

Office of the Auditor General
Follow-Up Report on Prior Audit Recommendations

Substance Abuse Services
Department of Corrections

April 2018

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Article IV, Section 53 of the Michigan Constitution



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Report Summary

Follow-Up Report

Substance Abuse Services

Department of Corrections (DOC)

Report Number:
471-0360-15F

Released:
April 2018

We conducted this follow-up to determine whether DOC had taken appropriate corrective measures in response to the material condition noted in our May 2016 audit report.

Prior Audit Information
Finding #1 - <u>Material condition</u>
Monitoring efforts need improvement.
Agency agreed.

Follow-Up Results		
Conclusion	Finding	Agency Preliminary Response
Substantially complied		Not applicable

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Doug A. Ringler, CPA, CIA
Auditor General

April 17, 2018

Ms. Heidi E. Washington, Director
Department of Corrections
Grandview Plaza Building
Lansing, Michigan

Dear Ms. Washington:

This is our follow-up report on the material condition (Finding #1) and two corresponding recommendations reported in the performance audit of Substance Abuse Services, Department of Corrections. That audit report was issued and distributed in May 2016. Additional copies are available on request or at audgen.michigan.gov.

We appreciate the courtesy and cooperation extended to us during our follow-up. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

A handwritten signature in cursive script that reads "Doug Ringler".

Doug Ringler
Auditor General

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INTRODUCTION, PURPOSE OF FOLLOW-UP, AND AGENCY DESCRIPTION

INTRODUCTION

This report contains the results of our follow-up of the material condition* (Finding #1) and two corresponding recommendations reported in our performance audit* of Substance Abuse Services (SAS), Department of Corrections (DOC), issued in May 2016.

Subsequent to our performance audit, DOC divided the responsibility for monitoring substance abuse and sexual offender contractors among SAS; the Michigan Sex Offender Program (MSOP), established in June 2017; and the Procurement, Monitoring and Compliance Division.

PURPOSE OF FOLLOW-UP

To determine whether DOC had taken appropriate corrective measures to address our corresponding recommendations.

AGENCY DESCRIPTION

SAS is responsible for ensuring that substance abuse treatment programs are provided to prisoners*, parolees*, and probationers*. Treatment includes prison-based educational services, transitional housing, residential services, and outpatient services. MSOP is responsible for ensuring that treatment is provided to offenders who have a history of criminal sexual conduct. Sexual offender treatment programs address deviant thoughts and behavior and are focused on reducing sexual offending behavior.

Clinical treatment services provided by contracted agencies are monitored by SAS and MSOP staff. DOC's Procurement, Monitoring and Compliance Division ensures that various contract standards are met, including verifying that licensing requirements are maintained; conducting criminal background checks of contract personnel; and ensuring that training/professional development requirements are pursued. Procurement, Monitoring and Compliance staff are also responsible for tracking monthly reports submitted by the contractors.

As of December 31, 2017, DOC had 36 substance abuse contracts serving 131 program sites and 9 sexual offender contracts serving 57 program sites across the State. At that time, SAS had 3 full-time equated employees monitoring the clinical integrity of contracted substance abuse treatment services provided; MSOP had 2 full-time equated employees monitoring the clinical integrity of contracted sexual offender treatment services provided; and the Procurement, Monitoring and Compliance Division had 2 full-time equated employees. For fiscal year 2017, DOC incurred expenditures of \$18.7 million related to these 45 contracts.

**See glossary at end of report for definition.*

PRIOR AUDIT FINDING AND RECOMMENDATIONS, AGENCY PLAN TO COMPLY, AND FOLLOW-UP CONCLUSION

FINDING #1

Audit Finding Classification: Material condition.

Summary of the May 2016 Finding:

SAS did not:

- a. Audit 52% of the 69 substance abuse and sexual offender contractors.
- b. Obtain corrective action plans (CAPs) from 24% of the 33 contractors with identified deficiencies.
- c. Conduct follow-up audits of 48% of the 33 contractors with identified deficiencies.
- d. Receive 47% of the required monthly reports or 99% of the required quarterly reports from community-based residential substance abuse providers.
- e. Obtain annual performance reports from any of the 32 outpatient contractors.

Recommendations Reported in May 2016:

We recommended that SAS improve its monitoring efforts of its substance abuse and sexual offender contractors.

We also recommended that DOC analyze SAS staffing levels to ensure effective monitoring of the substance abuse and sexual offender contractors.

AGENCY PLAN TO COMPLY*

On July 26, 2016, DOC indicated that it had implemented the following actions to ensure effective monitoring of substance abuse and sexual offender contractors:

- Established a Contract Monitoring Unit that would use a centralized risk-based approach to monitor contracts.
- Assigned a contract manager to work with SAS staff on monitoring efforts.
- Hired two additional staff to monitor substance abuse and sexual offender contracts.
- Established contract monitoring plans and tools for each type of contract.
- Developed a standardized corrective action template for program use.

