funds to the Southeastern Center for Mental Health, Developmental Disabilities, and Substance Abuse Services.

The Pender center has twelve full-time positions, of which, four are vacant. The center also has two part-time positions, both of which were vacant at audit date. Organizationally, the Pender center is headed by a director, who also serves as a part-time adult counselor. Sections reporting to the director are Adult Mental Health, Child Mental Health, Substance Abuse Services, and Support Services.

The latest census information reported the population of Pender County as 33,588 in 1994. Information provided by the center indicated that 1,126 individual clients were served by Pender center during the 94-95 fiscal year. Also, the information indicated that eight groups were served during this same period. For the fiscal year 94-95, the Pender center had an operating budget of $361,733. Pender County contributed $108,000 in county general funds for the same period for the operation of the Southeastern Center for Mental Health, Developmental Disabilities, and Substance Abuse Services.

EXHIBIT 1

Southeastern Center for Mental Health, Developmental Disabilities, and Substance Abuse Services

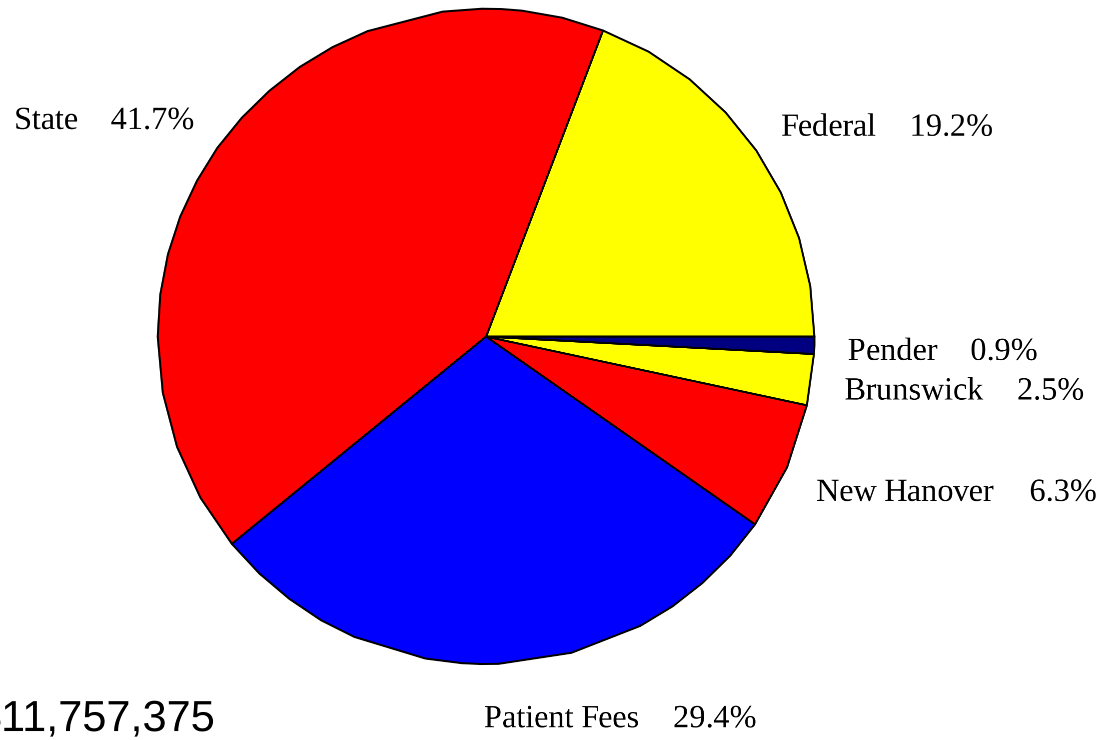


Population 1994:

Brunswick	58,518
New Hanover	134,970
Pender	33,588

EXHIBIT 2
Southeastern Center for Mental Health, Developmental Disabilities, and Substance Abuse Services

Source of Funds



Total Funding - $11,757,375

AUDIT FINDINGS AND RECOMMENDATIONS

This section of our report identifies specific findings that came to our attention during the audit and our recommendations for addressing the findings. The purpose of our audit was to analyze administrative areas of the Southeastern Center's operations to identify conditions that need improvement. As mentioned in other sections of this report, we received many positive comments, and observed firsthand, the progress the Center has recently made. We commend the staff and leadership of the Center for the work which has been accomplished.

OPERATIONAL ISSUES

THE CENTER NEEDS FORMAL POLICIES AND PROCEDURES FOR MAKING BUDGET AMENDMENTS.

General Statute 122C-144.1 requires that an "area authority shall maintain its budget in accordance with the requirements of Article 3 of Subchapter III of Chapter 159 of the General Statutes, the Local Government Budget and Fiscal Control Act." Each year, prior to July 1, the Center prepares a budget that the Board adopts for the upcoming fiscal year. During the year events occur that create the need for budget amendments.

After reviewing the administrative policies and procedures manual, we found that the Center does not have formal policies and procedures to make amendments to the budget. In addition, directors of various programs indicated that revisions to their budgets were initiated without their knowledge or authorization.

The Certified Public Accounting firm which performs the Center's annual financial audit reported in their June 30, 1994 audit report that the Center was not in compliance with Title 10, 14C.1006 of the North Carolina Administrative Code and General Statute 159-15 which sets forth that all budget resolutions must be approved by the Board.

RECOMMENDATION

We recommend that formal policies and procedures addressing amendments to the budget be drafted and adopted by the Board. In addition, each program director or custodian of a cost center should be involved in the amendment process, or at a minimum be aware of the amendment.

To ensure that the appropriate parties are made aware of budget changes, we recommend that a multi-part budget amendment form be designed. This form should provide space for acknowledgment by the program director and the Finance Officer. Space should also be provided for approval, as needed, by the Director and/or the Board of Directors.

AGENCY'S RESPONSE

Southeastern Center is developing formal policies for Area board approval that address amendments to the budget. These policies will require program director involvement in the amendment procedure. Procedures have been in place for over a year requiring program director involvement and all budget revisions are taken to the Area board. The policy will formalize the current procedures.

The 1994 Certified Public Accounting firm did not report that the Center was not in compliance with Title 10, 14C. 1006 of NCAC & GS 159-15 which sets forth that all budget resolutions must be approved by the Board. Southeastern Center does have budget resolutions approved by the Board. The audit firm found that, "...of 10 budget resolutions examined, an instance was noted in which the Board did not approve the budgetary amendment posted to the general ledger. Apparently during the meeting the approval was possibly omitted in the Board Minutes." (Page 21)

THERE IS A LACK OF FORMAL POLICIES AND PROCEDURES WITHIN THE FINANCE DEPARTMENT.

There is an absence of specific direction within the Finance Department that would be provided if appropriate policies and procedures existed and adherence thereto were monitored. For example, while reviewing the billing process, we were informed that staff had been instructed not to send bills to clients for amounts less than $5.00. At the time we were informed of this, bills had already been processed and mailed for the month of July, 1995. We obtained copies of the bills that were processed and while scanning the bills we found some that were for amounts less than $5.00. We were then informed that management had decided that bills should be sent to clients for any amount due. Neither management nor staff was able to provide us with written documentation of this procedure.

We also learned that different staff members establish their own informal policy. In the reception area some staff members are billing Medicaid clients who do not have their new cards as self-pay. Other staff members are calling Medicaid to verify eligibility for Medicaid clients who do not have their new cards and, if eligible, billing Medicaid.

We learned that there is no policy that addresses write-off of accounts receivable.

These conditions exist because the Finance Department does not have formalized procedures in place for all accounting functions. The lack of written procedures for the billing process has led to staff uncertainty regarding the minimum amount to be billed. The lack of written procedures to address the write-off of uncollectible accounts has led to the Center carrying an accounts receivable balance that is misleading.

RECOMMENDATION

We recommend that formal policies and procedures be developed by management, adopted by the Board, and distributed to address the functions within the Finance Department for which policies and procedures are lacking or weak. Employees should be instructed as to the proper implementation of policies and procedures which pertain to their areas of work. While all areas need to be addressed, priority should be placed on developing written procedures for the write-off of uncollectible accounts. As soon as these procedures can be developed, approved, and distributed, the Center should begin evaluating accounts receivable and writing off accounts determined to be uncollectible. We further recommend that no procedural change be made until it has been written, approved and distributed to all pertinent parties.

AGENCY'S RESPONSE

We agree that this is very real need and the Finance Staff are developing formal policies and procedures.

ERRORS WERE DETECTED IN THE RECEPTION/INTAKE AREA AND THE POSTING OF CHARGES TO CLIENTS' ACCOUNTS.

There are six full-time, permanent positions assigned to the reception/intake area: one supervisor position; one intake clerk position; one switchboard operator position; and three appointment secretary/cashier positions. Responsibilities for the appointment secretary/cashier positions include checking in and registering clients, which entails checking the client's address, telephone number, insurance data, and the percent of discounted fee recorded in the computer system. This employee is also responsible for making copies of insurance cards; assisting clients in the completion of statistical data; and notifying the intake clerk of financial updates and the need for financial counseling sessions as they arise. These employees are also responsible for keying in the Service Activity Logs (SAL's) which are daily records completed by each clinician that indicate the clients seen and the services provided during the day. SAL's are routed back to the clinicians for any corrections that are needed. Additionally, these employees are responsible for "checking out" clients after services have been rendered. This process includes entering service data from the Client Appointment Records (CAR's) into the computer system, notifying clients of charges, and posting payments to clients' accounts. CAR's include such information as date, time and duration of service; service code; client name and ID number; staff name and ID number;

charges, and payments received. As an additional control over the check-out process, clinicians have been instructed to escort clients back to the reception area to ensure that the clients check out properly.

As a part of our review of the reception/intake area, we tested a sample of thirty CAR's to determine if: 1) they agreed to the Service Activity Log; 2) they agreed to the Cash Receipts Journal; 3) they agreed to the Appointment Schedule or the Walk-in/Receipts Log; and 4) the transaction was posted correctly to the client's account. Our tests revealed three instances where the CAR did not agree with the SAL. The instances where the CAR did not agree with the SAL were caused by human error. In one case, the appointment clerk entered one code for the responsible unit (RU) on the CAR, while the clinician entered another code for the RU on their SAL. In two cases, the appointment clerk entered one service code on the CAR, while the clinicians entered a different service code on their SAL's.

We detected thirteen instances where the CAR did not agree to the Appointment Schedule or the Walk-in/Receipts Log. The instances where the client was not found on the Appointment Schedule or the Walk-in/Receipts Log were also caused by human error. When a client checks in, the appointment clerk is to check to see if the person is listed on the Appointment Schedule. If not, the appointment clerk is to enter that person's name on the Walk-in/Receipts Log. For the cases with errors, the appointment clerk either did not check the Appointment Schedule and/or did not enter the person's name on the Walk-in/Receipts Log.

We also found four instances where the transaction was not posted correctly to the client's account. The instances where the transactions were not posted correctly to the client's account resulted from the clerk posting the wrong service code and the fact that rates were changed and Finance Department management did not disseminate this information to the appointment clerks and/or their supervisor.

