RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH

JAMES K. HAVEMAN
DIRECTOR

July 23, 2013

Mr. Doug Ringler
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Mr. Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is the summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's Performance Audit of the Caro Center.

Questions regarding the summary table or corrective action plans should be directed to me at (517) 373-1508 or Myersp3@michigan.gov.

Sincerely,

Pam Myers, Director
DCH Office of Audit

Enclosure

Cc: Office of the Auditor General
House Fiscal Agency
Senate Fiscal Agency
Executive Office
DCH, James K. Haveman
DCH, Timothy Becker
DCH, Karla Ruest
House Appropriations Committee
House Standing Committee
Senate Appropriations Committee
Senate Standing Committee
DCH, Nick Lyon
DCH, Lynda Zeller

PERFORMANCE AUDIT OF THE CARO CENTER

DEPARTMENT OF COMMUNITY HEALTH

June 2013

AUDIT RESPONSE

Approved: Timothy T. Becker, Senior Deputy Director
Department of Community Health, Operations Administration

Date: 07/03/2013

AUDIT REPORT SUMMARY

DEPARTMENT: Community Health

AUDIT PERIOD: October 1, 2009 through March 31, 2012

REPORT DATED: March 5, 2013

DISPOSITION OF AUDIT RECOMMENDATIONS

CITATIONS COMPLIED WITH	CITATIONS TO BE COMPLIED WITH	CITATIONS DCH DID NOT AGREE WITH
Finding 1		
	Finding 2 September 1, 2013	
		Finding 3 (a)
Finding 3 (b-d)		
Finding 4		
Finding 5		
	Finding 6 Undeterminable at this point.	
Finding 7		
Finding 8		
Finding 9		

Audit Response
Performance Audit
Caro Center
Department of Community Health
October 1, 2009 through March 31, 2012

Recommendation 1: Work Order Process

The OAG recommends that the Caro Center implement a comprehensive process to assign and monitor the cost and completion of work orders.

Response:

part a: The Work Order Policy #3.07 was revised to include sufficient documentation on the work order, which is prompted by preformatted/requested information, i.e., priority number, parts/supplies used and a brief description of work completed.

part b:

1. The work order policy/procedures now requires the work order request to have a priority number, parts/supplies used and a brief description of work completed, hours spent and staff assigned. The Maintenance Supervisor provides ongoing monitoring.

2. The Warehouse staff maintains a record of materials/supplies dispensed consistent with the work order request. The Warehouse Supervisor provides ongoing monitoring.

part c: The Maintenance Supervisor now prioritizes work orders consistent with the revised Work Order Policy #3.07.

part d: The outstanding work orders are now monitored by the Maintenance Supervisor on a quarterly basis and reported to the leadership group, consistent with the revised policy.

part e: The revised Work Order Policy #3.07 has a provision that addresses emergencies. Responsible staff in the Maintenance Department and the 24 hour Staffing Office have received training on the revised Work Order Policy.

Recommendation 2: Medication Refunds

The OAG recommends that the Caro Center ensure that it is fully refunded for all returned medications.

Response:

The DCH Bureau of State Hospitals and Behavioral Health Administrative Operations (BSHBHAO) will work with DCH Accounting and determine what, if any, additional reconciliation procedures could be performed to aide in the distribution of return revenues to the respective Hospital/Center. DCH Accounting anticipates completing their analysis by September 1, 2013.

Recommendation 3: Procurement Cards

The OAG recommends that the Caro Center effectively monitor procurement card transactions to ensure that purchases are proper and authorized. The OAG also recommends that the Caro Center ensure that procurement card account information is properly safeguarded.

Response:

part a: Each of the nine purchases followed administrative guide procedures and had a completed purchase request form that indicated the purpose of the purchase in the justification section, in addition to, sales receipts, invoices, and other documentation to support the purchase. In addition, the administrative manager or the hospital director reviewed and approved each purchase. For future purchases, work order numbers are now required to be included on purchase orders to identify the supplies and the areas that reflect supply utilization.

part b: The Administrative Manager now ensures all procurement card logs are on file and administers the credit card process, consistent with an established procedure that was implemented in June 2012.

part c: All procurement card logs and supporting documentation are now reconciled and reviewed on a biweekly basis by the appropriate cardholder's supervisor. The Administrative Manager reviews and maintains completed logs.

part d: The Center acknowledged that security of procurement card account numbers and expiration dates are critical. As a result, an October 3, 2012 notification was sent to all Caro Center cardholders and their respective supervisors instructing them to redact all information, pertaining to their state credit card noted on an invoice, receipt, etc. received from a vendor.

Recommendation 4: Inventory Controls

The OAG recommends that the Caro Center establish effective controls over its inventories.