**See glossary at end of report for definition.*

DOC also indicated that it would require its staff to document quarterly meetings with contractors and that the Contract Monitoring Unit would ensure that the meeting notes contain appropriate information needed to evaluate contract compliance.

**FOLLOW-UP
CONCLUSION**

Substantially complied.

Our follow-up noted that DOC had dedicated additional resources toward monitoring substance abuse and sexual offender contractors. Specifically, we noted:

- a. Substantially complied. During the most recent 3 calendar years (2015 through 2017), SAS audited 37 (82%) of the 45 contractors' clinical treatment methods and the Procurement, Monitoring and Compliance Division audited all 45 contractors' compliance with the terms of their contract.
- b. Complied. SAS and the Procurement, Monitoring and Compliance Division obtained CAPs for all of the deficiencies noted during the most recent audit.
- c. Complied. At the time of our follow-up, SAS had completed follow-up audits of 9 (90%) of the 10 contractors with identified deficiencies and the Procurement, Monitoring and Compliance Division had completed follow-up audits of the 13 contractors with identified deficiencies.
- d. Substantially complied. For calendar year 2017, DOC received 124 (94%) of 132 monthly reports from the 11 community-based residential substance abuse providers. Also, although DOC did not receive any of the 44 quarterly reports, DOC obtained the majority of the information required by the quarterly reports through other means, including site visits and the contractors' monthly reports.
- e. Substantially complied. Although SAS did not receive any of the annual reports from the 8 prison-based or the 17 community-based outpatient contractors for calendar years 2016 and 2017, SAS and the Procurement, Monitoring and Compliance Division obtained the majority of the required information through other means, including site visits and the contractors' monthly reports.

FOLLOW-UP METHODOLOGY AND PERIOD

METHODOLOGY

We reviewed DOC's corrective action plan, organizational charts, and substance abuse and sexual offender contract language; interviewed DOC personnel; and analyzed SAS's new policy on auditing its contractors. Specifically, we:

- a. Reconciled the population of substance abuse and sexual offender contractors who were active as of December 31, 2017 with listings maintained by SAS and MSOP program managers. We obtained and analyzed logs to determine when these 45 contractors were last audited by SAS and the Procurement, Monitoring and Compliance Division. We traced a judgmentally selected sample of the audits listed on the logs to source documents to verify the accuracy of the logs.
- b. Reviewed DOC audit logs and source documentation to determine which contractors had program or contract compliance deficiencies disclosed within their last audit. We reviewed DOC's contractor documentation files to determine whether DOC obtained CAPs from these 23 contractors.
- c. Reviewed DOC audit logs and source documentation to determine if SAS and the Procurement, Monitoring and Compliance Division had completed follow-up audits of the contractors that had deficiencies disclosed within their last audit.
- d. Reviewed the log maintained and used by the Procurement, Monitoring and Compliance Division to determine whether residential substance abuse contractors submitted monthly reports to DOC. We verified the accuracy of the log by reviewing the electronic version of the monthly reports. We reviewed 5 residential substance abuse contractors' monthly reports to assess whether information provided within these reports contained outcome measures required by quarterly reporting requirements. For this judgmentally selected sample, we also reviewed the Procurement, Monitoring and Compliance Division's most recent criminal background checks of contractor staff and its analysis of the contractors' clinical staff qualifications.
- e. Reviewed 4 monthly reports for a judgmentally selected sample of 5 community-based outpatient contractors to assess whether the information provided within these reports contained outcome data required by annual reporting requirements. For this judgmentally selected sample, we also reviewed the Procurement, Monitoring and Compliance Division's most recent criminal

background checks of contractor staff and its analysis of the contractors' clinical staff qualifications.

PERIOD

Our follow-up generally covered January 1, 2016 through December 31, 2017.

GLOSSARY OF ABBREVIATIONS AND TERMS

agency plan to comply	The response required by Section 18.1462 of the <i>Michigan Compiled Laws</i> and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100). The audited agency is required to develop a plan to comply with Office of the Auditor General audit recommendations and to submit the plan within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.
CAP	corrective action plan.
DOC	Department of Corrections.
material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
MSOP	Michigan Sex Offender Program.
parolee	A felon who is incarcerated for at least the minimum portion of his/her sentence and is placed on parole by vote of the Parole Board. With some exceptions, a typical offender is supervised on parole for a period of two years. While on parole, the offender is monitored by a parole agent employed by DOC.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
prisoner	A person serving a term of incarceration under the jurisdiction of DOC.
probationer	A person placed on probation pursuant to Chapter XI of the Code of Criminal Procedure, Public Act 175 of 1927, as amended, being Section 771.3b of the <i>Michigan Compiled Laws</i> .
SAS	Substance Abuse Services.



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