We noted through observation that clinicians were not always escorting their clients back to the reception area to ensure that they were checking out properly. Clinicians were not always walking their clients back to the reception area because they either were not aware of the policy or they stated they did not have time. Clinicians not walking their clients back to the reception area could result in clients leaving without checking out, and the possibility that they may not be charged for services received.

These errors could result in over/under reporting of units earned. If units earned are over reported, the Center may have to repay funds to the State at year end. These errors could also cause clients to be charged an inappropriate amount and produce incorrect reporting of revenues and inaccurate billing to clients.

RECOMMENDATION

We recommend that the Finance Officer take steps to ensure that rate changes and service code changes are communicated in writing to the reception/intake area supervisor to be disseminated to the appointment clerk/cashiers. Management should design and provide training to staff members in the reception/intake area regarding how to obtain and accurately process client information. Management should further ensure the accuracy of this information by implementing control measures such as having a different employee than the processor compare information on the SAL's and CAR's. Management also needs to ensure that clinicians are aware of the policy that requires them to walk clients back to the reception area and should monitor compliance with this procedure.

AGENCY'S RESPONSE

Front Desk functions have been a continuing problem and are being addressed. Procedures are being developed and staff training has been provided. Additionally, monitoring systems are being put into place.

THE SLIDING FEE SCHEDULE WAS ABANDONED WITHOUT PERFORMING ADEQUATE COST/BENEFIT ANALYSIS.

The sliding fee schedule is a mechanism for charging clients based on their ability to pay. The sliding fee schedule is based on annual income and number of dependents. The client may receive a discount on charges if the client's income falls into certain ranges within the schedule. The amount of the discount ranges from zero percent to ninety percent. The current sliding fee schedule was drafted by the Director and approved by the Board of Directors effective July 1, 1995.

The sliding fee schedule was abandoned for two years beginning in June, 1993. The reason given by the Finance Officer for abandoning the sliding fee schedule was that it was believed that if the full charge for services could be charged against the client's Medicaid coverage, they would be able to reach the "spend down" level, which would allow the Center to be reimbursed 100% from Medicaid. The "spend down" is very similar to an insurance deductible and is based on the client's monthly income. While this may have been a valid theory, the reality of the situation was that very few clients were reaching the "spend down" level, either because they were not requesting services often enough, or the array of services received was not expensive enough to reach the "spend down" level.

In our opinion, the Center abandoned the sliding fee schedule without performing adequate analysis to determine if the increase in revenues generated by clients reaching the "spend down" level would more than offset the decrease in revenues caused by not billing clients on a sliding fee schedule. Moreover, management made this decision without adequate consideration of those in the community who might be unable to afford services at the full charge.

Abandonment of the sliding fee schedule resulted in the Center incurring lost revenues because there was no significant increase in the number of clients who reached the "spend down" level, and no clients were being billed using the sliding fee schedule. In most cases this resulted in the Center collecting no additional money from Medicaid and no money from billing clients using the sliding fee schedule. Abandonment of the sliding fee schedule also resulted in potential clients not going to the Center to seek services because they could not afford to pay the full charges.

In April, 1995, staff from the North Carolina Department of Human Resources' Division of Mental Health, Developmental Disabilities and Substance Abuse Services were invited to the Center to review the program. A finding was written concerning the fact that the program had abandoned the use of the sliding fee schedule. It was recommended that the area program re-evaluate the use of the sliding fee schedule. It was further recommended that an analysis be performed to estimate Medicaid revenue potential from assisting clients in meeting "spend down" requirements versus the revenue potential in client payments from the use of a sliding fee schedule. The sliding fee schedule was re-instituted in July, 1995.

RECOMMENDATION

We recommend that the Center continue to charge clients based on the sliding fee schedule that was re-instituted in July, 1995. Also, the Center should take steps to ensure that the community is aware that it is now charging clients based on their ability to pay. In the future, decisions of this kind should not be made without performing adequate analysis because of the potentially damaging effect it could have on the operations at the Center.

AGENCY'S RESPONSE

The sliding fee schedule was reinstated in July, 1995, and the community has been made aware through the media that it is in place.

NO DOCUMENTATION IS REQUIRED TO VERIFY THE ACCURACY OF INFORMATION PROVIDED DURING FINANCIAL COUNSELING SESSIONS AND FINANCIAL UPDATES.

When potential clients visit the Center they are required to participate in a Financial Counseling session with the intake clerk. In the absence of the intake clerk, these duties are performed by an appointment secretary/cashier. During this Financial Counseling session, the client is asked to provide information concerning their employment, income, and number of dependents. This information is recorded on the Financial Evaluation and Agreement Form, which also contains an authorization that is signed by the client to allow the Center to file claims with and receive payments from the client's insurance company. This information is used to determine the discount percentage clients will receive based on a sliding fee schedule. A Financial Update is done for existing clients who have not been seen for one year or more and also, for all clients who have not been seen since the sliding fee schedule was re-instituted effective July 1, 1995. The purpose of this update is to ensure that client information in the system is current and to establish a discount rate based on the new sliding fee schedule. The accuracy of this information should be verified to avoid abuse.

We observed the Financial Counseling and Financial Update sessions over a two-day period and noted that clients were being asked to verbally provide information on employment, income, and number of dependents. No documentation, such as payroll check stubs, W-2's, social security numbers of dependents, etc., was required to verify the accuracy of the information provided. Not once did we see this information questioned, even in situations where it appeared questions would have been appropriate.

In trying to determine why no documentation was being required to verify the information provided during the Financial Counseling session and the Financial Updates, we reviewed the operating procedures for the Reception/Intake area. We found that there is no procedure in place that requires verification of such information. The Center does have a policy that states "Clinicians shall also be responsible for monitoring changes in the client's insurance or ability to pay status and for initiating appropriate financial re-evaluation." Not verifying the information provided by potential clients increases the possibility of clients abusing the concept of the sliding fee schedule. If clients are receiving a discount in excess of the amount for which they are eligible, the Center loses revenue.

RECOMMENDATION

> **We recommend that the Center institute procedures that require new clients to provide documentation to verify their employment/income and number of dependents. A provision may need to be made to allow them to bring such documentation on a subsequent visit since they may not have this information with them on their initial visit. The Center should also implement an authorization form for the client to sign that would allow**

the Center to contact their employer and/or the Employment Security Commission to verify employment/income. This authorization could be added to the Financial Evaluation Form which is already being completed during the Financial Counseling sessions. During Financial Updates a new Financial Evaluation Form should be completed for all current clients. These procedures would help ensure that clients are paying the appropriate amount based on their income and the sliding fee schedule and that the Center is receiving all the revenues to which it is entitled.

AGENCY'S RESPONSE

We are evaluating the recommendation of verifying income for use with the sliding fee schedule. Our initial data indicated that of 17 Mental Health Centers contacted, only three (3) verified income. Fourteen (14) accepted the client's report.

THE USE OF A COVERAGE TERMINATION DATE FOR MEDICAID ELIGIBILITY IS RESULTING IN LOST REVENUE AND UNNECESSARY WORK BEING PERFORMED BY STAFF.

We found that for clients who have Medicaid coverage, a coverage termination date as of the end of the month is being entered for Medicaid eligibility. The rationale for this is that technically Medicaid eligibility is only determined for one month at a time. However, in reality, most clients do not lose Medicaid eligibility at the end of each month. The first time a client is seen each month, the staff is supposed to re-verify Medicaid eligibility. We were informed by management that if a client is seen at the beginning of the month and has not received their new Medicaid card, they are not reestablished in the computer system and are charged as self-pay. However, management was not able to provide us with formalized, written documentation of this procedure. In fact, we found that some staff are not following this procedure. Some staff are calling Medicaid to verify eligibility for clients who have not received their new Medicaid cards for the month. They are re-establishing eligibility for these clients because they believe it is illegal to bill Medicaid clients directly. If the client is not seen again that month, or eligibility is re-established later in the month, staff must remember to prepare an accounting transaction in order for the system to generate a bill for Medicaid.

A report on the Center issued by the North Carolina Department of Human Resources' Division of Mental Health, Developmental Disabilities and Substance Abuse Services dated April 27, 1995 identified this same problem. This report recommended that the Center "immediately perform a fiscal analysis to evaluate the impact of this policy." This analysis was recommended to estimate the revenue lost as a result of failure to bill for services to Medicaid eligible clients because of the coverage termination date preventing billing. The analysis was to also estimate the increase, if any, in denied claims as a result of the coverage termination date being eliminated and the cost to the program of researching and processing such increased denials. This analysis was not performed.

We were informed by a Medicaid official that there is no rule or policy that requires the use of a coverage termination date. EDS Federal will not pay a claim if Medicaid eligibility is not established for the date of service. Therefore, there is no risk of pay-back associated with billing Medicaid for clients whose eligibility may have lapsed. Use of a coverage termination date has resulted in the Finance Department performing unnecessary work. For example, the client is billed, then when eligibility is re-established, Medicaid is billed and a refund or write-off must be made for the client.

RECOMMENDATION

We recommend that the Center cease the use of a coverage termination date for Medicaid eligibility since there is no risk of pay-back associated with billing Medicaid for clients whose eligibility has lapsed. Unless there is an indication that eligibility has been, or will be denied for a client, Medicaid should be billed. If claims are denied due to ineligibility, the client should then be billed. This change should increase revenues collected and will reduce the amount of unnecessary work being performed by the Finance Department.

AGENCY'S RESPONSE

Southeastern Center ceased using the termination date for Medicaid eligibility with adult clients in July 1995 for all of the reasons cited in the report. Southeastern Center still uses the termination date for children in the Carolina Alternatives Program because these claims are not sent to EDS Federal and, thus there is no back-up system of checking eligibility.

THE CENTER HAS BEEN RE-BILLING MEDICAID AND HAS HAD TO MAKE REFUNDS BECAUSE OF OVERPAYMENTS.

Charges for client services may be billed to Medicaid, Medicare, private insurance, or the client receiving the services (or the legal guardian of that client if he/she is a minor). In the event that the client has more than one coverage they are billed on a priority basis. If the client is Medicaid eligible, Medicaid will be billed first. Health Insurance Claim Forms are prepared by the staff in Management Information Systems (MIS) for submitting Medicaid claims. The forms are computer-generated and are submitted electronically to EDS Federal in Raleigh, N.C. for processing. EDS Federal reviews the claims to determine if they are eligible for payment. Some claims are denied on the basis of billing errors such as inaccurate service codes, inaccurate provider identification numbers, and inaccurate client account numbers. Others may be denied because the service may not be eligible for Medicaid coverage.

Medicaid is being billed for services that have been paid for. This is occurring because the MIS staff has been instructed to periodically re-bill Medicaid for all claims that they have not received payment for, including claims that have been denied. This results in submitting a second claim to EDS Federal for a claim which may be in process but not yet received by the Center. If both claims are in the cycle at the same time, a duplicate payment will be processed by EDS Federal resulting in an overpayment to the Center. The period of time that the Center allows to lapse before re-billing Medicaid varies from one week to one month. Medicaid is allowed thirty days to process paper claims and usually processes electronic claims in three days to two weeks.

