

State of Nevada  
Department of Administration  
Division of Internal Audits

**Audit Report**

**Department of Health and Human Services  
Division of Mental Health and  
Developmental Services  
Residential Supports**

Report No. 10-05  
June 2010

**EXECUTIVE SUMMARY**  
**Division of Mental Health and Developmental Services**

Introduction.....page 1

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**Objective: Can the Division Improve Its Residential Support Program?**

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**Ensure Appropriate Supports by Enhancing Policies .....page 6**

Enhancing policies for providers' services and billings, and Division staff billing reviews, should ensure the State pays only for appropriate residential supports. The Division's policies contain limited detailed guidance for providers, staff, and supervisors. Because policies are limited, a sample of the Division's clients using residential supports disclosed the State paid questionable provider billings. These included payments for excessive service hours; unspecified services or insufficient documentation to determine if services met a client need; and cases where missing or hospitalized clients could not have received provider billed services.

**Eliminate Separate Payments to Providers for Staff Commutes.....page 9**

The Division should not pay for provider commute time to and from a client's location. One Division office pays for provider staff commute time to and from a client's location. Review of a provider rates task force report indicates commute time is already included in hourly reimbursement rates the state pays providers. Paying separately for provider commute time is effectively paying twice for the same work at an additional cost of \$548,000 a year.

**Discontinue Seasonal Benefits for Clients .....page 10**

The Division should discontinue a holiday voucher program. One office provides clients with holiday food vouchers typically worth \$75 each. The program is not documented in a policy and is in addition to other benefits clients receive. Division management stated the program is excessive and should be discontinued. The office represents it spent \$83,000 in fiscal year 2010 on this program.

**Cease Paying Administrative Fees .....page 10**

The Division should discontinue paying provider administrative fees. One office pays administrative fees to a provider to help clients in an isolated rural area. These fees are additional payments to the provider for supplying supports for distant clients and are not an acceptable practice according to Division management. We estimate the State is paying about \$19,000 in administrative fees annually.

**Use Client Funds to Reimburse State Costs.....page 11**

When clients receive large sums of non-state money, the Division should seek reimbursement for its costs. We noted one case where the State collected only about

half of a federal lump sum check because Division staff apparently negotiated with the client. Existing policy requires clients reimburse the state for residential supports. Failure to follow policy causes the State to miss opportunities to recover some of its costs.

**Consider Including Clients' Earnings from Agency Facilities in Contracts.....page 11**

The Division should consider modifying its written policies to account for client earnings from work in its facilities. One client we sampled worked at a facility operated by a Division office. The client kept all their earnings, received federal benefits, and the State paid the client's rent and utilities. The office's policy treats earnings from working in the facility as a training stipend and does not require the client to reimburse State costs. This policy is inconsistent with other offices which use client earnings from working outside of the Division to reduce State costs.

**Ensure State Does Not Pay Duplicate Benefits.....page 12**

The Division should establish policies to ensure clients do not receive duplicate benefits. For one client we sampled, the provider continued to bill the State for food even though the client started receiving food stamps. Office staff knew of the change but wanted to wait until they had all related documents processed. The Division should not pay for food when it knows the client is receiving food stamps.

**Establish Policies for Compensating Providers Traveling with Clients .....page 12**

The Division should evaluate and establish policies for compensating providers traveling with clients. One case we sampled the State paid a provider's travel costs when a client went on vacation. Federal rules allow providers to travel with clients for personal reasons because the provider needs to be present to supply necessary client services. While federal regulations allow states reimbursement for provider services, the Division should develop a policy regarding whether the client or the State will pay for provider travel costs.

**Document Agreements with Providers .....page 13**

The Division should document understandings it has with providers for certain services. One office used an undocumented agreement for moving clients between residences. These and other similar arrangements should be documented to ensure the State receives a fair price and resolve potential disputes.

**Contract Fiscal Intermediary Services .....page 13**

The Division should develop a contract for using a fiscal intermediary. The Division has a program, which uses a fiscal intermediary to pay providers the client's family chooses. The fiscal intermediary pays the providers and administers payroll taxes for some providers. The Division pays the fiscal intermediary an administrative fee for each client which we estimate to total about \$190,000 a year. According to Division management, there is no written contract for this service.

