

STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
BUREAU OF IMPROVEMENT AND INTEGRITY
FINANCIAL COMPLIANCE UNIT



CONTRACT COMPLIANCE REVIEW
SOUTHEASTERN NH SERVICES
MAY 6, 2019

STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
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I. ACRONYMS AND DEFINITIONS

Acronyms

Definitions

BDAS	Bureau of Drug and Alcohol Services
BII	Bureau of Improvement and Integrity
BOD	Board of Directors
CMS	Centers for Medicare & Medicaid Services
DHHS	Department of Health and Human Services
ED	Executive Director
FFY	Federal Fiscal Year
HCV	Hepatitis C
HIV	Human immunodeficiency virus
HR	Human Resources
RSA	Revised Statute Annotated
SENHS	Southeastern NH Services
STD	Sexually transmitted diseases
TB	Tuberculosis
QI	Quality Improvement

II. EXECUTIVE SUMMARY

On February 19, 2019 a team of staff from the NH Department of Health and Human Services (DHHS), Bureau of Improvement and Integrity (BII) and Bureau of Drug and Alcohol Services (BDAS) conducted a contract compliance site review of Southeastern NH Services (SENHS). An independent review contractor is reviewing the clinical, programmatic and policies and procedures of SENHS. This contractor will issue a separate report for its findings.

SENHS receives monies through different funding sources. A federal directive under the Uniform Guidance Regulations Part 200 Subpart D #200.328 Monitoring and reporting program performance states, “The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved.” As one element of the monitoring process, DHHS conducts site reviews of contract agencies. These reviews are conducted in accordance with the Exhibit C, Section 9.1 of the contract. This section of the contract states:

“During the term of this Contract and the period for retention hereunder, the Department, the United States Department of Health and Human Services, and any of their designated representatives shall have access to all reports and records maintained pursuant to the Contract for purposes of audit, examination, excerpts and transcripts.”

The project team conducting the review consisted of several DHHS staff members. SENHS received advance notification of the review in the form of a letter. The letter described the planned review and requested certain financial information be forwarded to DHHS prior to the visit.

SENHS provides services that include:

- Low Intensity Residential Program;
- Outpatient Programs; and
- Impaired Driver Care Management

The review focused primarily on contract and administrative rule compliance. It also included a general financial review and interviews of the Executive Director (ED) and Board of Directors (BOD). The project team identified strengths and opportunities for improvement throughout the evaluation process.

Human Resource Deficiencies:

- Develop a written policy that states all unlicensed staff are under the supervision of a licensed supervisor.
- The Agency shall provide training or ensure attendance at an approved training by the Department on HCV, HIV, TB and STDs on all clinical staff.

Financial Deficiencies:

- SENHS shall devise a plan to comply with the financial ratios required in the contract.

III. AGENCY BACKGROUND INFORMATION

This review is one element of an ongoing monitoring process and was conducted in accordance with the Standard Exhibit C, Section 9.1 of the contract. This section of the contract states:

“During the term of this Contract and the period for retention hereunder, the Department, the United States Department of Health and Human Services, and any of their designated representatives shall have access to all reports and records maintained pursuant to the Contract for purposes of audit, examination, excerpts and transcripts.”

The review focused primarily on contract and administrative rule compliance as well as a general financial review. Weaknesses as well as opportunities for improvement were identified through an evaluation of the various steps completed by the project team.

According to their website:

- SENHS is a private, nonprofit agency dedicated to helping people who are struggling with a substance use disorder. Roughly 80% of the people they serve have co- occurring conditions (anxiety, depression, addiction, etc.). They have found the most success by providing mental health and addiction treatment at the same time, in the same setting, by the same treatment team.
- SENHS uses evidence-based practices for people struggling with co-occurring mental health and substance use disorders. SENHS is the only comprehensive treatment facility in the Seacoast Area that has dually-licensed clinicians who treat people with co-occurring disorders (i.e., mental health problems & alcohol/drug addiction).
- Clients receive individualized care and evidence-based strategies geared specifically to their needs, as well as their strengths and those of their families.

