

**NORTHERN MICHIGAN REGIONAL ENTITY
GOVERNING BOARD EXECUTIVE COMMITTEE MEETING
12:00PM – JANUARY 10, 2024
GAYLORD CONFERENCE ROOM & MICROSOFT TEAMS**

ATTENDEES:	Ed Ginop, Gary Nowak, Ruth Pilon, Don Tanner
STAFF:	Laura Argyle, Eric Kurtz, Brian Martinus, Deanna Yockey, Carol Balousek
GUESTS:	Steve Burnham, Karreen Conley, Richard Carpenter

Mr. Kurtz explained that the meeting was called to go over findings from the Rehmann Management Review of Northern Lakes Community Mental Health Authority as authorized by the NMRE Board as part of the NMRE's Contractual oversight. Discussion of the MiChoice Waiver will be included in the audit and today's discussion.

Mr. Carpenter noted that a written report will follow the oral update provided on this date.

Human Resources Review

Mr. Carpenter reported that there were some issues related to compliance, such as the completion of 19 forms upon hire, Fair Labor Standards Act (FLSA) audits, and a fair and objective process for wage adjustments. Recommendations included:

- A pay equity evaluation
- Developing a comprehensive hiring process (from beginning to end)
- Realignment and reevaluation of Training Team (as related to HR)
- Updating policies and procedures, including the Equal Employment Opportunity (EEO) compliance
- Overhaul performance management process
- Establish an exit interview process
- Enhance supervisor training

Mr. Carpenter acknowledged that the HR department is fairly "green" due to turnover; mentoring was recommended. Employee engagement has decreased due to issues related to the past HR structure. Human Resources will likely need substantial ongoing support (12-18 months).

Ms. Conley added that the HR team is working to overcome past challenges and is doing the best it can to build a process. They were very cooperative during the course of the management review. Staff voiced a lot of concern regarding compensation and not knowing what pay increases are based on. Some staff reported never having had a performance evaluation.

Supervisors don't receive specific supervisor-focused training, which leads to inconsistency. Employee engagement focused on fear, retaliation, lack of trust, and concerns about job stability, the future of the organization, the Board of Directors, and a potential new CEO. Staff believe the Interim CEO, Brian Martinus, has given the agency a sense of stability.

Although some salaries are set by union contracts (3 unions), salaries were less clear for non-union staff. A salary study had not been done in some time and there is not a published pay scale. Compensation decisions were made by CFO, HR Director, and Operations Director. Overtime pay was allowed for some salaried staff.

Financial Review

Mr. Carpenter reported that, unlike the HR department, the finance team was not very cooperative with the management review. Mr. Carpenter expressed concerns with the chart of accounts/general ledger structure.

Grants

While on the surface, grant writing looks pretty good, management of grants was housed within the finance department (functionally not appropriate); it should be run by the people overseeing the subject of the grant. Often the grant dollars would be obtained before a plan was fully in place for their use. Expenses were charged to grant programs but not in accordance with SCA or federal regulations. Administrative costs were not allocated to all funding sources (grants). Financial Status Reports were generated but did not include the Admin appropriately. The Admin portion was likely charged to Medicaid, HMP, and to a lesser extent, general funds.

MiChoice Waiver program has an administrative cost report that must be submitted to MDHHS (a different division than behavioral health); this report was never submitted by Northern Lakes. Darryl Washington (MiChoice Waiver Director) indicated that the CFO refused to do it (no penalty attached). It is estimated that the admin would have been roughly 8%-9% of \$10M for a single fiscal year.

Mr. Carpenter explained that MiChoice Waiver program funds are at full risk; surplus funds can be retained as local dollars. Mr. Nowak asked why nothing was caught during annual financial audits. Mr. Carpenter responded that policies & procedures meet minimum requirements to pass an audit, but too broad from a functional perspective. The Finance Department had the ability to move funds around. Collusion within the finance department is suspected (two individuals working together to override internal controls).

Once collusion becomes an issue, a standard compliance audit becomes ineffective. A forensic audit (vs. financial statement audit) gets deeper into the details.

Because of the strong suspicion of collusion, Mr. Carpenter feels he cannot continue with the management review.

Summary of Concerns

Northern Lakes operating as a MiChoice waiver agent is the biggest concern. Northern Lakes is the only CMHSP in the state doing the MiChoice waiver. As a CMHSP, Northern Lakes is obligated to operate under the mental health code. MiChoice Waiver is a healthcare program for the elderly. An assessment is needed to determine what level of cost shifting was occurring.

Northern Healthcare Management (22 counties) operates the MiChoice Waiver. Integrated Health Clinic began with a partnership with Traverse Health, Traverse Health ultimately pulled out. Northern Lakes has been operating the Integrated Health Clinic solo for the past 8 years. It was noted that Northern Lakes' Medical Director is not involved in the Integrated Health Clinic. Area Agencies on Aging are generally the agents of the MiChoice waiver. MiChoice is not mentioned in the enabling agreement.

Mr. Kurtz questioned whether Northern Lakes is meeting the Medicaid billable requirements for services.

Ms. Pilon acknowledged that the Management Review Report will be a wakeup call to the Northern Lakes Board.

MiChoice Waiver Program Considerations:

1. Needs to be a legal determination if NLCMHA can, as a CMHSP, be a MiChoice waiver agent. If yes,
2. Need to decide if NL should be a MiChoice Waiver agent. Is it financially sustainable? The financial side would need to be rebuilt from scratch.
3. If Northern Lakes can and should be a MiChoice Waiver agent, there needs to be separate accounting and operating activity of the MiChoice Waiver and everything else.

Next Steps:

- Pause on assessment
- Write up draft report of findings to date
- Be prepared to present the draft within 30 days.

(Rehmann staff exited the discussion)

Mr. Tanner asked where the selection of a Northern Lakes Board governance model stands. Ms. Pilon responded that the Board is beginning to look at policies and a Finance Committee has been established.

Mr. Burnham suggested contacting the state to determine the reasoning behind Northern Lakes being approved as a MiChoice Waiver agent.

It was determined that the NMRE should lead the process toward a forensic audit.

MOTION BY ED GINOP TO RECOMMEND THAT A FULL REPORT BE OBTAINED FROM REHMANN AND THE NORTHERN MICHIGAN REGIONAL ENTITY OBTAIN AN

ESTIMATE FOR A FORENSIC AUDIT OF NORTHERN LAKES COMMUNITY MENTAL HEALTH AUTHORITY; SUPPORT BY GARY NOWAK. MOTION CARRIED.

Mr. Carpenter will be asked to give a presentation to the full NMRE board in January.