We also learned that refunds are being made to Medicaid and clients who are personally responsible for payment. These refunds are made because of overpayments received. These overpayments are due to duplicate payments as well as billing errors such as the wrong service code being billed and incorrect number of units of service being billed.

For the month of July, 1995, refunds were made in the amount of $146,633.30. Approximately ninety-eight percent of this amount was refunded to Medicaid for overpayment resulting from the Center billing Medicaid for an incorrect number of units of service. Overbilling Medicaid can have the effect of revenues being overstated and liabilities being understated. Furthermore, researching and processing the refunds is an inefficient use of staff time.

RECOMMENDATION

We recommend that the Center cease the practice of automatically re-billing Medicaid periodically without knowing the status of claims that have been submitted. Once a claim has been submitted, the Center should wait until it has received confirmation that the claim has been denied before actions to resubmit the claim are begun. Claims that have been denied should be researched to determine if the denial is for a valid reason. Claims that have been denied for reasons such as incorrect billing codes, wrong service provider numbers, etc., should be corrected and resubmitted. Additionally, management should take a pro-active approach to decrease Medicaid denials due to clerical errors by establishing quality assurance measures such as independent recomputation of a sample of claims before the claims are submitted. When payment or confirmation of denial has not been received within thirty to forty-five days, EDS Federal should be contacted to determine the status of the claims. Also, management should re-emphasize to staff

the importance of entering the correct information on all claims submitted for payment and the negative ramifications of entering inaccurate information.

AGENCY'S RESPONSE

The Center will review its procedure for rebilling Medicaid; however, it has been demonstrated that rebilling Medicaid for claims that were denied and/or put into a "pending" file by Medicaid often results in payment that may not have otherwise been received. The problem of refunding overpayments is less of a problem than the problem of not receiving payment on claims.

BILLS WERE NOT PROCESSED AND MAILED TO CLIENTS FOR MORE THAN TWO YEARS. ERRORS EXIST IN FIRST-PARTY BILLS NOW BEING PROCESSED.

According to General Statute 122C-146, the Center shall make every reasonable effort to collect appropriate reimbursement in providing billable services. Charges for client services may be billed to Medicaid, Medicare, private insurance, or if the client does not have any of these coverages, the client will be billed (this is known as first-party billing). During our review of the Finance Department at the Center, we were informed that first-party billings had not been processed and mailed to clients for more than two years. The Finance Department stopped sending first-party bills in June, 1993. Comparison of Accounts Receivable balances at June 30, 1993, when the Center stopped billing, and at June 30, 1995, when billing was resumed, reflects that $5,546,714 in fees was generated but not billed to clients. The reason given by the Finance Officer for not billing was that it was costing the Center approximately $1,400.00 per month to mail the bills and receipts from billings were averaging approximately $300.00 per month. Upon further investigation we learned that the high cost of postage was because client accounts receivable were not adequately analyzed and uncollectible accounts written-off. Consequently, many bills were sent out to clients with no chance of collection. For the fiscal year ended June 30, 1994, the Center’s internal records reflected accounts receivable of $4,791,481. However, the financial auditors questioned the collectibility of $4,631,471 of this amount and would only report $160,010 as a receivable on the Center’s balance sheet. The Center ceased first-party billing without performing adequate analysis of the effect that not billing clients would have on revenues. Consequently, the Center experienced decreased revenues during this period. We seriously question the wisdom of not billing clients for services rendered.

Client billings were re-instituted in July, 1995. Accuracy in the billing process is essential. We tested a small sample of five bills processed for the month of July, 1995, to determine if the amount billed agreed to the amount outstanding per the client’s accounts receivable records. We found one of the five bills was in error. The client was billed for $24.00 when their account balance was zero. Our inquiry revealed that the reason for the error was that the computer program used to process the bills was written to record all events/services that had not been billed without taking into account whether or not the event/service had been paid for at the time service was rendered. Our inquiry also revealed that all clients that paid for services in July were over-billed by the amount that was paid during the month. This situation resulted in erroneous bills being sent to clients.

RECOMMENDATION

We recommend that the Center continue the client billing process that was re-instituted in July, 1995. However, controls need to be installed in the computer program to detect errors in the billing process and produce an error report. Also, as part of this process, we recommend that the Center periodically analyze clients' accounts receivable to determine if there are accounts which should be written-off as uncollectible. If the cost to process billings is more than the amount received, then the collection methods and efforts should be analyzed and improved.

AGENCY'S RESPONSE

Bills were not mailed to clients for approximately two years. Southeastern Center began mailing bills in August, 1995, and continues to do so on a monthly basis. The computer program used for billing was not deducting payments made during the billing cycle and thus some billing errors did occur. This has been corrected.

UNCOLLECTIBLE ACCOUNTS RECEIVABLE ARE NOT BEING WRITTEN-OFF.

While scanning the trial balance at June 30, 1995, we noted an allowance for doubtful accounts in the amount of $4,631,471. This amount represents 60% of the total accounts receivable balance of $7,691,585. We reviewed the financial audit report for the fiscal year ended June 30, 1994 submitted by a public accounting firm and noted that the auditors had identified as an allowance for doubtful accounts the amount of $4,631,471. The Center has not written-off any of this amount as uncollectible. We also reviewed a report issued by the North Carolina Department of Human Resources' Division of Mental Health, Developmental Disabilities and Substance Abuse Services dated April 27, 1995. This report noted that the large number of client bills being mailed "was apparently due to the fact that many old accounts had never been purged and the charges written-off." The report recommended that the area program "review all client accounts and immediately write-off those accounts deemed uncollectible. Balances for clients no longer on the active case load should probably be written-off. Old balances on accounts for active clients who have charges dating back more than nine months should also be evaluated for write-off." We were told by management that a formal write-off policy exists, but we were not provided such a policy. Failing to write-off doubtful and uncollectible accounts results in misstated financial information. Additionally, this results in wasted cost in processing, postage, etc., when bills are sent out for accounts which are uncollectible.

RECOMMENDATION

We recommend that the Center establish formal policies and procedures for the periodic write-off of uncollectible accounts. Management should review and evaluate the collectibility of all client accounts which have had no recent activity and are over sixty days old. Statements should be sent to clients to discover possible posting errors of cash collections or to determine if an account should be written-off.

AGENCY'S RESPONSE

In October, 1995 the Center formally adopted a write-off policy and in November, 1995 wrote-off $1,532,074.60. The Center staff are currently preparing a second major write-off, to be presented to the Board before the end of the fiscal year.

THE CENTER MAINTAINS A "NON-APPLIED CASH ACCOUNT."

During our review, we learned of the use of a "non-applied cash account." This account has been used to hold receipts that are received in excess of the balance on a client's account caused by inaccurate billings. Receipts from deposits for DWI traffic school and payments for DWI assessments have also been placed in this account. We were also informed that Medicaid clients who are seen at the beginning of the month and do not have their new Medicaid cards are billed as self-pay and these receipts are being placed in this account. At August 30, 1995, the balance in the "non-applied cash account" was $170,088.47. Research conducted by the Center staff indicates that $166,686.70 (98%) of the balance in this account is from previous years. As of the last day of our fieldwork, the balance in the "non-applied cash account" was still growing. Using this "non-applied cash account" results in inaccurate client accounts because payments are not credited to the client's account. This also creates an undisclosed liability for the Center to clients. Similarly, money held as deposits should be maintained in a separate liability account and credited to the depositors.

RECOMMENDATION

We recommend that the Center develop and formalize procedures to address receipts in excess of the balance on a client's account, deposits for DWI traffic school, fees for DWI assessments received in advance, and

payments from Medicaid clients who do not have their new Medicaid cards when they are seen at the beginning of the month. The Center should cease placing funds in the "non-applied cash account". The funds in this account should be researched and credited to the appropriate account or refunded to the appropriate payee and the "non-applied cash account" eliminated.

AGENCY'S RESPONSE

The Center is researching this and crediting the funds in this account to the appropriate accounts. The non-applied cash account will be eliminated or minimized.

FUNDS HELD FOR CLIENTS SHOULD BE DEPOSITED INTO A SEPARATE BANK ACCOUNT.

The Center maintains funds on deposit for some of its clients. These funds include payments from Social Security and other sources. If a client resides in a group home, the client's living expenses might be deducted from the funds on deposit, a monthly allowance for spending money might be sent to the client, and the balance held by the Center for the client. Such funds are referred to as trust funds and should be deposited into a separate bank account.

Our review disclosed that the Center accounts for the amount of funds on hand for each client, but it does not deposit the funds in a separate trust account. The funds are currently commingled with funds in the operating account. Further, we noted that some clients' accounts were overdrawn which means that funds from the operating account were used to cover overdrawn client accounts. At June 30, 1995, the balance in the accounts maintained for clients totaled $22,419.

RECOMMENDATION

We recommend that the Center transfer these trust funds to a separate, collective bank account. Future funds received on behalf of clients should be deposited into this account and disbursements made for clients should be disbursed from this account. Additionally, client's accounts should not be overdrawn and subsidized by funds on deposit for other clients.

AGENCY'S RESPONSE

This has been done and client funds are deposited into a separate bank account.

CONTRACTS ARE NOT IN COMPLIANCE WITH REQUIREMENTS OF NORTH CAROLINA ADMINISTRATIVE CODE.

General Statute 122C-141 allows the area authority to "contract with other public or private agencies, institutions, or resources for the provisions of service." However, for any contract, there are minimum requirements as mandated by Title 10 Section 14C.1010 of the North Carolina Administrative Code.

Our review of contracts disclosed several instances of non-compliance with the Administrative Code. One instance was noted where the contract extended beyond the fiscal year. In addition, forty-four of the contracts reviewed were signed after the work began. One two-month contract was not signed until eight months after the beginning of the contract and six months after the expiration of the contract. In our opinion, commencement of work prior to the signing of a contract is an indication that material internal control weaknesses exist that could lead to improper payments or overpayments being made.

RECOMMENDATION

We recommend that the Center strengthen internal control procedures for contracts and review each contract for compliance with the requirements listed in the North Carolina Administrative Code. In addition, each contract should be completed and signed prior to the beginning of the contract.

AGENCY'S RESPONSE

Contract procedures are currently being reviewed and internal controls are being developed.

CONTRACT AMENDMENTS ARE BEING RECORDED AS NEW CONTRACTS.

The Center enters into contracts with local agencies and individuals to provide various services. As a measure of control, the Finance Department assigns a contract number to each contract and maintains a listing of these contracts that indicates the assigned dollar amount, the contractor, and the service being provided. The contracts themselves are filed in alphabetical order by contractor name. When making payments on the contracts, the agency uses the contract number to identify the account to which the payment is coded; therefore, the Center can monitor the payments made on contracts to prevent exceeding the contract amount.