**Consider Cost Benefit of Electronic Documentation.....page 14**

The Division should evaluate the cost benefit of developing an electronic format for providers to submit timesheets and service logs. Providers generally submit detailed timesheets and service logs when they bill the Division. Some offices report staff spend hours transcribing these records to a format Medicaid will accept for reimbursing the State. If the providers submitted detailed service records electronically, it could reduce these staff hours. When considering the costs of electronic record submission, the Division should evaluate system development; maintenance; security; and provider ability to create and transmit these records.

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**Appendix A .....page 16**

Division of Mental Health and Developmental Services Response  
and Implementation Plan

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Timetable for Implementing Audit Recommendations

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## INTRODUCTION

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At the direction of the Executive Branch Audit Committee, we conducted an audit of the Division of Mental Health and Developmental Services (Division). Our audit addressed the following four questions:

- ✓ What is the Division's role?
- ✓ What services must the Division provide?
- ✓ Is the State the proper level of government to provide these services?
- ✓ If State government is the appropriate level of government, is the Division carrying out its duties efficiently and effectively?

Our audit focused on whether the Division can improve monitoring residential supports for mentally ill or developmentally disabled clients.

### Division's Role and Public Purpose

The Division, within the Department of Health and Human Services, operates programs throughout the State to assist adults with mental illness, children who are emotionally disturbed<sup>1</sup>, and individuals who are developmentally disabled.

- Mentally ill: an adult with mental illness<sup>2</sup> exhibits a significant disorder of thought, mood, perception orientation or behavior. The condition can limit a person's functions in daily living, relationships, living arrangements, and employment.
- Emotionally disturbed: children who have an impaired capacity to reasonably perceive their world; control impulses; develop relationships with others or learning. The Division serves children in rural areas who are severely emotionally disturbed<sup>3</sup>.
- Developmentally disabled: a person of any age with a diagnosis of mental retardation or related conditions. Developmentally disabled individuals have significant limitations in intellectual functioning and deficits in adaptive behavior manifested prior to the age of 18 years. Related conditions are severe, chronic disabilities with substantial intellectual or adaptive deficits that occur prior to the age of 22 years such as cerebral palsy and autism.

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<sup>1</sup> NRS 433B.045

<sup>2</sup> NRS 433.164

<sup>3</sup> The Division of Child and Family Services serves children defined as severely emotionally disturbed in the Las Vegas or Reno areas.

One of the ways the Division helps mentally ill and developmentally disabled clients is through using residential supports and monitoring providers.

Residential supports are used by mentally ill or developmentally disabled clients who require assistance. A client using residential supports lives in a home with other clients, by themselves, or with their families. The Division may assist the client by paying rent, food, utilities, etc. It may contract with providers to supply services such as behavior training to the clients. The goal of residential supports is to have clients live in the home of their choice as self-sufficiently as possible. Being able to live self sufficiently includes developing living skills such as behavioral and relationship abilities and basic activities such as cooking and shopping. The Division pays the providers and monitors them through review of contractor billings, telephone contacts, and in-person visits.

According to the Division most clients prefer their own home to institutional care. The Division also asserts clients living in homes of their choice are less expensive for the state than institutional care. Residential support programs receive funding from both the State and the federal government.

There are three parties involved in residential supports for the mentally ill and developmentally disabled: the client, the provider, and the Division. The Division determines the appropriate services for the client, the provider supplies services to the client, and the Division pays the providers.

Providers supply clients with residential supports. Providers can be non-profits, profits, or clients' family members. They can supply residences for clients to live in. They can also render therapies such as behavior and relationship skills and teach clients basic living skills such as money management, hygiene, cooking, etc. Providers supply services in the clients' residences, or public areas such as stores, restaurants, etc. Providers, depending on the clients' needs, can supply 24 hour supervision to ensure the clients' safety.

The Division uses its five main offices to administer residential supports to the mentally ill and developmentally disabled:

Mental Health Service Agencies:

1. Southern Nevada Adult Mental Health Services (SNAMHS) in Las Vegas
2. Northern Nevada Adult Mental Health Services (NNAMHS) in Reno

Developmentally Disabled Service Agencies:

3. Desert Regional Center (DRC) in Las Vegas
4. Sierra Regional Center (SRC) in Reno

Offering both mental health and developmentally disabled services:

5. Rural Services

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The Division is budgeted to spend about \$110 million on residential supports in fiscal year 2010.