Response:

part a:

1. The Center agreed there were delays in getting commodity inventory records updated. Inventory records are current as of April 2013.

2. The Center agreed that inventory records for the individual tools did not match the physical count; however, a large portion of the tools are low in monetary value and the effort to account for every low-value small tool is substantial. Maintenance policy 4.21, Assigned Tools was revised to indicate a list of all hand tools, valued at $100.00 or more. Tools assigned to individual maintenance staff

shall be maintained electronically. The Maintenance Supervisor has the responsibility of monitoring tools assigned to the maintenance staff.

3. The final tool crib inventory was completed in June 2013.

part b:

1. The Center uses a pre-printed stamp that prompts warehouse staff to document commodities received by the Warehouse. The stamp delineates the receiving staff, data, Caro Center purchase order number, delivery number, purchase order number and any miscellaneous number. The Warehouse Supervisor is responsible for assuring the documentation is completed.

2. Warehouse policy 4.06, Inventory Commodities, has been revised. A Storekeeper will review the outstanding supply requisitions on a bi-monthly basis. The Storekeeper will make a copy of any outstanding requisitions and forward to the appropriate staff for signature verifying merchandise has been received. The copy is reconciled with the pink copy retained by the Warehouse Supervisor.

Recommendation 5: Patient Personal Property

The OAG recommends that the Caro Center improve its controls over patient's personal property.

Response:

part a:

1. As indicated in the original response, management reiterated the importance of patients signing the acknowledgement only after they received their items.

2. As indicated in the original response, the Nursing Managers were instructed on 10/12/12 the need for the required signature on the patient fund release form to assure the patient received the package.

part b: Caro Center reiterated to staff the necessity of inventorying all non-expendable items as required by Hospital Policy #2.56:1 – Personal Property & Search. In addition, Caro Center made clarifications to the policy to further enhance existing procedures. All nursing staff were trained on the revisions in March 2013.

part c: The patient's personal property was inventoried on September 18, 2012 in the presence of the patient.

part d: Caro Center staff received training on the current requirements for obtaining documentation that the patient received all personal property at the time of discharge. In addition, Caro Center made clarifications to the revised Personal Property Policy which will further enhance existing procedures. Nursing staff received training on

the revised policy in March 2013.

Recommendation 6: Medication Controls

The OAG recommends that the Caro Center maintain an inventory control program and periodically inventory its non-controlled medications.

Response:

Over the past several years, DCH has been implementing a new pharmacy system at all of the state hospitals. Although the pharmacy component of the new system has been implemented at all hospitals, the vendor continues to work with DTMB on the implementation of the inventory control component (WORxPO). An implementation schedule has been developed for all of the facilities, and the Caro Center has been identified as the pilot site. Before implementation begins, DTMB is working to resolve compatibility issues between the components. Once the inventory control component has been implemented, the hospital will be able to track all pharmaceuticals as they are received and subsequently dispensed by the pharmacy to the various areas within the hospital that have responsibility for administering medications.

Recommendation 7: Preventive Maintenance

The OAG recommends that the Caro Center conduct all of the preventive maintenance inspections required by its preventive maintenance system. The OAG also recommends that the Caro Center ensure that information maintained in the preventive maintenance system is accurate.

Response:

part a: The maintenance supervisor now reviews the preventive maintenance plan on a monthly basis and ensures that monthly scheduled tasks are prioritized and completed as necessary. Any adjustments to the preventive maintenance plan due to inaccuracies, infrequency of inspections, or removal due to obsolete equipment will be fully documented. The maintenance supervisor reports the status of all preventive maintenance to the Administrative Leadership team on a quarterly basis.

part b: The maintenance supervisor developed a monthly documented review of all confined space equipment inspections which includes the respirators. Administrative clerical staff tracks inspections to ensure compliance and enters the information in the Caro Center database.

Recommendation 8: Office of Recipient Rights

The OAG recommends that the ORR Caro Center staff establish an effective process to ensure that all potential patient rights violations are identified.

Response:

DCH-ORR Management has reviewed existing ORR policies on Review of Recipient Death, 02-03-02 and Incident Reports, 02-03-03 and revisions were completed to ensure appropriate review and documentation of potential rights violations.

Recommendation 9: Complaints

The OAG recommends that the Caro Center staff enter all Administrative Report Forms (ARF's) and Incident Reports (IR's) into the Center's complaint database.

Response:

Caro Center initiated a performance improvement focus team to address the process for data submission in order to assure all ARF's and IR's are entered into the database in a timely and accurate manner. A tracking form for entering ARF's and IR's was developed and was implemented on April 1, 2013. Two hospital policies (ARF and IR) were revised to assure the tracking mechanism is maintained. All staff received training on the revised policies to assure compliance. The Executive Secretary is responsible for maintaining the database.