During the year, it may be necessary to make an amendment to a contract. Instead of having an amendment to the original contract, the Finance Department has been assigning new contract numbers to the amendments and to copies of the original contracts. In at least one instance, the same contract was coded with two different expenditure objects and contract numbers. This procedure, in effect, doubles the dollar amount that could be paid to the contractor. There were numerous instances where amendments were made to contracts. In most cases each amendment was assigned a new contract number. When the Center creates new contracts from the amendments or copies the originals, the control over contract payments is diminished and the possibility of overpayment increases.

RECOMMENDATION

We recommend that the Center review its procedures for assigning contract numbers and maintaining inventory of contracts. Contract numbers should only be assigned to original contracts. Amendments should be referenced with the original contract number and be filed with the original contracts.

AGENCY'S RESPONSE

Contract amendments are being recorded as new contracts because of the encumbrance methods used in our financial software package. This is being reviewed by our MIS staff.

THE CENTER SHOULD EVALUATE THE COST BENEFITS OF LEASING VERSUS RENTING VEHICLES.

The Center operates two residential facilities for Thomas S. clients. To provide transportation for the clients, the Center has contracted with a local car rental agency for a mini-van and a car for the two facilities. The contract for the mini-van is $719.00 per month or a total of $8,628 for one year. The contract for the car is $589.00 per month or a total of $7,068 for one year. For comparative purposes, we contacted the same rental agency and inquired about leasing the mini-van instead of renting it. We compared the rental/leasing options for the mini-van. Per the leasing department, the leasing cost of the mini van would be $390.00 per month plus a $56 monthly maintenance fee for a total of $446.00 a month. The first year, the Center would have saved $3,276 by leasing the mini-van rather than renting it. The money saved could have been spent on providing additional care to the clients.

RECOMMENDATION

In our opinion, management at the Center should review each contract and determine if the contract is in the best interest of the Center. Where possible, the Center should obtain competitive bids and work with the contractors to secure the best price available for the services needed.

AGENCY'S RESPONSE

With one exception, the Center does lease rather than rent vehicles.

PERSONNEL AND PAYROLL

THE SALARY SCHEDULE AT THE CENTER IS NOT COMPETITIVE WITH THE LOCAL SALARY MARKET.

General Statute 122C-156 states that, "The area authority shall establish a salary plan which shall set the salaries for employees of the area authority. The salary plan shall be in compliance with Chapter 126 of the General Statutes. In a multi-county area, the salary plan shall not exceed the highest paying salary plan of any county in that area."

Responses to our surveys mailed to employees and interviews we conducted identified the low rate of pay as compared to New Hanover County government as one of the main reasons the Center has experienced high turnover and difficulty in attracting qualified applicants for some positions. During the fiscal year ending June 30, 1994 the Center had a staff turnover rate of almost 25%. For the fiscal year ending June 30, 1995 the turnover rate was approximately 21%. Based on information from the Office of State Personnel, the Center's pay scale was 24% lower than that of New Hanover County for the 94/95 fiscal year. This results in an advantage for New Hanover County in competing for quality employees in the job market. Furthermore, some employees have left the Center for higher paying county jobs. Not only does this contribute to high turnover, it also contributes to low morale. High turnover also results in training costs and lower productivity due to the inexperience of newer employees. We estimate that it would require approximately $908,000 to make the Center's pay scale competitive with the local salary market.

The Office of State Personnel prepares an "Analysis of Local Salary Plans" that compares the county and mental health area program salaries to state salaries and ranks them statewide.

Based on the Office of State Personnel's "Analysis of Local Salary Plans," we determined that over the past three fiscal years, the Center's ranking has dropped from 85th to 99th to 109th out of 133 local pay systems. This ranking makes the Center the thirty-ninth lowest paying mental health center out of the forty-one catchment areas. Exhibit 3 shows in graph form how the Center's pay scale compares to other programs in close proximity.

Effective July, 1995, the Center granted a 7.5% across the board pay increase in an attempt to address the issue of low pay. The increase brought the Center's ranking up to 80th out of the 133 local pay systems.

RECOMMENDATION

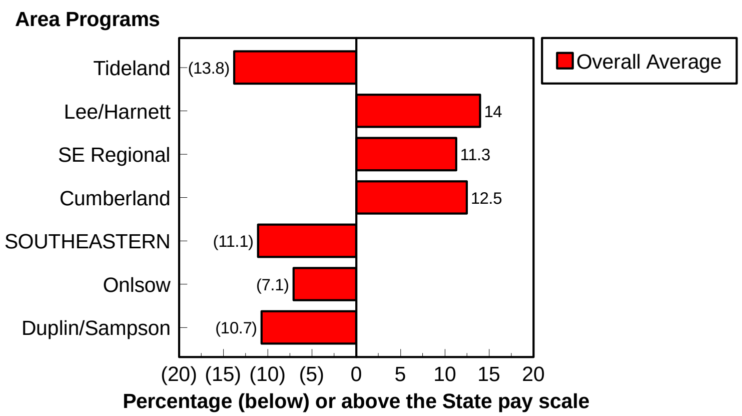
The Board of Directors' financial planning should include making the Center's pay scale more competitive with the local employment market.

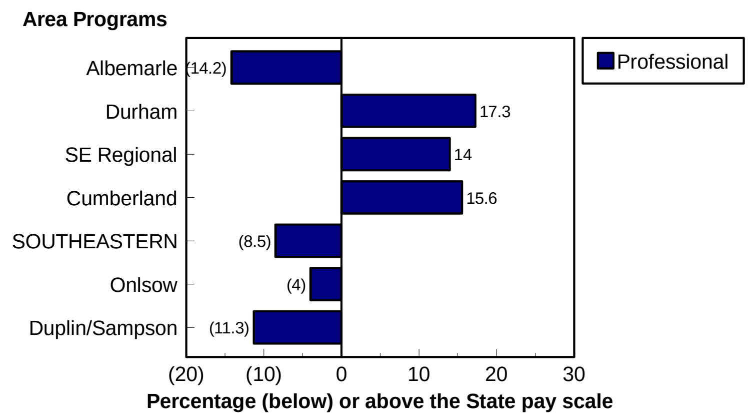
AGENCY'S RESPONSE

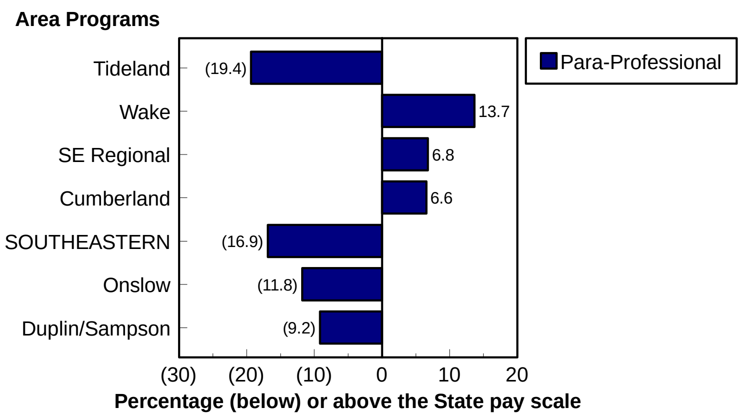
The Area Board is committed to making salaries at Southeastern Center competitive with other mental health centers, and with the local salary market. In July, 1995 the Area Board granted a 7.5% pay increase to all staff. As resources are available, the Area board will continue to adjust the salary schedule so that it is more competitive.

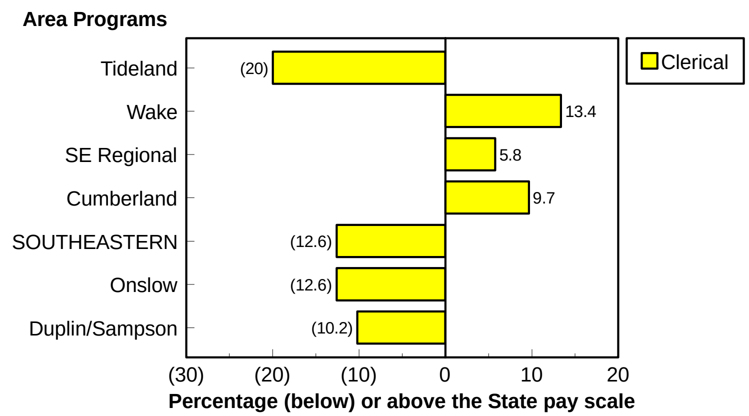
EXHIBIT 3

Comparison of Southeastern Center for Mental Health, Developmental Disabilities, and Substance Abuse Services' Pay Scale to the State's Highest, Lowest, and Neighboring Programs









(Zero represents the State pay scale)

QUESTIONABLE PAY PRACTICES EXIST IN HIRING HABILITATION SPECIALISTS.

All new applicants for positions at the Center must be approved by the Department of Human Resources' Regional Personnel Office in Fayetteville. The approval is to certify that the applicant meets minimum requirements for the position. If the applicant does not meet the minimum requirements, the Center will sometimes offer a progression, as described below, to work the applicant through as a trainee until they meet the minimum requirements.

The Habilitation Specialist (Hab Spec) classification is used for several different positions in Developmental Disabilities. In the Early Childhood Intervention Services Program, all of the positions are Habilitation Specialist III (Hab Spec III) positions with the exception of the Program Coordinator. The qualifications for a Hab Spec III are graduation from a four-year college or university with a Bachelor's Degree in special education, elementary education, or early childhood education, psychology, nursing, child development, counseling, infant mental health, social work, child and family studies, and two years of professional experience working with the population served; or graduation from a four-year college or university with a Bachelor's Degree in another human service field and three years of professional experience working with the population served; or an equivalent combination of training and experience. Because the Center pays less than the competitive salary market, it has difficulty attracting or recruiting applicants for these positions. If the applicant the Center wishes to hire does not meet the work experience requirement but does meet the educational requirements, the regional office will approve the applicant for a Hab Spec II Trainee status. Once the Center gets the approval, it hires the person into the position and pays them the salary of the Hab Spec II less one dollar because they do not meet the minimum requirements. After the employee meets the minimum requirements of the Hab Spec III position, he/she is promoted up to that position. For some of the staff members working as a Habilitation Assistant, this can equate to a 63% pay increase (grade 56 to grade 66 less $1). Paying employees who do not have the experience to meet the minimum qualifications for a position $1.00 less than a fully qualified employee, disregards the importance of establishing a rational and systematic personnel classification system. It also has a negative impact on established employees who see a person with less experience starting at the same salary (minus $1.00) that they are making.

RECOMMENDATION

We are aware of the Center's difficulties in recruiting qualified applicants. However, we feel that good personnel practices should not be circumvented. If the pay scale at the Center is not competitive for recruiting good employees, then a formal, deliberate and energetic plan for improving the pay scale should be developed. Accordingly, we recommend that the Center discontinue the practice discussed in the

finding above and instead, develop a plan for addressing the current lack of competitiveness in its pay scale.