IV. PURPOSE, SCOPE AND METHODOLOGY OF REVIEW

A team of DHHS staff conducted a review of SENHS on February 19, 2019. The project team consisted of several members from the Bureau of Drug and Alcohol (BDAS) and a staff member from the Bureau of Improvement and Integrity and Information (BII). SENHS was notified of the review in advance and sent a detailed letter describing the review and requesting financial information. An independent review contractor is reviewing the clinical, programmatic, and policies and procedures of SENHS. This contractor will issue a separate report for its findings. The purpose of the review was to:

- Assess compliance with state administrative rules and BDAS contracts;
- Review documentation supporting claims submitted to BDAS for reimbursement;
- Identify opportunities for technical assistance from BDAS; and
- Identify best practices.

The scope included the review of:

- Program descriptions;
- Required components of personnel files;
- Interviews of ED and BOD; and
- Billing invoices and payroll

V. OBSERVATIONS AND RECOMMENDATIONS

Requirement: According to Exhibit A Section 3.1.3, “All unlicensed staff providing treatment, education and/or recovery support services shall be under the direct supervision of a licensed supervisor.”

- 1. Observation:** According to the Executive Director all unlicensed staff are under the supervision of a licensed supervisor. While this may be the practice of the agency, it is not in written policy.

Recommendation: The agency shall develop a formal, written policy that states all unlicensed staff are under the supervision of a licensed supervisor.

Contract Agency Response:

Clinical supervision was listed as required under policy #20048, Staff Growth and Development, so we have reinstated the policy. We also revised the policy to include the required health trainings in HIV, HCV, STDs and TB, and added that clinical supervision is limited to 12 employees per licensed clinician and attendance will be documented. Revised policy will be reviewed by the Board of Trustees to approve. See attached.

Requirement: According to Exhibit A Section 3.10, “The Contractor shall provide in- service training or ensure attendance at an approved training by the Department to clinical staff on hepatitis C (HCV), human immunodeficiency virus (HIV), tuberculosis (TB) and sexually transmitted diseases (STDs) annually. The Contractor shall provide the Department with a list of trained staff.”

- 2. Observation:** At the time of the review, six out of ten Human Resources (HR) files reviewed indicated no training on HCV and HIV. Ten out of ten HR files reviewed indicated no training on TB and STDs.

Recommendation: The Agency shall provide training or ensure attendance at an approved training by the Department on HCV, HIV, TB and STDs on all clinical staff.

Contract Agency Response:

We have reinstated and revised policy #20048, Staff Growth and Development to include the required health trainings in HIV, HCV, STDs and TB. As part of our annual safety training, we have scheduled mandatory sessions on June 19th and 27th to train all of our current staff on these specific topics. Going forward, we will offer the trainings quarterly for new employees.

Requirement: According to Exhibit A Section 8.1 “In order to enable DHHS to evaluate the Contractor’s fiscal integrity, the Contractor agrees to submit to DHHS monthly, the

Balance Sheet, Profit and Loss Statement, and Cash Flow Statement for the Contractor. The Profit and Loss Statement shall include a budget column allowing for budget to actual analysis. Statements shall be submitted within thirty (30) calendar days after each month end. The Contractor will be evaluated on the following:"

Exhibit A Section 8.1.1 - "Days of Cash on Hand:"

Exhibit A Section 8.1.3 – "The Contractor shall have enough cash and cash equivalents to cover expenditures for a minimum of thirty (30) calendar days with no variance allowed."

- 3. Observation:** When revenues are not received timely, the cash on hand is vital to pay day-to-day operational expenses. The days of cash on hand ratio was below the required standard eight out of eight months that the ratio was calculated by the Department.

Recommendation: SENHS shall devise a plan to come into compliance with the days of cash on hand requirement.

