

# Audit Highlights



Highlights of performance audit report on the Adult Mental Health Services, Community-Based Living Arrangement Homes, Residential Services Payments issued on October 29, 2018. Legislative Auditor report # LA18-24.

## Background

Within the Division of Public and Behavioral Health (Division), the Clinical Services Branch provides adult mental health services, primarily through Northern Nevada Adult Mental Health Services (NNAMHS), Southern Nevada Adult Mental Health Services (SNAMHS), and Rural Counseling and Supportive Services. The primary clients of these agencies are Nevadans with mental illness who are underinsured, uninsured, and those whose conditions have resulted in interaction with law enforcement.

Individuals with mental illness that meet eligibility requirements are screened and assessed for case management needs, which may include residential placement in various home settings throughout the community. CBLA providers are paid rent, utilities, and staff service hours up to a predetermined number of hours per month, per client, for supervision and assistance with activities of daily living. Payments to CBLA providers come from the State General Fund and individuals' Social Security Disability and Supplemental Security Income.

## Purpose of Audit

The purpose of the audit was to determine if the Division had adequate controls over payments to providers of community-based living arrangements for adult mental health services, including controls to monitor provider financial sustainability during fiscal year 2017.

## Audit Recommendations

This audit report contains 12 recommendations to improve the Division's oversight of CBLA home providers. Eight recommendations improve controls to help ensure the Division's payments to providers are appropriate. Four recommendations help ensure the Division effectively monitors providers for financial sustainability and compliance with labor laws.

The Division accepted the 12 recommendations.

## Recommendation Status

The Division's 60-day plan for corrective action is due on January 29, 2019. In addition, the six-month report on the status of audit recommendations is due on July 29, 2019.

# Adult Mental Health Services Community-Based Living Arrangement Homes Residential Services Payments

## Division of Public and Behavioral Health

### Summary

The Division's oversight of community-based living arrangement (CBLA) provider payments is not adequate to protect against providers overbilling the State, or to help ensure the validity of payments. We estimate the Division was overbilled about \$1.5 million in fiscal year 2017. These overbillings resulted from providers billing for more hours than were recorded on staff service logs and payroll documents, and billings for duplicate services. Adequate controls over provider payments are important to help ensure the Division and clients receive the services they pay for and to help ensure the Division's financial resources are used effectively.

In addition, the Division lacked proper oversight of NNAMHS' and SNAMHS' operations to help ensure consistent billing rates for provider services. As a result, the Division paid different rates for similar provider staff service hours, and paid more for client housing costs than it should have. We estimate the State could have realized savings of over \$600,000 in fiscal year 2017 with better oversight of CBLA provider pay rates and housing costs.

Some of the overbilling problems described in this report may be the result of provider fraud, while others may be unintentional errors. Therefore, as required by Nevada Revised Statutes (NRS) 218G.140(2), we reported this information to the Governor, each Legislator, and the Attorney General.

The Division needs to provide better management of residential services to help ensure CBLA home providers' sustainability and equality. Our analysis found some homes may find it difficult to make a profit while others may potentially generate annual profits of more than \$100,000 per home. The primary factors affecting the financial sustainability of homes' operations include the number of clients placed within each home, the clients' billable service hours, housing costs, and payroll practices.

### Key Findings

We estimate providers overbilled the Division about \$1.5 million in fiscal year 2017 for staff service hours. Our estimate is based on a statistical sample of 45 monthly billings for provider homes. Because monthly billings include client service hours recorded on staff logs, we reviewed and analyzed tens of thousands of daily entries recorded on 167 staff service logs. Our detailed review of over \$475,000 in payments related to the 45 monthly billings identified overbillings totaling more than \$52,000 for 35 (78%) of the provider billings tested. Using statistical principles, these overbillings were then extrapolated to a yearly amount to make our estimate. (page 9)

The Division lacked proper oversight of NNAMHS' and SNAMHS' operations to ensure the State did not overpay for CBLA home staff service hours and client housing costs. As a result, the Division paid different rates for similar service hours in northern Nevada compared to southern Nevada. In addition, the Division paid more for client housing costs than it should have, mainly in southern Nevada. We estimate the State could have saved over \$600,000 in fiscal year 2017 if there was better oversight of provider pay rates and client housing costs. (page 14)

CBLA providers' supporting documentation used to bill the Division for staff service hours was often inadequate and lacked important information. In addition, this documentation included skills training hours recorded by provider staff that spoke a different language than the client. Because providers are paid for service hours that include teaching or helping a client relearn specific skills, it is important that supporting documentation accurately identifies the hours of service provided. Furthermore, it is imperative that providers' staff have the ability to effectively communicate with a client; thereby, achieving the desired outcome of the services provided. (page 18)

Financial sustainability of CBLA homes' operations varied significantly. The most significant factors affecting providers' cash flows, for the 45 monthly home payments tested, were the number of clients they housed and their monthly billable service hours. The more profitable CBLA providers housed the clients with the greater number of service hours. Conversely, providers housing clients that had fewer service hours, or fewer clients per home, had less favorable cash flows, with some barely breaking even or showing losses. (page 23 and 36)

CBLA home providers used a wide range of payroll practices, some of which may have violated state and federal labor laws and created an unfair advantage over other providers. Although most of the CBLA providers in northern Nevada had adequate documentation that payroll requirements were followed, most of the southern Nevada providers had questionable payroll practices. First, many providers were unable to provide basic employment records of timesheets to support hours worked. Second, nine employees received an hourly rate below the state minimum wage of \$8.25 per hour. Third, some providers treated their employees as independent contractors, thus avoiding employment taxes. (page 26)