AGENCY'S RESPONSE

The Center experienced severe difficulties in hiring Habilitation Specialists because of the low salary schedule. Numerous vacancies existed and clients were not receiving needed services. In order to provide services to clients, the Center hired staff at the trainee status, as approved by the Regional Personnel Office, and promoted staff as they met the experience requirements. The objective of this practice was to provide the needed services to clients. Since the salary schedule has become more competitive, this practice has been eliminated.

THE CENTER NEEDS TO DEVELOP A BETTER PLAN FOR AWARDING SALARY INCREASES.

We learned from our survey responses and interviews with current and former employees of the Center, that considerable concern exists regarding the manner in which pay increases have been given at the Center. Employees questioned why, when most of the staff was being told there was no money available for raises, some employees received significant salary increases. Similar staff concerns were cited in a report requested by the Board of Directors dated January 12, 1994, which analyzed salary concerns.

In 1990, the Director gave and then rescinded a merit pay raise for about one-half of the staff. Reportedly, the Director rescinded the raise because it had been based on inaccurate information from the Finance Department that money was available to fund the raise when actually this was not the case. This action, understandably, further damaged the morale of a staff which felt it was already underpaid.

Current and former staff members told us that morale suffered further in 1994 when it was learned that certain employees received raises even though there was a budget shortage. We were told that the former Director and, subsequently, the Acting Director awarded certain employees with pay increases.

Our review of the personnel records revealed that the former Director gave six pay raises in the last three months of his tenure. These consisted of five raises which ranged from 2.5% to 7.5% and did not involve promotions and one raise of 24.75% which did include a promotion. The Acting Director, who served in that capacity for seven months, gave forty-one pay raises. These consisted of twenty-nine raises which ranged from 2.5% to 22.5% and did not involve promotions and twelve raises involving promotions which ranged from 2.5% to over 50%.

As far as we could determine, neither the Board nor any of its committees approved any of the pay actions mentioned above.

RECOMMENDATION

We recommend that the Center develop a formal, rational, and systematic plan for awarding salary increases. The plan should be available to employees and should explain the Center's approach and criteria for awarding salary increases whether these awards are across the board, merit, promotions, adjustments, or other type increases. We recommend that the Director contact the Department of Human Resources' Personnel Office and request its assistance in studying and developing a pay plan for the approval of the Board of Directors. We further recommend that the Board of Directors or its designated committee review all pay and personnel actions and that the Board's approval be required when they deviate from established policies.

AGENCY'S RESPONSE

The Center did need a better plan for awarding salary increases and in September 1995 the Area Board adopted a Performance Based Merit Pay Plan for the Center.

Salary increases described in this section of the Report did take place; however, they were not arbitrary, capricious nor based on preferential treatment of some staff over other staff.

The increases were the results of transfers, promotions, completion of trainee status and the temporary assignment of responsibilities from vacant positions. The salary increases were consistent with the Center's policies and procedures and were intended to maintain staff and deliver services at a time when the Center had many vacancies that it could not fill and services were severely threatened.

THE FINANCE DEPARTMENT NEEDS TO WORK WITH THE MANAGEMENT INFORMATION SYSTEMS SECTION TO IMPROVE THE RELIABILITY OF SOME OF ITS REPORTS.

Management Information Systems (MIS) is responsible for design, development, implementation, monitoring, and education regarding all data processing functions of the Center and contracted agencies. MIS provides consultation on data processing needs to departments and on the use of data and reports generated from the system and personal computers. MIS also designs report layouts to extract data from the system. Additionally, MIS is responsible for monitoring and assessing the data entry process of client account staff, receptionists, and medical records staff by reviewing the accuracy and timeliness of accounting reports, appointment scheduling data, client demographic and diagnostic reports, and client and third party billing data.

Ensuring the accuracy and usefulness of MIS generated reports is the responsibility of both the MIS section and the user of MIS reports. For example, users of reports produced by MIS are responsible for providing MIS with proper input and for reviewing the reports they receive for accuracy. If the user detects errors, the user is responsible for bringing the error to the attention of MIS personnel and working with them to eliminate the error in future reports. If user input is found to be correct and report errors continue to occur, then MIS should review its processing program and procedures for accuracy.

While performing our review, we obtained a revenue report from MIS in which the total of the line item amounts did not agree with the printed total at the bottom of the column. We informed the MIS section of this condition and were told that the report would be corrected.

When we received the second copy, we again noted that it was not correct. We also learned that MIS has repeatedly sent reports out which contained errors. For example, a report we reviewed in the DWI unit reflected year to date revenue of $423.00; however, DWI records showed that over $21,000.00 was collected during this period.

Generating and distributing inaccurate and unusable reports has a negative effect on agency activity and planning. It can also damage the Center's rapport and credibility with outside agencies who rely on such reports. Erroneous information may even have an adverse effect on the planned treatment of clients.

In our opinion, a lack of communication and corrective action has contributed to inaccurate and sometimes unusable reports. MIS has not been receiving adequate guidance from the Finance Department because of a lack of effective communication and an apparent deficiency regarding accounting knowledge within the Finance Department. To further complicate matters, when errors have been brought to the attention of the MIS section corrective action has not always been adequate.

RECOMMENDATION

We recommend that MIS develop a system of controls which would detect errors and generate an error report. We also recommend that additional training be provided for the Finance staff so that they will be able to provide adequate guidance to the MIS staff. Steps also need to be taken to improve the lines of communication between the Finance Department and the MIS section. This will help ensure that the MIS staff understand the

needs of Center staff and can effectively and efficiently provide users with the data they need in a useable format.

AGENCY'S RESPONSE

The recommendations are being implemented. MIS staff and Finance staff have gone to Ohio to be jointly trained to work with the CMHC computer program. The MIS staff and Finance staff have been meeting jointly with the Area Director on a weekly basis since August, 1995 to resolve the report difficulties. Ongoing training, including on site consultation from other Mental Health Center's staff, has been implemented

INAPPROPRIATE LEVELS OF USER ACCESS HAVE BEEN ASSIGNED.

User access controls ensure that only authorized persons are able to read, record, change, or delete data. Good business practices dictate that only the MIS director and his assistant/back-up person have complete access to the system. The assistant is usually given complete access to be able to function effectively in the absence of the director due to vacation, illness, etc. Access rules restrict individuals to tasks and data that are normal job duties. Only authorized personnel are able to enter original transactions, override controls, correct errors, sign electronically to authorize transactions, and submit production jobs.

While performing our review of the Center, we received an inaccurate revenue report from MIS. We were later informed by MIS that the reason the report was inaccurate was because someone had added an account into the system which MIS was not aware of and the program needed to be rewritten to include this new account. Further inquiry revealed that the Finance Director has the user access required to add and delete accounts from the system. This situation increases the possibility of errors and/or irregularities occurring and going undetected.

We also learned that no one at the Brunswick and Pender centers has the access necessary to do error corrections for items such as client demographic data. If data is entered in error, either a form requesting an error correction must be completed and sent to MIS for correction, or the person who entered the data in error must send a request to MIS for an appointment to correct the error themselves. This process is inefficient and may result in a delay of up to three days before an error can be corrected.

RECOMMENDATION

We recommend that the MIS Director review user access for all personnel and ensure that individuals only have access to tasks and data that are a part of their normal job duties. Furthermore, the Finance Director

should not have the capability to add or delete accounts in the system. The MIS Director and his assistant should be the only persons with the user access necessary to add, delete, or make changes to programs within the system. All changes should be documented and approved.

We also recommend that designated individuals at the Brunswick and Pender centers be provided with the capability to make error corrections on site. These individuals should not be responsible for data entry. A form should be drafted to document the error being corrected, the signature of the person who entered the error, and the signature of the person who corrected the error. This form should be circulated to the Finance Department and to the MIS Department for appropriate review and approval.

AGENCY'S RESPONSE

The MIS Director is reviewing user access and this issue is being addressed. The finance Officer was given access to account screens because she was heavily involved with the MIS section in correcting inaccurate reports. This has been stopped.

ADDITIONAL COMPUTER TRAINING NEEDS TO BE PROVIDED.

During 1993, a new computer system (CMHC) was installed at a number of area mental health programs throughout the State. Computer coordinators at several area programs have praised the efficiency and flexibility of the new system. They added that up front training on how to operate the system is essential. The system was installed at the Center; however, proper training was not provided to employees. In a report dated April 27, 1995, the Division of Mental Health pointed out that it had offered training on cost finding, which was essential for knowledge related to establishing service unit cost projections, unit cost rates, and developing statewide Medicaid rates. According to the report, most area programs sent at least their Finance Officer and Pioneer Coordinator to the training. However, the Center sent only its Assistant Finance Officer. When the Assistant Finance Officer resigned from the Center shortly after the training, there was no one left with sufficient knowledge to operate the system. Employees told us they had to learn about the computer system on their own, as one put it, by “trial and error.”

In addition to significant problems in the cost finding area mentioned above, the lack of training and knowledge of the new computer system contributed to a decline in revenue due to incorrect billings and accounts receivable. Client appointments records were inaccurately entered into the new system resulting in duplicate scheduling. Some records of appointments were simply lost. Correcting all of these errors required many hours of staff time.

The Center still does not provide adequate training to employees who regularly work with and need more knowledge of the computer system. Moreover, computer training should be offered agency wide, not just in the administrative area. Clinicians at some similar agencies have computerized client files which can be accessed by others when an appropriate need arises.

RECOMMENDATION

We recommend that the Center develop a short-term and a long-term plan to provide proper computer training to all employees who need such training. The short-term plan should include training for employees who routinely use computers in their job functions. This should include employees in the Brunswick and Pender centers. The long-term plan should encompass plans to provide training agency wide, not just for administrative employees.

The Center should utilize any training available through the Division of Mental Health or other external sources.

AGENCY'S RESPONSE

Since January 1, 1995 the Center has made extensive efforts to provide the staff with training on the CMHC System and with training on reports required by the Department of Human Resources.

The Center has sent MIS staff and Finance staff to Ohio for training on CMHC. The MIS staff has been involved with and received training through the N. C. and National CMHC Users Group. Two (2) MIS staff, three (3) Finance staff and the Area Director attended the FARO training in Asheville in October, 1995. The MIS and Finance sections have provided periodic training for all data entry staff and there is a three (3) day required training session for all new staff that work with the computer system.

GOVERNANCE ISSUES

General Statute 122C-118 sets forth criteria for Area Boards. The statute states that the Board shall have no less than fifteen members and no more than twenty-five members. The size of a Board in a multi-county area may be changed by agreement of the boards of county commissioners in the counties. In areas consisting of more than one county, each board of county commissioners shall appoint one commissioner as a member of the Board, and these members shall appoint the other members of the Board. The statute also sets forth that members shall be appointed from certain groups. For example the Board must include, in addition to the county commissioners, at least two physicians, a professional representative from the fields of psychology, social work, nursing, or religion, either a primary consumer, or an individual from a citizens organization representing the interest of mental illness and developmental disabilities. The Board should also include a primary consumer representing the interest of individuals with alcoholism and drug abuse. Lastly, the statute requires that there be at least one family consumer representing individuals with mental illness, developmental disabilities, alcoholism, and drug abuse.