The State is the proper level of government to contract and monitor residential supports for mental health and developmentally disabled clients. The federal government does not offer these services to clients, but instead reimburses the states for some of their costs to administer these programs. Nevada contracts with providers and monitors them because it would be impractical for the State to provide the services.

## **Scope and Objectives**

We began audit work in October 2009. In the course of our audit, we reviewed the main offices' programs, federal requirements, budgets, client records and provider billings. Additionally, we reviewed applicable state laws, and Division and individual office policies. We concluded field work and testing in March 2010.

Our audit focused on the following objective:

- ✓ Can the Division improve its residential support program?

The Division of Internal Audits expresses appreciation to the Division's management and staff for their cooperation and assistance throughout the audit.

Contributors to this report included:

Mike Colburn, CPA  
Executive Branch Auditor

Joyce Garrett, MBA  
Executive Branch Auditor

## **Division of Mental Health and Developmental Services Response and Implementation Plan**

We provided draft copies of this report to Division officials for their review and comments. The Division's comments have been considered in the preparation of this report and are included in Appendix A. In its response, the Division accepted each of the recommendations we made. Appendix B includes the Division's timetable to implement our recommendations.

NRS 353A.090 specifies within six months after the Executive Branch Audit Committee releases the final audit report, the Chief of the Division of Internal Audits shall evaluate the steps the Division has taken to implement the recommendations and shall determine whether the steps are achieving the desired results. The Chief shall report the six month follow-up results to the Committee and Division officials.

The following report contains our findings, conclusions, and recommendations.

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## **Can the Division Improve Its Residential Support Program?**

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The Division should improve its residential support programs. It can save at least \$650,000 annually, by enhancing policies for billed services and improving provider monitoring.

### **Residential Support Programs**

The client, their family, or guardian request residential supports. Office staff determine eligibility for residential supports: those who can live outside a state facility but require supports such as services or financial assistance. Once office staff determine the client is eligible for residential supports, they decide what services the client will receive based on their needs. Services available are also dependent on funding availability

After the office determines the client is eligible for residential supports, staff direct the client to a pool of providers to choose from. The client selects the provider. Then the office staff create a contract with the provider who then supplies the agreed upon supports to the client. The provider then bills the office monthly.

Office staff review provider billings, approve, and pay for supports. Providers bill using hourly rates for services and are limited to charging no more than allowed by the contracts with the offices. The contracts also permit providers to bill using allowances<sup>4</sup> set by the state. Providers may submit logs and timesheets to support services and hours provided.<sup>5</sup>

Depending on the supports and the client's eligibility, the State uses general funds or receives reimbursement from the federal government for residential supports. The state uses general funds to pay a portion of Medicaid eligible clients and cover other costs such as client rent and food. The federal government also pays a portion of Medicaid costs. Other federal funds come from clients who receive aid from the Social Security Administration, food stamps, and Temporary Aid to Needy Families.

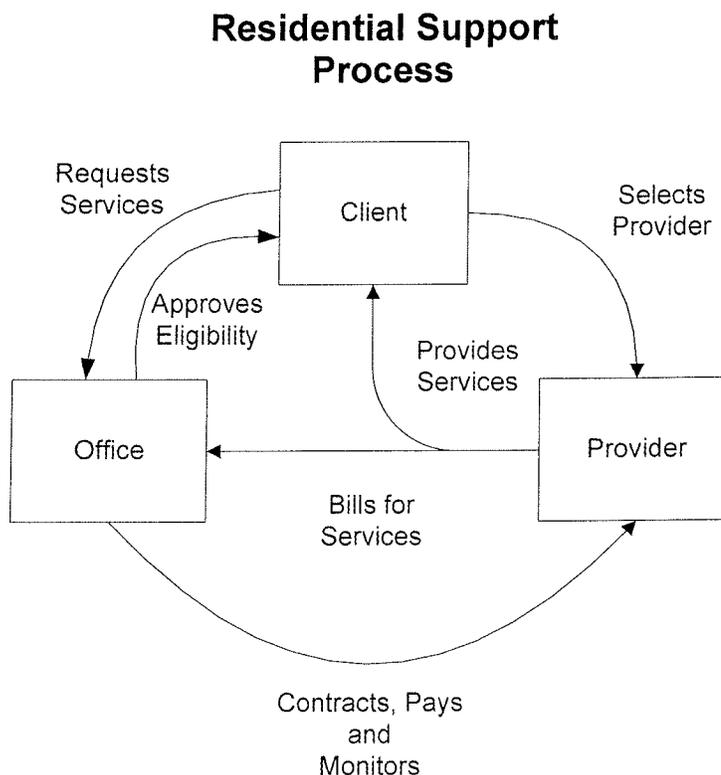
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<sup>4</sup> The offices establish maximum allowances they will reimburse providers for clients' living expenses. Allowances include food, rent, utilities, and local phone service and are in addition to the services supplied to the clients. Both the services and the allowances are included in the contracts between the offices and providers.

