

TABLE OF CONTENTS

CHAPTER II – HEALTH AND HUMAN SERVICES1
 Disclosure Issues..... 1
 Department of Public Health and Human Services #11-142
 Montana State Veterans’ Homes #12P-034
 Child Care Licensing Program #11P-116



Chapter II – Health and Human Services

Disclosure Issues

In addition to the recommendations included in audit reports for state agencies, audit reports may also include disclosure issues. Disclosure issues are items of which the Legislative Auditor believes the legislature should, but may not be, aware. They include situations where the law may not directly address the issue, where spending by state agencies might be inconsistent with what appears to be the intent of the legislature or where amounts on the state's accounting records might not be accurate. The disclosure issues listed below are included in reports for the agencies addressed in this section.

There were no disclosure issues for agencies included in this section.

FINANCIAL-COMPLIANCE AUDIT
Department of Public Health and Human Services

For the Two fiscal years ended June 30, 2011

OCTOBER 2011

11-14

REPORT SUMMARY

The Department of Public Health and Human Services operates a portfolio of medical, economic assistance, and public health programs to serve Montanans. Many of these programs are counter-cyclical, with increases in demand for services coinciding with downturns in employment, income, and state revenues. We questioned \$285,118 in costs charged to federal grants.

Context

Department expenditures during the past fiscal year included \$1,288,782,706 in federal funds and \$508,777,127 in state matching funds. Thirteen federal programs comprised 92 percent of the federal expenditure total. Medicaid and Supplemental Nutrition Assistance Program (SNAP) are the largest of these programs, but Child Health Insurance Program, Low Income Energy Assistance Program (LIEAP), Weatherization, Women, Infants, and Children, Child Care and Development, and Temporary Assistance for Needy Families (TANF) each incurred expenditures greater than \$25 million for the two fiscal years ended June 30, 2011. The department received increased federal funding throughout the biennium from the American Recovery and Reinvestment Act through increased federal participation rates and direct supplements to grant programs. The department expended \$3.5 billion in the two fiscal years ended June 30, 2011.

The department also operates mental health, developmental disabilities, and long-term care facilities. The department contracts for Medicaid claims processing services and manages a number of information systems to handle eligibility, contractor payments, and other data intensive elements of its programs.

Results

The report includes 15 recommendations to improve controls and enhance compliance with provisions of state law, federal regulations, and state accounting policy. Issues addressed include expending moneys from funds other than those where the costs were incurred to avoid short-term appropriation deficiencies, making payments to federal agencies, and expending general fund before nongeneral fund sources.

The report recommends correcting deficiencies in contract compliance for TANF and Foster Care contracts, limiting LIEAP grant carryforward to the level allowed by federal law, and following state regulations on sole source procurement. The audit also addresses financial reporting controls related to Foster Care and Vocational Rehabilitation federal programs, physical controls over SNAP electronic benefit cards, and the monitoring processes for TANF and LIEAP subgrantees.

The department implemented all of the 14 recommendations made in the previous audit.

Recommendation Concurrence	
Concur	15
Partially Concur	0
Do Not Concur	0
Source: Agency audit response included in final report.	

For a complete copy of the report (11-14#) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at <http://leg.mt.gov/audit>
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PERFORMANCE AUDIT

Montana State Veterans' Homes

Department of Public Health and Human Services

JUNE 2012

12P-03

REPORT SUMMARY

Montana operates quality veterans' nursing homes but could address funding differences between the homes by specifying cigarette tax allocation in statute and the state could save over \$1 million annually through cost containment measures.

Context

In Montana, there are two state veterans' homes. One is located in Columbia Falls and the other in Glendive. A third facility is proposed to be constructed in Butte. The homes provide skilled nursing care to honorably discharged veterans and eligible family members. Care includes basic assistance with daily living tasks and specialized medical treatments, when necessary. Quality of care at both homes is rated by national experts to be above average.

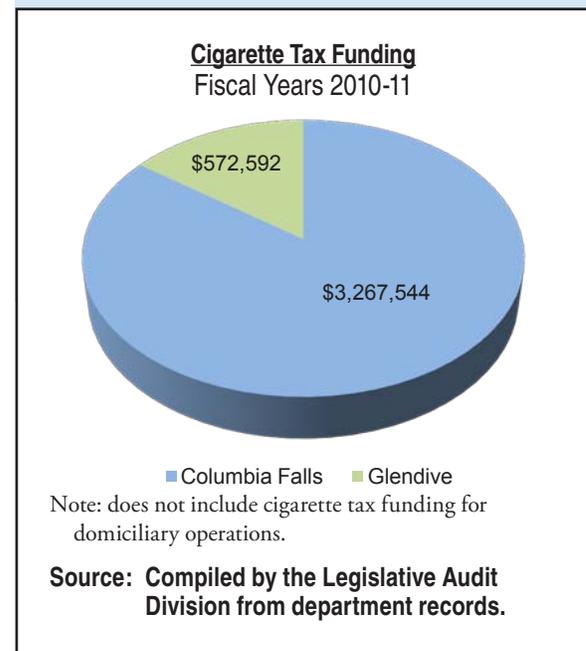
The cost of care is paid for from a variety of sources, including a veteran's personal savings or income, private insurance, Medicaid and Medicare, and two additional sources of funding unique to state veterans' homes: Veterans Administration per diem payments and a state tax levied on cigarettes.

Montana's homes operate under differing management structures. The home in Columbia Falls is managed and operated by the state while the home in Glendive is overseen by the state but day-to-day operations are carried out by a private contractor. This report details our findings related to the funding for each home, costs associated with operating these and comparable homes, and options for decreasing costs while maintaining high quality service.