The statute prescribes four year terms for Board members except for the county commissioners whose Board terms run concurrent with their terms as commissioners. The statute does not address Board absenteeism. However, the Center changed its by-laws to provide that, "...if a Board member misses over three unexcused meetings of the Board, his/her name shall be given to the Board of County Commissioners to be replaced whether it be a County Commissioner appointed to serve on the Board, or a member appointed by the Commissioners from that county to serve on the Board."

The Center Board is comprised of sixteen members and represents the groups and individuals set forth in the general statute. Our review of Board information disclosed several areas in which the Board could be strengthened.

THE BOARD NEEDS A BROADER BASE OF KNOWLEDGE REGARDING FISCAL MANAGEMENT AND BUDGETING.

In our opinion, some of the Center's past financial problems resulted from decisions made by the Board which were based on inaccurate financial information and projections. We realize the difficulty of a volunteer Board developing a working knowledge of detailed agency financial records. However, we believe that the Board needs a broader base of knowledge in the areas of fiscal management and budgeting.

RECOMMENDATION

We recommend that in addition to seeking Board members who have expertise in clinical and program areas, the county commissioners strive to appoint Board members who have expertise in the areas of management and budgeting. There are currently sixteen members on the Board so more members could be added and appointed to committees where their financial and budget expertise could be used. One suggestion we would offer is that the Board utilize one of the three county Finance Officers, or their designee, on an annual rotating basis as an active or ex-officio member. The Board may consider making a change in the by-laws to facilitate this recommendation.

AGENCY'S RESPONSE

The Board is in the process of reviewing its composition and considering ways to expand its knowledge regarding fiscal management and budgeting.

BOARD MEMBERS SHOULD RECEIVE TRAINING.

During its 1995 session, the North Carolina General Assembly enacted General Statute 122C-119.1 which sets forth required training for Area Mental Health Board members. The statute states that board training will be provided by the Department of Human Resources' Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and will include training in fiscal management, budget development, and fiscal accountability. The legislation further states that a member's refusal to be trained may be grounds for removal from the Board.

Our discussions with Board members disclosed that there has been little formal training provided which would help them fulfill their Board responsibilities. While some members come to the Board with experience in serving on boards, others do not have such experience and even fewer have experience in serving on mental health, developmental disabilities, and substance abuse oriented boards. Additionally, there is a need for training in the areas of budgeting and finance as mentioned earlier.

RECOMMENDATION

We encourage the Board Chairman to begin scheduling members for this training.

AGENCY'S RESPONSE

The Board is very receptive to any additional training when available. The Board has developed a "Board Committee" that has responsibility for the orientation and training of new and existing Board members.

SOME BOARD MEMBERS NEED TO IMPROVE THEIR MEETING ATTENDANCE.

Our review of attendance records disclosed that while some Board members have excellent attendance records, other members have missed several consecutive monthly Board meetings. Such absenteeism makes it difficult to acquire and retain the needed working knowledge of Board and Center activity. This lack of knowledge impedes the effectiveness of the Board member.

RECOMMENDATION

We recommend that one of the considerations and items for discussion with any prospective Board member be the feasibility of and the commitment to regular attendance of Board and committee meetings. We further recommend that the Board Chairman review the attendance policy with the current Board and that the Center adhere to its by-laws which require that the county commissioners be given the names of members with three unexcused absences from meetings.

AGENCY'S RESPONSE

The Board is reviewing its attendance policies as it reviews its by-laws.

CLIENT SERVICE ISSUES

IT IS DIFFICULT FOR SOME BRUNSWICK AND PENDER COUNTY RESIDENTS TO OBTAIN SERVICES.

There are fourteen required services set forth by the state Mental Health Commission. These required services are specified in Title 10 of the North Carolina Administrative Code, Subchapter 18M, Sections .0100 through .1400. Section .0100 specifies that outpatient services shall be provided for individuals of all disability groups. Section .0300 specifies that consultation and education services shall be provided for individuals of all disability groups. Section .0400 specifies that case management services be provided for individuals of all disability groups.

As a whole, the required services are being provided through the New Hanover County center. However, due to geographical and/or transportation constraints, some of the services are not easily available to Brunswick and Pender County residents.

For residents in the most western part of Brunswick County, the distance could be in excess of 35-40 miles to the Brunswick center. If clients have to go further to the New Hanover county center, it could add an additional 30 miles. This results in a round trip of approximately 140 miles for some clients traveling to the New Hanover County center for services. There is not a public transportation system operated by the county. Many clients have difficulty obtaining transportation. A van has recently been purchased to transport Brunswick County residents in need of services. The center is recruiting volunteers to drive the van.

In addition to the lack of transportation, vacancies exist in several programs. At the time of our visit, the Brunswick center did not have a Child Psychologist or a Children and Youth

Substance Abuse Counselor. The clients needing child therapy, must travel to the New Hanover County center. The Children and Youth Substance Abuse services are temporarily being handled by Coastal Horizons. Coastal Horizons is a private organization contracted to provide preventative services in substance abuse for children and youth.

While performing our review of the Pender center we learned that no Substance Abuse Services are being offered there. One counselor retired and one quit, leaving both Substance Abuse Counselor positions vacant. Although substance abuse services are offered through the New Hanover County center, getting transportation to Wilmington presents an undue hardship on some clients and may result in clients not seeking services. We also learned that there is only one counselor providing adult mental health services at the Pender center and this is on a part-time basis (30%). Because of the number of clients seeking services, this counselor's time is mostly spent doing medication screenings and medication checks. This results in no counseling services being offered because he simply does not have time to counsel. Staff reported that the quality of service has been allowed to suffer due to the need to see as many clients as possible. We also learned that there are no Adult Services case managers assigned to the Pender center. In addition, while there are two Child Mental Health case managers assigned to the Pender center, staff at the Pender center reported that they do not have enough contact with the case managers to know who they are. These case managers stated that they rarely go to the Pender center because they can see their clients in the clients' homes. Complaints have been registered by the Pender County Schools that there is no one to provide Developmental Disabilities services to potential clients who attend school there. Furthermore, very rarely do the case managers refer clients to the Pender center for diagnosis, preferring instead to send them to the New Hanover County center because it is more convenient for the case manager should the need arise to consult with a therapist. This may require clients from the outlying areas in Pender County to travel as much as fifty miles one way to reach the New Hanover County center for services. This places an undue hardship on some clients and potential clients and may result in them not seeking services. We were also informed that there are no consultation and education services being offered at the Pender center because the staff does not have the time.

RECOMMENDATION

While services not offered at the Brunswick and Pender centers may be available at the New Hanover County center in Wilmington, requiring clients to travel up to one hundred forty miles round trip to receive these services may have the effect of services not being delivered to a large number of clients and potential clients in the catchment area. We recommend that the Center either make all required services available at each of its locations, or provide transportation for residents of Brunswick and Pender counties to the New Hanover County center where the services are offered. If it is not feasible to provide all required services at

each of its locations, we recommend that the Center provide for the transportation of Pender County residents to the New Hanover County center where the services are available. The van recently purchased for Brunswick County cost $22,447. We recommend that as funds become available, a van be purchased for transporting Pender County residents in need of services. The area Center must also take steps to inform clients and potential clients within the catchment area that transportation will be available to reach the services offered at the New Hanover County center.

AGENCY'S RESPONSE

The Center recognizes that it is difficult for some Brunswick County and Pender County residents to obtain services, and is working diligently to address this problem. Comprehensive services to large geographic rural areas continues to be a Statewide problem. The problems are directly related to difficulties in the availability of qualified personnel, availability of centralized facility space, lack of public transportation services, and the inability of rural counties to fund the programs at levels equal to the more urban areas. All of these problems exist in Brunswick and Pender Counties, and have been even more complicated by the Centers' financial difficulties. As the salary schedule is increased, as additional staff become available, as space becomes available, as funds become available, this issue is being addressed.

DEVELOPMENTAL DISABILITIES (DD) STAFF NEEDS BETTER ACCESS TO THE PROGRAM DIRECTOR

In approximately two years, the number of positions in DD services has more than doubled. A consistent complaint from the staff members and the user/advocacy groups interviewed was the inaccessibility of the program director. Many indicated that because the program director is pulled in so many different directions, it was hard for them to get responses back from the director in a reasonable time frame. When the program director is not accessible, delays occur which could result in inappropriate decisions being made as well as a loss of productivity.

RECOMMENDATION

We recommend that the Center establish a position of Deputy Director of Developmental Disabilities. We believe that by shifting some of the responsibilities to the Deputy Director, the program director will be able to carry out her responsibilities more effectively and be more responsive to the needs of the staff and clients. We estimate that it will require $32,714 (including benefits) to establish this position.

AGENCY'S RESPONSE

The Center will review this issue.

A PART-TIME EMPLOYEE IS SUPERVISING FULL-TIME STAFF IN EARLY CHILDHOOD INTERVENTION SERVICES.

Early Childhood Intervention Service (ECIS) is a periodic service designed to promote the developmental growth of a child who is mentally retarded or otherwise developmentally disabled or delayed or who has atypical development or is at high risk for mental retardation, developmental disabilities or delays, or atypical development. In addition, ECIS provides families with support, information on child-rearing skills and management, and services and resources available to the child and family.

The section is made up of one Habilitation Program Coordinator and thirteen Habilitation Specialists. Three of the Habilitation Specialists serve as team leaders. One team leader is working half-time but supervising three full-time employees. The supervising team leader is responsible for providing administrative supervision as well as clinical supervision. If the subordinate staff is in need of supervision while their supervising team leader is not at work, they must either wait for the supervising team leader to return to work or seek assistance from another team leader or the program coordinator. The delay in obtaining appropriate direction can create situations of confusion and lost productivity.

RECOMMENDATION

We recommend that management require that this position be a full-time position. We calculate that making this position full-time would require funds of $15,597. In our opinion, a part-time supervisor cannot adequately provide the clinical nor administrative leadership needed by the full-time staff.

AGENCY'S RESPONSE

The Center will review this issue.

THE WAITING LISTS AND TIME BETWEEN APPOINTMENTS ARE TOO LONG FOR SOME SERVICES.

The Center's responsibility to the public is to provide services to the mentally ill, developmentally disabled, and substance abuse clients in the catchment area. According to the Division of Mental Health's "North Carolina Area Program Annual Statistical Report," the Center served 5,460 people during 1994.

Some staff members expressed concerns about meeting the needs of the clients in an efficient and timely manner. Furthermore, advocacy groups expressed concerns about the timeliness of scheduling appointments and the time between scheduled appointments (Exhibit 4).

The area experiencing the longest delays is the Developmental Disability program, in particular Case Management and the Adult Day Activity Program, where delays can be up to six months for new services for clients.