<sup>5</sup> Service logs are reports prepared by providers at the time services are provided. They can detail what was done with the client; what was accomplished; and what needs further work. Detailed service logs support services rendered were appropriate and of reasonable duration. Providers can also submit timesheets to evidence hours worked by provider's staff for which dates.

See the following exhibit for an overview of the residential support process:

## Exhibit I



### **Ensure Appropriate Supports by Enhancing Policies**

Enhancing policies for providers' services and billings, and the offices' billing reviews, should ensure the State pays only for appropriate residential supports.

Supplying residential supports involves providers, office service coordinators, their supervisors, fiscal staff and their supervisors during the payment process to ensure the State makes appropriate payments for supports as follows:

- Providers can only provide supports approved in contracts with the offices, bill for supports monthly, and are required to accurately complete service logs for each service rendered on behalf of a client.
- Office service coordinators are the primary contact for clients and providers. Service coordinators are responsible for ensuring clients receive provider services, in part, through reviewing provider billings and preparing case notes on client activities. They review billings to ensure the

frequency and duration follow contract requirements and ensure providers complete daily records.

- Supervisors ensure service coordinators comply with agency policies and monitor service coordinators' case notes. However, supervisors are not required to review provider billings.
- After the service coordinator review, bills are forwarded to fiscal staff to review. Fiscal staff review the bills to ensure they do not exceed contracted hours and accurately account for provider hours. They also ensure receipts are attached when they are required.
- Fiscal staff supervisors approve the bills for payment. They are not required to review the bills in detail.

The offices' policies contain limited detail on expectations for providers, staff, and supervisors. The policies should address what are appropriate basic or necessary living skills, contain more direction on what constitutes acceptable documentation, and detail responsibilities for reviewing billings.

We randomly sampled about one percent of the Division's roughly 5,000 clients using residential supports. Our sample revealed the State paid expenses that may not cover basic client needs or skills or had insufficient documentation to determine their appropriateness.

**Policies for suitable supports:** Because policies addressing appropriateness of supports for clients are limited, providers have billed for questionable services. Examples include:

- Poor money management: The State paid supplemental rent when the client had previously spent their own funds on tattoos, a laptop, several \$150 expenditures for "biofeedback", and \$175 on Christmas cards. The provider was to help the client with money management.
- Questionable service times:
  - Provider reports for one case are repetitive from month to month with editing dates only. The provider's service logs show some questionable lengths of service time such as charging two and one-half hours to meet client at a restaurant and count change; five hours for two meals and going to a retail store while the client "and her friends looked around."
  - Provider billed for taking a client on 8 hour bike rides and massage.
- Unspecified services: Payments varying from \$80 to \$105 for music therapy with no other support from vendor. The service coordinator noted each month they had "evaluated services for the month and approved the billing."
- Unnecessary expenses: Provider billed \$100 for a cable company deposit.