Results

Several differences exist in funding the state veterans' homes. At the end of fiscal year 2011, the full daily rate at Columbia Falls was \$221.90 while at Glendive it was \$189.50 so Columbia Falls received more revenue from residents themselves. More significantly, however, Columbia Falls also received \$51.20 per patient day from the state's cigarette tax while Glendive received \$12.25 per patient day.

By allocating cigarette tax revenues at a ratio of approximately 4:1 in favor of Columbia Falls, the state provides a subsidy to the cost of care at this facility that is not available to the same degree for residents in Glendive.



We recommend the Montana Legislature review the allocation of cigarette tax funding to the state veterans' homes to determine if the allocation between homes should be addressed in statute. We also recommend the Department of Public Health and Human Services comply with statutorily-prescribed rate calculation methods or seek legislation to revise calculation procedures to establish the daily rate charged to veterans.

Using data that homes report to the federal government, we compared the costs of Montana's state veterans' homes to one another and other nursing homes. We estimate the average cost of providing skilled nursing care during fiscal years 2010 and 2011 at Columbia Falls was \$284.44 and in Glendive it was \$196.31.

We examined trends in expenses in selected cost centers (social services, laundry, dietary, and employee benefits) and found that expenses per bed day have been increasing more rapidly at Columbia Falls than in other homes. Over a six-year timeframe costs per bed day for these centers increased 76.3 percent at Columbia Falls while at other homes the costs for these centers increased by 21.3 percent. Costs at the Columbia Falls home are higher than comparison homes because of higher staffing levels and increasing costs in specific cost centers.

This audit began with a request from the House State Administration Standing Committee, which specifically asked that our audit address options and recommendations for more efficient operation of the Montana Veterans' Home without compromising quality of service. So, we examined costs at a sample of homes in order to develop options by which the home in Columbia Falls could reduce costs but maintain its high quality.

One of the options for controlling costs is by contracting for the services with a private provider. This service delivery model is currently in use at Glendive. We estimate the state of Montana would benefit from about \$1.7 million in unused cigarette tax revenues being reverted to the General Fund by doing so but a private provider would need to reduce nursing hours by about 17 percent to operate the home on a financially sustainable basis.

We also considered whether costs could be reduced without using a contracted provider. By analyzing costs within existing facility cost centers we identified several expense areas where Montana Veterans' Home costs exceeded the average costs at a set of comparable nursing homes. These expense areas were not related to direct nursing care and if they were reduced to the average level of comparable homes, could save the state up to \$1.3 million annually. We recommend the implementation of a cost containment plan for the Montana Veterans' Home that reduces expenses to a level that reflects normal costs for comparable homes.

Recommendation Concurrence	
Concur	2
Partially Concur	0
Do Not Concur	0
Source: Agency audit response included in final report.	

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PERFORMANCE AUDIT

Inspection and Complaint Activities for the
Child Care Licensing Program

Department of Public Health and Human Services

OCTOBER 2011

11P-11

REPORT SUMMARY

The Department of Public Health and Human Services should strengthen management of inspection and complaint processes for the Child Care Licensing Program to assure the safety and security of children in child care facilities.

Context

The Child Care Licensing Program is responsible for protecting the health, safety, and well-being of children receiving child care in Montana. The program registers, licenses, and monitors the state's child care facilities. As of April 2011, there were 1,188 registered or licensed child care facilities in the state.

Complaint response is also defined by individual program staff. We noted several complaints for child care facilities which alleged abuse or neglect, but there was no documentation regarding how the program and Child and Family Services Division (CFSD) coordinated and resolved the complaint.

Child Care Facility Information

As of April 2011

Facility Type	Registration or Licensure	Number of Children Allowed	Total Number of Facilities
Family	Registration	3 to 6	455
Group	Registration	7 to 12	480
Center	Licensure	13+	253

Source: Compiled by the Legislative Audit Division from Department Records.

Audit work examined the processes for conducting inspections and responding to complaints in child care facilities. Overall, we identified the need for more active guidance on the part of department management to direct the activities of the program. Inspection selection and prioritization, including following up on deficiencies identified in a prior inspection, is primarily left to the discretion of individual program staff. As a result, there are inconsistencies in the way the program chooses inspections for childcare facilities.

We also determined management information could be improved related to consistently documenting program activities and increasing the reliability of program data. The department documents program activities in multiple locations. As a result, the department is unable to clearly demonstrate compliance with state law. For example, the department does not have data to determine if it is inspecting centers licensed annually on an annual basis, as required by state law. And for complaints, the department is unable to clearly demonstrate it investigates and resolves complaints in a timely manner to assure the safety and security of children in child care facilities.

Results

Audit recommendations address the need for the department to strengthen the inspection and complaint processes for the program. Recommendations include:

- ◆ Establish a protocol for the selection and prioritization of inspection activities,

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- ◆ Establish a policy for following up on deficiencies identified in child care facilities,
- ◆ Comply with administrative rules regarding required notifications for negative licensing actions,
- ◆ Establish a policy for the intake and response to complaints in child care facilities based on complaint type,
- ◆ Clarify the roles and responsibilities between the Child Care Licensing Program and Child and Family Services Division relative to complaints involving child care facilities, and
- ◆ Strengthen documentation controls for the activities of the child care licensing program.

Recommendation Concurrence	
Concur	6
Partially Concur	0
Do Not Concur	0
Source: Agency audit response included in final report.	

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