RECOMMENDATION

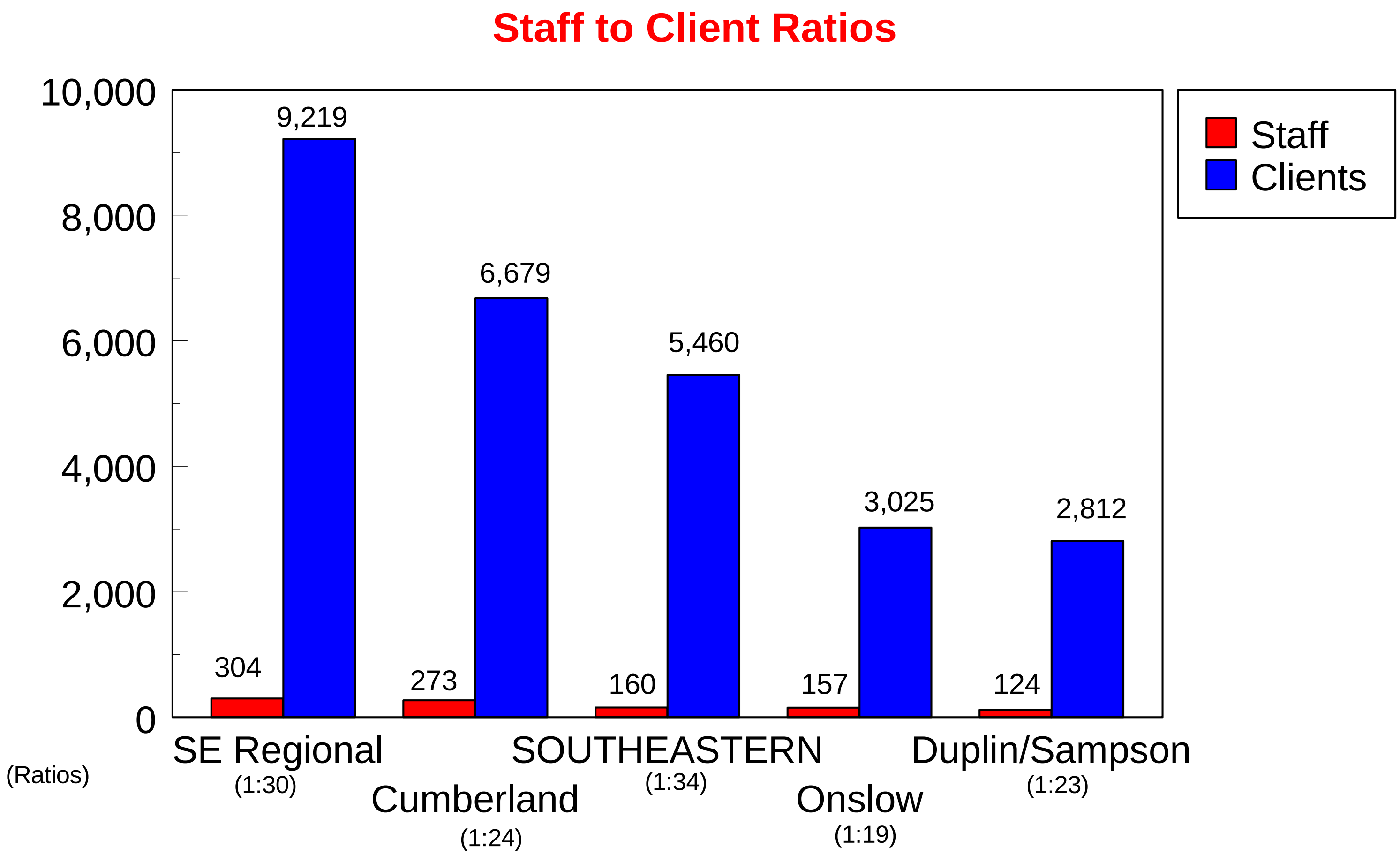
We are aware that current budget conditions at the Center have resulted in staff reductions and in increased demands on a smaller staff. However, we recommend that the Center develop a plan to reduce the waiting lists and the time between appointments.

AGENCY'S RESPONSE

The long time between appointments and the waiting lists are issues in programs with highly specialized services, such as residential facilities, supported employment activities, etc. The Center recognizes the need to expand these services, has been expanding services, and will continue to do so as funds are available.

EXHIBIT 4

Southeastern Center for Mental Health, Developmental Disabilities, and Substance Abuse Services



OTHER ISSUES

TOO MUCH OF THE DIRECTOR'S TIME IS SPENT ASSISTING IN THE MANAGEMENT AND MONITORING OF FINANCE DEPARTMENT OPERATIONS.

During our review, we learned that the Director is, a year after his appointment, still closely monitoring the day-to-day operations, and ensuring the accuracy of reports and other information coming from the Finance Department. The heads of Management Information Systems and the Pioneer Reporting System report directly to the Director. These functions previously reported to the Finance Officer.

We are aware of the Director's concern that financial information be accurate and reliable. Many of the Center's prior troubles were attributed to problems existing in the Finance Department. Moreover, in the responses to our questionnaires, more current concerns and complaints were directed towards the Finance Department, and specifically the Deputy Director for Administrative Services (Finance Officer) than any other area.

RECOMMENDATION

> **We recommend that the Director, with the support of the Board of Directors, determine why the Finance Department is not operating as efficiently and reliably as desired. When a determination is made, the Director should act expediently to correct the problems that are found. The Board should ensure that the Director is aware that the evaluation of his performance will be based in part on his success in this area.**

AGENCY'S RESPONSE

> *Most of the issues mentioned in this audit, e.g., Pioneer coding, MIS issues, coding, billing, salary issues, waiting lists for services, services in rural areas, etc., are all very much impacted by and impact on the Finance Department. The Area Board has and will continue to actively evaluate the Area Director's performance.*

THE CENTER NEEDS AN EQUAL EMPLOYMENT OPPORTUNITY FUNCTION.

During the course of our audit we learned that the Center does not have an Equal Employment Opportunity (EEO) function. No formal complaints regarding equal opportunity and sexual harassment were expressed to us during our audit. However, questions, concerns, and informal complaints were brought to our attention during our interviews with staff members.

According to the state EEO office, agencies, including Mental Health Centers, are required to have an EEO function. The EEO officer may perform this function in addition to other duties but should receive adequate training in the areas of equal opportunity, sexual harassment concerns, and related issues. The EEO officer should hear and follow up on complaints and charges dealing with unfair employment practices and sexual discrimination and harassment. The EEO officer should also serve as the trainer/facilitator to staff and management on fair employment practices, proper working environment, and related issues.

RECOMMENDATION

We recommend that the Center designate, from its staff, an EEO officer. This employee should receive training in the areas of equal opportunity, sexual harassment concerns, and related issues to ensure that he or she is knowledgeable in those areas. Training can be received through programs conducted by the State Personnel Office. We also recommend that the designated EEO officer serve as trainer/facilitator for the Center staff in the areas mentioned above through classes and seminars.

AGENCY'S RESPONSE

The previous Area Director had appointed himself as the EEO officer, and when he left the position a replacement was not appointed. An EEO officer has now been appointed and EEO functions are being conducted.

THE CENTER NEEDS TO REESTABLISH A POSITIVE IMAGE IN THE COMMUNITY.

The image of the Center had declined during the prior administration. While there are still problems and issues which must be addressed, the current Director is addressing problem areas and making improvements. Our interviews and survey responses reflected that staff members are supportive and encouraged by the leadership the new Director has provided.

Notwithstanding the improvements made by the current administration, a damaged reputation is difficult to repair. The Center's problems were regularly featured in a local newspaper and were topics of conversation among other agencies and the community. We found that there are individuals and groups which, based on their prior experiences, still feel hesitant and skeptical about the Center.

RECOMMENDATION

The Director and the Board need to develop a strategy designed to restore a positive image for the Center in the community. The entire staff at the Center needs to participate in this effort. First, the community needs to

know that the Center is under new management and that quality services can be obtained there. Avenues for this effort might include:

- **Formalizing a program which informs the media (print, radio, television) of new programs and efforts occurring at the Center.**

- **Prepare newsletters, brochures, etc. for distribution to other agencies, professional, and civic groups.**

- **Increasing visibility of the Director and Board members in the community, among user groups, and among colleagues.**

AGENCY'S RESPONSE

The Center recognizes the need to reestablish a positive image in the community, has that as one of its goals and is working diligently on it.

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EXHIBIT 5

STATEMENT OF ESTIMATED FISCAL IMPACT

QUANTIFIABLE

Accounting		
Bills were not mailed to clients for two years. This represents the increase in accounts receivable. A portion is considered to be uncollectible. (page 21)	$ 5,546,714	
Eliminate the non-applied cash account. (page 23)	170,088	
Transfer guardian accounts from general operating fund to separate trust account. (page 24)	22,419	
Total Accounting		**$ 5,739,221**
Personnel		
Make salary schedule competitive with the local market. (page 27)	$ (908,000)	
Provide Deputy Director position for Developmental Disabilities. (page 42)	(32,714)	
Make part-time supervisor full-time. (page 42)	(15,597)	
Total Personnel		**$ (956,311)**
Operations		
Provide transportation services in Pender County. (page 41)	$ (22,447)	
Change from renting van to leasing van. (page 26)	3,276	
Total Operations		**$ (19,171)**

NON-QUANTIFIABLE

Sliding Fee Schedule was abandoned without determining the cost impact on lost revenues.

The Center has been re-billing Medicaid and refunding the overpayments creating unnecessary work.

The use of a coverage termination date for Medicaid eligibility is resulting in lost revenue and unnecessary work in re-processing claims.

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APPENDICES

APPENDIX A

SOUTHEASTERN MH/DD/SAS QUESTIONNAIRE

Purpose: *As part of the effort to improve the administrative and operational functions of the SOUTHEASTERN MH/DD/SAS, the Office of the State Auditor is conducting a performance audit of the SOUTHEASTERN MH/DD/SAS Program.. This questionnaire will help the auditors identify the strengths and weaknesses of the system's administration. It will also give you the opportunity to offer suggestions for improvements. Individual responses will remain strictly confidential. Only summary data will be included in the final report. Please complete and return in the enclosed envelope by July 21, 1995.*

(Total Number Who Responded to Survey 123)

Please *circle* your responses.

1. In which job category do you work?
(You may circle more than one response.)

1. **Mental Health 46**
2. **Developmental Disabilities 31**
3. **Substance Abuse Services 29**
4. **Area Program administration 22**
5. **Outpatient and Medical 14**
6. **Case Management** 19
7. **Residential/Day 5**
8. **Willie M 5**
9. **Thomas S 8**
10. **CAP/MR 7**
11. **Other (Indicate type) 9**

2. Indicate the type of job you have:
(You may circle more than one response.)

1. **Executive/management 14**
2. **Supervisor** 28
3. **program specialist 33**
4. **medical services 9**
5. **fiscal management 1**
6. **Clerical/support** 28
7. **Other (Indicate type) 32**

3. a) How many years have you been employed at SOUTHEASTERN MH/DD/SAS?

b) How many years have you been employed in the Mental Health, Developmental Disabilities, Substance Abuse Services field?