**Improve documentation:** We identified the cases below that did not have sufficient documentation to determine reasonableness and timeliness of services:

- More explanation of services required:

- \$181 for a therapy bill which contained no information on services provided and listed no results.
- \$450 bills each month for 3 months based on a simple vendor invoice without details. No mention was made of whether the services met a client need.
- Over \$1,000 a month on services with the billing only stating: "In home discrete trial".
- \$30 to \$150 a day for respite services without any stated reason why or hours noted on the bill<sup>6</sup>.
- Documents not submitted:
  - One office requires more detail from some lower intensity cases than from higher. The intensity of these cases is dictated by how many hours of service the client requires. Low intensity cases require fewer provider hours than high intensity cases.
  - Another office's policy requires providers submit detailed service logs, but is not enforcing it. Billings are only supported by a summary prepared by provider.
- Insufficient documentation to determine if the client received appropriate services for basic needs or skills:
  - \$369 for theater/acting lessons. No mention of whether the services met a client need.
  - For one client, eight hours billed on two occasions for "intervention techniques; communication; respite." For another client, four hours of electronic game playing into three different services. Lumping services makes it difficult to determine what services were provided, in what amount, and whether they were reasonable.
  - Two cases indicate provider staff worked an unreasonable reasonable number of days. Providers reported one staff person worked every day of a month, and in one case, for more than 12 hours a day. We were unable to determine from the documents whether provider staff in fact worked these hours. **Note:** this is a concern because during our conversations with office staff, they mentioned cases where clients report overnight staff are not present and the State felt there was enough cause to investigate

**Inappropriate payments for supports:** Based on our review, the following payments were inappropriate. These payments might have been detected if more effective staff and supervisory billing reviews were performed:

- Improperly billed supports:
  - Client missing for over a week, yet the provider billed for services.
  - Provider billed for services even though client was hospitalized.
  - Provider billed room and board when client was missing or hospitalized for over a month at time. This occurred twice for this client.

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<sup>6</sup> Respite is intended to provide periodic relief to families. For example, a family member or a provider will watch a client while the primary caregiver is gone.

- Erroneous statements: The service coordinator mischaracterized a requested additional payment as a need to pay the client's rent. The service coordinator's notes indicate client wanted more spending money and also mentioned the client wanted additional funds due to a dispute with a previous provider. The State might have paid unnecessarily.
- Staff missed billing problems:
  - Accounting staff missed service coordinator's notice not to pay a provider when there were reports the provider's staff were not present in a home. For the same client, we also noted accounting staff paid for hours that were not rendered and more for utilities than was due.
  - Client allegedly received two services at the same time. This occurred with some frequency for this client.

These claims were approved by service coordinators and paid by fiscal staff. There is no evidence they were questioned by either service coordinator or fiscal supervisors.

To prevent questionable billings, the Division should issue improved guidance to providers as to what are acceptable and not acceptable practices. The Division should also issue enhanced policies to its service coordinators, their supervisors, and fiscal supervisory staff to detect questionable billings and to ensure the State only pays for appropriate supports.

## **Recommendation**

1. Enhance, implement, and ensure compliance with written policies addressing the above problems for:
  - a. Providers
  - b. Service coordinators
  - c. Service coordinator supervisors
  - d. Fiscal staff
  - e. Fiscal staff supervisors

### **Eliminate Separate Payments to Providers for Staff Commutes**

The Division should not pay for provider commute time to and from a client's location. One developmental services office pays for provider staff commute time to and from a client location. The other offices do not pay commute hours. In addition, review of a 2002 provider rates task force report indicates commute time is already included in hourly reimbursement rates the state pays providers. Paying separately for provider commute time is effectively paying twice for the same work. Paying providers for staff commute time costs the State an additional

\$548,000 a year. This could have amounted to as much as \$3 million since hourly rates began including commute times in 2003.

## **Recommendation**

2. Discontinue paying for provider staff commutes.

## **Discontinue Seasonal Benefits for Clients**

The Division should discontinue a holiday voucher program. One developmental services office provides clients with holiday food vouchers. Clients typically receive \$75 in a food voucher redeemable at grocery stores around the holiday season. Office staff said clients who have income of 300 percent or less of poverty level are eligible. The program is not documented in a policy and is in addition to other benefits clients receive. Other offices do not issue holiday vouchers. Division management stated the program is excessive and should be discontinued. The office represents it spent \$83,000 in fiscal year 2010 on this program. The holiday voucher program has been in effect for a number of years per agency staff.

## **Recommendation**

3. Discontinue holiday food voucher program.

## **Cease Paying Administrative Fees**

The Division should discontinue paying provider administrative fees. The State is paying administrative fees to one provider to help clients in an isolated rural area. These fees are an additional payment to compensate the provider for supplying supports for these distant clients. Division management indicated paying administrative fees is not an accepted practice. We estimate the State is paying about \$19,000 in administrative fees annually.

