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JANET NAPOLITANO, GOVERNOR  
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September 22, 2006

Debra K. Davenport  
Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, Arizona 85008

Dear Ms. Davenport:

The Arizona Department of Health Services (ADHS) has reviewed the draft of the Behavioral Health Services for Adults with Serious Mental Illness in Maricopa County performance audit report. ADHS appreciates the audit team's thoughtful and thorough evaluation.

ADHS agrees with the audit findings and, in fact, has already begun to make considerable progress on many of the areas described.

The Division of Behavioral Health Services (the Division), within ADHS, will be or has begun implementing the recommendations presented in the report as follows:

***Finding 1, SMI monies fund a diverse range of services in Maricopa County***

The audit report outlined no recommendations.

***Finding 2, Division should strengthen focus on outcomes***

Recommendations:

1. The Division should continue its implementation of the Boston University training program by monitoring the RBHA's compliance with the recovery model and ensuring that the Maricopa County RBHA:
  - a. Continues to train clinical leadership and staff; and
  - b. Maintains the training principles in service planning and clinical practices.

*Agency Response:*

The finding of the Auditor General is agreed to, and the audit recommendation will be implemented in ongoing efforts to ensure that clients not only receive appropriate treatment, but also make progress towards recovery.

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

*Agency Response:*

The finding of the Auditor General is agreed to and the audit recommendation will be implemented in ongoing efforts to effectively utilize outcome measurements in the treatment of individuals with serious mental illness.

3. The Division should consider renegotiating measures of improvement in the court orders arising from the Arnold vs. Sarn lawsuit by:
  - a. Determining which court mandates focus on process rather than outcomes and inhibit full implementation of an outcome-oriented model; and
  - b. Discussing this with the plaintiffs and working to modify the provisions.

*Agency Response:*

The finding of the Auditor General is agreed to and the audit recommendation will be implemented in ongoing efforts to negotiate terms and court orders that are outcome-oriented and designed to measure meaningful progress.

***Finding 3, Division can improve financial oversight and limit use of monies***

Recommendations:

1. To better ensure monies are spent appropriately, the Division should consider expanding the current compliance audit requirement to include all program monies. If the Division determines a compliance audit is needed, it should:
  - a. Determine which requirements and standards are most important to it and should be included as part of a contractually required audit;
  - b. Develop contract provisions that would require auditing nonfederal program monies against those requirements; and
  - c. Review the results of these audit reports and take action when appropriate.

*Agency Response:*

The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The Division presently exceeds current audit requirements in ongoing efforts to ensure monies are being used properly. The Division requires an A-133 audit of ValueOptions, even though such audits are not required of for-profit organizations. This audit is performed in compliance with OMB Circular A-133, and establishes audit requirements for nonprofit organizations receiving Federal awards. The Division will expand its auditing requirements by requiring stringent audits similar to A-133 for all funding sources.

2. The Division should consider a contract provision that would limit the Maricopa County RBHA's ability to use SMI monies for other programs. As the Division considers this option, it should consider the impact this contract limit would have on the RBHA's ability to manage other programs.

*Agency Response:*

The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The Division will establish criteria requiring agency approval for use of SMI monies for other programs.

3. The Legislature may wish to consider statutorily limiting monies appropriated for adults with SMI to be used only for this population. As the Legislature considers this option, it should consider the impact on other behavioral health programs.

*Agency Response:*

This recommendation is not directed at ADHS.

***Finding 4, Better oversight needed of service level provided***

Recommendations:

1. The Division should continue its efforts to better ensure that sufficient services are delivered by modifying its Financial Reporting Guide to identify a fee schedule to be used in valuing encounters to determine whether the minimum requirement has been met. For example, it could use the AHCCCS-approved fee schedule or an adjusted value based on the AHCCCS-approved schedule, or require ValueOptions to develop a fiscally sound method to develop a schedule of encounter values and submit the schedule for Division approval.

*Agency Response:*

The finding of the Auditor General is agreed to and the audit recommendation will be implemented. As noted in the report, the Division is already working to improve the effectiveness of monitoring encounter data by issuing a change in the Financial Reporting Guide

for the Regional Behavioral Health Authorities to value encounters beginning July 1, 2006. Additionally, the Division is developing guidelines for the encounter oversight process by establishing controls for reasonableness in the encounter system and will adjust policies, procedures and contracts as needed.

2. The Division should:

- a. Determine an appropriate level for the minimum encounter submission requirement; and
- b. Modify its Financial Reporting Guide accordingly.

*Agency Response:*

The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The Division continues to work towards improving the effectiveness of monitoring encounter data.

Again, thank you for the comprehensive review. I especially appreciate that the team recognized the commitment that ADHS has already shown in addressing many of these findings. I can assure you that continued implementation of these recommendations is a high priority for my staff and myself.

Sincerely,

Susan Gerard  
Director