4. Communications among Area Program staff members are: 119 Responses

1) Excellent	2) Good	3) Fair	4) Poor	5) Don't Know
3.4%	29.4%	42.8%	22.7%	1.7%

APPENDIX A

5. Communications between the Area Program and the clients are: 119 Responses

1) Excellent	2) Good	3) Fair	4) Poor	5) Don't Know
4.2%	42.9%	28.6%	12.6%	11.7%

6. Communications between the Area Program and the service providers are: 120 Responses

1) Excellent	2) Good	3) Fair	4) Poor	5) Don't Know
4.2%	30.8%	33.3%	17.5%	14.2%

7. Communications between the Area Program and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services are: 119 Responses

1) Excellent	2) Good	3) Fair	4) Poor	5) Don't Know
1.7%	26.0%	24.4%	10.1%	37.8%

8. Utilization of my skills by Area Program administration is: 121 Responses

1) Excellent	2) Good	3) Fair	4) Poor	5) Don't Know
14.1%	52.1%	22.3%	10.7%	0.8%

9. How would you characterize:

a. Staff motivation 119 Responses

1) Excellent	2) Good	3) Fair	4) Poor	5) Don't Know
5.9%	29.4%	42.9%	21.0%	0.8%

b. Staff morale 121 Responses

1) Excellent	2) Good	3) Fair	4) Poor	5) Don't Know
1.7%	14.2%	40.8%	43.3%	0.0%

c. Staff Abilities 121 Responses

1) Excellent	2) Good	3) Fair	4) Poor	5) Don’t Know
20.7%	61.1%	14.9%	2.5%	0.8%

10. Space and facilities for the Area Program are: 121 Responses

1) Excellent	2) Good	3) Fair	4) Poor	5) Don't Know
5.0%	22.3%	39.7%	33.0%	0.0%

11. Support equipment for the Area Program staff is: 114 Responses

1) Adequate	(2) Inadequate (if inadequate, list needs)
51.8%	48.2%

(If you need further room to respond, please continue on the back of the page and cross-reference to the question number.)

APPENDIX A

12. What are the greatest strengths of the Area Program?

See Appendix B

13. What areas need the most improvement? (give examples, details)

See Appendix B

14. What changes would you make in the reporting structure in your area? Why?

See Appendix B

15. Are there other jobs which overlap or duplicate your job? If yes, please describe. 116 Responses

1) Yes	2) No	3) Don't Know
8.6%	81.9%	9.5%

16. Are you aware of any "bottlenecks", work delays or backups in any areas of the administrative office? If yes, please describe and offer your solutions. 117 Responses

1) Yes	2) No	3) Don't Know
55.6%	14.5%	29.9%

17. Do you believe the Area Program is meeting the needs of those served? If no, why not? 115 Responses

1) Yes	2) No	3) Don't Know
40.9%	42.6%	16.5%

18. Are there sufficient, clearly-written policies and procedures available to you on your functional areas? If no, what areas need to have policies and procedures developed? Who should develop them? 110 Responses

1) Yes	2) No	3) Don't Know
64.6%	23.6%	11.8%

19. Do you feel the Area Program is effectively managing its available resources (finances/funding, personnel, facilities, client services)? If no, please explain. 111 Responses

1) Yes	2) No	3) Don't Know
26.1%	50.5%	23.4%

APPENDIX A

20. Is the Area Program receiving the guidance needed from its Board of Directors? Please explain. 116 Responses

1) Yes	2) No	3) Don't Know
23.3%	31.9%	44.8%

If you wish to advise the auditors of some issue which has not been addressed, please list below. If you would like to talk to the auditors, please provide your name and the phone number where you would like us to contact you and the time of day that is most convenient for you. This questionnaire and any further communications with you will be kept strictly confidential.

***Name:*_______________________________**

***Telephone Number:*_____________________*Home*____*Office*____**

APPENDIX B

SUMMARY OF SURVEY RESPONSE COMMENTS

Our Surveys provided space for respondents to make additional comments. We have summarized the more frequently stated comments below.

Board Issues

Some respondents wrote that the Board should be more knowledgeable of operations and pay more attention to concerns expressed by staff. Other respondents suggested that some board members had served too long and that term limits were needed.

Director

The most consistently positive comments in the survey responses were made about the current Director. Virtually all respondents expressed confidence in the Director and said they believe that he is turning the program around and has it headed in the right direction.

Administrative Services

The most consistently negative comments were directed towards the Administrative Services Division and the Deputy Director for Administrative Services. Some responses questioned the abilities of the Deputy Director for Administrative Services and stated that the Deputy should be replaced by someone with more financial management ability. Other Administrative Services comments included suggestions for more training for front desk personnel, more computer training, formal policies and procedures, better communication between finance section and the rest of the agency. Other comments expressed concern over morale due to poor working relationships within the finance area.

Salaries

Concerns were expressed over low salaries and the resulting recruiting problems, losing good employees to other area agencies, and the adverse effects low pay has had on employee morale.

Management

Suggestions were made that management/supervisors receive management training so that they can work more harmoniously and effectively with staff members.

APPENDIX B

Communication

Staff pointed to the need for better communication at the Center and between the Center and other agencies. One line of communication which was specifically pointed out as being in need of improvement was communication between management and staff.

Clinical Areas

The need for more clinical staff and concerns that case loads were too large was repeatedly mentioned. Other concerns were:

- Programs cannot be expanded because of staff shortage.
- Waiting period between appointments is too long.
- There are not enough placement slots at the group homes.
- Better, clearer policies and procedures are needed.
- Need to computerize records.
- Filling out Service Activity Log's takes too much time.
- Clinical staff records need to be computerized.

APPENDIX C

SUMMARY OF COMMENTS BY OTHERS

Summary of Comments Made by Parties Formerly Associated with the Center

Prior to and during our audit we were contacted by former employees of the Center who expressed a variety of concerns regarding the Center. These former employees raised concerns over management practices and alleged that certain programs were not providing adequate services to clients. We reviewed some of these areas during our audit and have included them in this report. We found that some of the issues had been addressed and improved upon while other issues still exist. We have discussed these concerns with the Director and asked that he follow up on these issues.

Summary of Comments Made by Representatives of Advocacy Groups and User Agencies

As part of our audit work, we interviewed representatives from advocacy groups and agencies who have a working relationship with the Center. Their comments and suggestions are summarized below.

One respondent who primarily works with Brunswick center stated that the center needs more case managers and therapists. The same respondent also observed that the center has a poor image in the community and that some staff members come across as having a negative attitude. The interviewee has seen some improvement since the implementation of the Carolina Alternatives program. Another interviewee stated that his/her group would like to work with Brunswick center but encountered what he/she called "attitude problems," specifically, a lack of a spirit of cooperation for the good of the client population.

Another advocacy leader spoke favorably of certain aspects of the Adult Services program. However, this interviewee said that the Center seemed like a fortress and it was very difficult to crack through the wall. The interviewee added that this was a problem because callers were often in a crisis situation. The advocate said that a caller should be able to meet quickly with a case manager who would stay with the case through the system.

An interviewee who works closely with the child and youth program said that continuity of care had improved because a child now has one therapist. This interviewee would like to see further reduction in the amount of time between discharge of a child from the hospital and when first seen by a Center therapist. The interviewee stated that working relationships are better since the Center went on a case management system.

APPENDIX C

The observation was made that the image of the Center is "very poor" but that the poor image is now undeserved and it would be great if the community could be made aware of all the good things that are now happening at the Center. The same interviewee suggested that the ADAP program needs to get the clients out of that building (center) and into the community with real work to do. Finally, the interviewee suggested that more case managers be hired and better trained.

A manager at another facility was concerned that she was often treated rudely by Center staff and expressed more concern over how rudely clients were treated. However, the interviewee thinks that the image of the Center is now "very positive" and that positive things have been done. This interviewee was aware of the Center's billings and collections problems and said that the Center had an obligation to the community and the State to collect fees for services rendered.

Interviewee said there were a lot of complaints regarding how people were treated at the front desk. An example was, the front desk "talks down to clients who already have low esteem making them feel worse."

Regarding Child and Youth Services, a representative from another agency stated that given a range from one to ten (with ten being the highest), the Center would get a one. This interviewee stated that children had been on waiting lists for three or four months and decisions were made without considering the best interests of the child and their family. The interviewee further stated regarding Center staff that "People are rude, records are lost, clients feel intimidated and insulted."

On the Developmental Disabilities program, we were told by one parent that she had pulled her child out of the program because she was not impressed with the services her child was receiving. The interviewee said that "They have such a long waiting list it just isn't practical."

Several section heads at one user agency cited improvements which have been made at the Center, calling conditions "much improved" and noting that the staff has been responsive. The interviewees cited good relationships with Adult Services and Developmental Disabilities. Problems which should be addressed according to these interviewees ranged from renovating the reception area in an effort to eliminate the "barricade" effect, to making changes in the Board membership.

APPENDIX D

Southeastern Center

For

Mental Health, Developmental Disabilities & Substance Abuse Service

BRUNSWICK CENTER
Govenmental Complex
P.O. Box 246
Bolivia, NC 28422
(910) 253-4485
FAX (910)253-7871

NEW HANOVER CENTER
2023 South 17th Street
Wilmington, NC 28401
(910) 251-6440
FAX (910) 251-6557

PENDER CENTER
803 South Walker Street
P.O. Box 962
Burgaw, NC 28425
(910) 259-5476
FAX (910)259-3544

Arthur F. Costantini, Ph.D.
Area Director

Dr. Gregory B. Camp
Medical Director

March 6, 1996

Mr. Ralph Campbell, Jr.
State Auditor
300 North Salisbury Street
Raleigh, North Carolina 27603-5903

Dear Mr. Campbell:

This letter is intended to provide a written response to the draft audit report entitled "Performance Audit of Southeastern Center for Mental Health, Developmental Disabilities & Substance Abuse Services." The draft was received at Southeastern Center on Friday, February 9, 1996.

Our responses follow the same format used in your Report, i.e., the general headings of Operational Issues, Governance Issues, Clinical Service Issues, and Other Issues, and then we have responded to each of the specific issues under the general headings.

The Report identifies many areas of concern, some of which we have already corrected, some of which we are working on, and some of which need our immediate attention. Most of the audit team findings accurately identify areas that have been concerns of the Area Board and the Administration over the past year. We are addressing these, and while we have not corrected all of the difficulties, we are making progress.

Thank you for the time and effort that your office and staff put into this audit and thank you for acknowledging the areas in which we have made significant progress over the past year. Your Report will be a valuable tool as we continue to address our needs and continue to develop Southeastern Center and services to our clients.

Sincerely,

Arthur F. Costantini, Ph.D
Area Director

An Opportunity Employer and Service Provider

DISTRIBUTION OF AUDIT REPORT

In accordance with G.S. § 147-64.5 and G.S. § 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other state officials, the press, and the general public upon request.

EXECUTIVE BRANCH

The Honorable James B. Hunt, Jr.	Governor of North Carolina
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March 14, 1996

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