## **Recommendation**

4. Discontinue paying administrative fees.

## **Use Client Funds to Reimburse State Costs**

Clients can receive large sums from sources such as inheritances and the federal government. Federal government payments can come in the form of back payments while the client waits for it to determine whether they qualify for benefits. While the client waits for the determination, the client receives state funded supports.

When clients receive large sums of non-state money, the Division should seek reimbursement for its costs. We noted one case at a mental health services office where the State collected only \$1,000 out of a \$2,022 federal lump sum check. Existing policy requires clients to reimburse the state for residential supports. However, in this case the service coordinator's notes indicate the lesser amount was negotiated with the client. Discussions with office staff indicated this was not an isolated incident. Failure to follow policy causes the State to miss opportunities to recover some of its costs.

### **Recommendation**

5. Enforce policies for obtaining funds to reimburse the State.

## **Consider Including Clients' Earnings from Agency Facilities in Contracts**

The Division uses contracts to budget the client's revenues and expenditures. The Division, the client, and providers are parties to the contract. The contract shows how much money the client receives from different sources such as wages and the federal government. Federal government payments include Social Security and food stamps. The contract allocates these revenues for the client's support for rent, food, utilities, and other needs of the client. If expenses exceed revenues, the contract establishes how much the State contributes to the client's support.

The Division should consider modifying its written policies to include client earnings from work in office facilities in contracts. One client we sampled worked at a facility operated by a mental health office. The office paid the client about \$8,000 for working in 2009. The client kept all their earnings, received federal benefits, and the State paid the client's rent and utilities. The office's policy treats earnings from working in the facility as a training stipend and not to be used to reimburse State costs. Office management is concerned clients could lose some of their federal benefits if the work is included as earnings. However, this policy is inconsistent with other offices which use client earnings from working outside of the agency to reduce State costs.

## **Recommendation**

6. Evaluate including earnings for clients working in office facilities to reduce State costs.

### **Ensure State Does Not Pay Duplicate Benefits**

The Division should establish written policies to ensure clients do not receive unnecessary benefits. For one client we sampled, the provider continued to bill the State for food even though the client started receiving food stamps. Office mental health staff knew of the change but told us they will pay provider billings using existing contracts until the contract is updated and it receives federal documents. The office should not pay for food when they know the client is receiving food stamps.

## **Recommendation**

7. Establish written policies to ensure clients do not receive duplicate benefits.

### **Establish Policies for Compensating Providers Traveling with Clients**

The Division should evaluate and establish policies for compensating providers traveling with clients. In one case we sampled, the State paid a provider to travel with a client who wanted to vacation outside of Nevada<sup>7</sup>. Provider costs included airfare, amusement park admission, hotel, food, souvenirs, and airport parking. Federal law and regulations allow providers to travel with clients for personal reasons and be compensated. The provider needs to be present to supply necessary services for the client. While federal regulations allow states to be reimbursed for provider services, Nevada should develop a policy regarding whether the client or the State will pay for travel costs. In this case, the client chose to travel and the State paid provider travel and other expenses even though the client evidently still had remaining funds.

## **Recommendation**

8. Evaluate and establish written policies for providers traveling with clients.

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<sup>7</sup> The client paid their own cost using a large payment from the federal government.

## **Document Agreements with Providers**

The Division should document agreements it has with providers for certain services. In one case we sampled, a mental health office used an undocumented agreement for moving clients between residences. Office staff indicated there were other undocumented agreements for client services. These arrangements should be documented to ensure the State receives a fair price and resolve potential disputes.

### **Recommendation**

9. Document agreements for services related to residential supports.

### **Contract Fiscal Intermediary Services**

A subsection of residential supports is called the self-directed program. This program is limited to developmentally disabled minors living at home. The program's goal is to maximize the client's independence using parental or guardian choice of providers. The self-directed program is mostly state funded.

The self directed program uses a fiscal intermediary to pay providers the family chooses. The family can choose one or more providers and services. Some services may require payroll taxes to be withheld, such as when a parent pays someone to watch the client while away. Providers send bills to the parents or guardians, who send the office service coordinators bills. Service coordinators review and approve the bills and send them to a fiscal intermediary to pay them. The Division pays the fiscal intermediary an advance deposit and a \$38 monthly administrative fee for each client in the self directed program.

The Division should develop a contract for using a fiscal intermediary. The fiscal intermediary fee is an administrative charge for pay provider bills on behalf of the State and to administer such programs as payroll taxes. According to Division management, there is no written contract for this service. We estimate Nevada is paying about \$190,000 a year to the fiscal intermediary.

## **Recommendation**

10. Use a written contract for fiscal intermediary services.

### **Consider Cost Benefit of Electronic Documentation**

The Division should evaluate the cost benefit of developing an electronic format for providers to submit timesheets and service logs. Providers generally submit timesheets and service logs when they bill the Division. These timesheets and service logs can contain detailed information regarding the services provided. Some offices report staff spend hours transcribing service records from provider submitted records to a format Medicaid will accept for billing purposes. If the providers submitted these records in an electronic format, it could reduce these staff hours. Electronic records would have the added benefit of being easily retrieved, reviewed, and stored. When considering the costs of electronic record submission, the Division should evaluate system:

- Development and maintenance;
- Security because client information is confidential under federal law;
- Costs for some providers who, due to their size, may need to purchase computers and other hardware to transmit data.

## **Recommendation**

11. Evaluate cost benefit of developing an electronic format for providers to submit timesheets and services rendered.

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## Estimated Benefits

We estimate the benefit of our recommendations to the State could be at least \$653,000 annually. These dollars can be applied to other clients for treatment or reverted to the General Fund. See Exhibit II.

## Exhibit II

### Estimated Benefit

<b>Recommendations</b>	<b>Amount</b>
Discontinue paying provider commutes	\$ 548,000
Discontinue holiday food vouchers	83,000
Discontinue administrative fees	19,000
<b>Total Estimated Benefit</b>	<b>\$ 650,000</b>

This amount does not include the effect of implementing other recommendations.

## Appendix A

# Department of Mental Health and Developmental Services Response and Implementation Plan

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STATE OF NEVADA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES  
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### MEMORANDUM

June 15, 2010

Mr. William Chisel, Chief  
Division of Internal Audits  
3427 Old Hot Springs Road, Suite 103  
Carson City, NV 89706

RE: Response to Agency Audit October, 2009

Dear Mr. Chisel:

Response and implementation plan for the Internal Audit

Suggested language change to audit: Page 1 last paragraph:

Developmentally disabled: a person of any age with a diagnosis of mental retardation or related conditions. Developmentally disabled individuals have significant limitations in intellectual functioning and deficits in adaptive behavior manifested prior to the age of 18 years. Related conditions are severe, chronic disabilities with substantial intellectual or adaptive deficits that occur prior to the age of 22 years such as cerebral palsy and autism.

MHDS accepts all 11 recommendations. The division believes it is important to note that the estimated \$650,000 annual savings derived from these recommendations comprises a bit more than one half of one percent of the entire residential budget (\$110,000,000). The additional safeguards provided by new policies and procedures will require additional staff time in developing and implementing these policies and reviewing and auditing records. Existing staff will carry out these additional functions.

#### Recommendations

1. **Ensure Appropriate Supports by Enhancing Policies:** Division accepts this recommendation.

- Developmental Services has written and implemented a new billing policy completed 5/31/2010. The policy enhances criteria and best practice guidelines to ensure individuals are receiving, and providers billing, the appropriate level of services/supports specific to their individual needs. **COMPLETE**
    - Developmental Services has developed specific criteria defining documentation required for reimbursement by both developmental services and the Home and Community based Waiver. Training has occurred statewide for provider partners and regional center staff. Implementation complete 7/1/2010
    - Develop quality assurance process for developmental service agencies oversight, monitoring and review of provider billing. Developmental Services – **COMPLETE**  
**MHDS will develop Division policies which will emulate the Developmental Services Policies and broaden the scope to all Division agencies.**  
 MHDS – Implementation time – 6 months
- 2. **Eliminate Separate Payments to Providers for Staff Commutes:** Division accepts this recommendation.
  - Notify all regional center staff and service providers that payment for staff commutes are discontinued.  
 Implementation time – 1 month
- 3. **Discontinue Seasonal Benefits for Clients:** Division accepts this recommendation.
  - All staff have been notified that holiday food vouchers will no longer be issued and a community resource list has been updated to assist individuals in need obtain food. **COMPLETE**
- 4. **Cease Paying Administrative Fees:** Division accepts this recommendation.
  - All payments of administrative fees on service contracts have been eliminated. **COMPLETE**
- 5. **Use Client Funds to Reimburse State Costs:** Division accepts this recommendation.
  - A statewide policy will clarify the reimbursement process MHDS will follow to recover funds once a client obtaining state funded services receives a large sum of non-state money.  
 Implementation plan – 6 months
- 6. **Consider including clients' earnings from Agency Facilities in Contract:** Division accepts this recommendation.
  - Modify current policy to clarify areas that are to be included in recipients' resources in the process of determining financial responsibility. Notify recipients of any changes and train staff in process.  
 Mental Health Implementation plan – 6 months

7. **Ensure State Does Not Pay Duplicate Benefits:** Division accepts this recommendation.
- Statewide policy will clarify specific low income resources that must be accessed prior to authorizing state funding.  
Implementation plan – 6 months
8. **Establish Policies for Compensating Providers Traveling with Clients:** Division accepts this recommendation.
- Statewide policy will clarify specific criteria and processes consistent with federal regulations to ensure appropriate financial allocations are made for reimbursement when accompanying a recipient.  
Implementation plan – 6 months
9. **Document agreements for services related to Residential supports:** Division accepts this recommendation.
- Statewide policy will clarify the process for entering into a written agreement with a vendor for all services. The process will be transparent and based on fair business practice.  
Implementation plan – 6 months
10. **Contract Fiscal Intermediary Services:** Division accepts this recommendation.
- Developmental Services will create and submit a Request for Proposal for a fiscal intermediary to process payments for self directed services.  
Implementation plan – 6 months
11. **Consider Cost Benefit of Electronic Documentation:** Division accepts this recommendation.
- Division of Mental Health and Developmental Services will evaluate the cost benefit of an electronic format for providers to submit service information.  
Implementation plan – 1 year

Sincerely,



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Administrator

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## Appendix B

### Timetable for Implementing Audit Recommendations

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In consultation with the Division, the Division of Internal Audits categorized the recommendations contained within this report into two separate implementation time frames (i.e., *Category 1* – less than six months; *Category 2* – more than six months). The Division should begin taking steps to implement the recommendations as soon as possible. The Division's target completion dates are incorporated from Appendix A.

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#### **Category 1: Recommendations with an anticipated implementation period of less than six months.**

<u>Recommendations</u>	<u>Time Frame</u>
2. Discontinue paying for provider staff commutes. (page 10)	Jul 2010
3. Discontinue holiday food voucher program. (page 10)	Completed <sup>a</sup>
4. Discontinue paying administrative fees. (page 10)	Completed <sup>a</sup>

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<sup>a</sup> Internal Audits will verify the implementation status of these recommendations during its follow-up process.

**Category 2: Recommendations with an anticipated implementation period exceeding six months.**

<u>Recommendations</u>	<u>Time Frame</u>
1. Enhance, implement, and ensure compliance with written policies addressing the above problems for: <ul style="list-style-type: none"> <li>a. Providers</li> <li>b. Service coordinators</li> <li>c. Service coordinator supervisors</li> <li>d. Fiscal staff</li> <li>e. Fiscal staff supervisors (page 9)</li> </ul>	Dec 2010
5. Enforce policies for obtaining funds to reimburse the State. (page 11)	Dec 2010
6. Evaluate including earnings for clients working in office facilities to reduce State costs. (page 12)	Dec 2010
7. Establish written policies to ensure clients do not receive duplicate benefits. (page 12)	Dec 2010
8. Evaluate and establish written policies for providers traveling with clients. (page 12)	Dec 2010
9. Document agreements for services related to residential supports. (page 13)	Dec 2010
10. Use a written contract for fiscal intermediary services. (page 14)	Dec 2010
11. Evaluate cost benefit of developing an electronic format for providers to submit timesheets and services rendered. (page 14)	Jun 2011

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The Division of Internal Audits shall evaluate the action taken by the Division concerning report recommendations within six months from the issuance of this report. The Division of Internal Audits must report the results of its evaluation to the Committee and the Division.