Contract Agency Response: SENHS had been operating at a significant loss for the last two years (FY17 and FY18). This was after a significant investment (greater than \$500,000) in building improvements that had to be completed in order to be licensed by Medicaid. Together, these drained the agency's cash reserves. After realizing the agency could not keep its high intensity beds occupied enough to justify the staffing it required, the agency closed its high intensity beds and converted them to low intensity beds in Aug 2018. This required yet another significant hit to profits as the beds were transitioned. However, this change resulted in the agency being able to reduce staff (from 47 employees to 34 employees), and reduce payroll by over \$20,000 per month. Since October, the agency has been able to keep the beds at an 85% average occupancy and has been profitable since December 2018. The days cash on hand is improving from a low of 6 days in August to averaging over 20 days since Feb 2019 and was 24 days in April. We have been working on paying down our debt on a line of credit and for back rent. Paying these debts is saving us money on interest charges and improving our current ratio. We paid off our line of credit in May and reduced our back rent to one month outstanding. Now that the debt is paid off, we can further concentrate on increasing the days cash on hand.

We have also worked on improving our billing processes. We have reduced our A/R Days Outstanding from 40 days in July to 31 days in April.

At our current pace, we project we will be back up to 30 days cash on hand by September 2019, if not sooner.

Exhibit A Section 8.1.2 – "Current Ratio:"

Exhibit A Section 8.1.3 – "The Contractor shall maintain a minimum current ratio of 1.5:1 with 10% variance allowed."

- 4. Observation:** The current ratio measures the Agency's ability to cover the its short-term debt. The current ratio was below the required standard two out of eight months that the ratio was calculated by the Department.

Recommendation: SENHS shall devise a plan to maintain the current ratio requirement in the contract.

Contract Agency Response:

As a result of our efforts to reduce our debt, our current ratio has been at 1.5:1 or above since January 2019 and exceeded 2.0:1 in April.

Exhibit A Section 8.1.3 – “Debt Service Coverage Ratio:”

Exhibit A Section 8.1.4 – “The Contractor shall maintain a minimum standard of 1.2:1 with no variance allowed.”

- 5. Observation:** The ratio of Net Income to debt service. The debt service coverage ratio was below the required standard eight out of eight months that the ratio was calculated by the Department. Although the ratios have not been in compliance with the contract, each month since December 2018 SENHS there has been a surplus.

Recommendation: SENHS shall devise a plan for the agency to be in compliance with the debt service ratio requirement.

Contract Agency Response: Since January, the ratio has averaged 1.4:1 per month, and was at 1.94:1 in April. It will further improve now that the line of credit debt is paid off.

Requirement: According to Exhibit A-1 Section 4.7, “The Contractor shall post the following documents in a public area:

Exhibit A-1 Section 4.7.1, “A copy of the Contractor’s policies and procedures relative to the implementation of client rights and responsibilities, including client confidentiality per 42 CFR Part 2;”

- 6. Observation:** The Agency has policies and procedures regarding confidentiality. All visitors and clients are required to sign off regarding confidentiality and 42 CFR Part 2. However, these policies are not publically posted.

Recommendation: The Agency shall publically post policies and procedures pertaining to client confidentiality per 42 CFR Part 2.

Contract Agency Response We have posted policy #61002 which addresses client confidentiality per 42 CFR Part 2 in various parts of the building including the outpatient waiting room and each floor of the residential area.

Requirement: According to Exhibit C, Section 8.1 – “Fiscal Records: books, records, documents and other data evidencing and reflecting all costs and other expenses incurred

by the Contractor in the performance of the Contract, and all income received or collected by the Contractor during the Contract Period, said records to be maintained in accordance with accounting procedures and practices which sufficiently and properly reflect all such costs and expenses, and which are acceptable to the Department....”

7. Observation: As part of the review, we examined 30 invoices for internal controls. Out of the 30 invoices reviewed, only 5 selections had a written authorized signature on them indicating these invoices were approved for payment.

Recommendation: It is required that all invoices have proper signatures from authorized personnel prior to payment being processed.

Contract Agency Response: All invoices were reviewed and coded by the Finance Director and a final review was done by the CEO before signing the checks. The CEO or Finance Director is now signing the invoices to better document the approval. For the items such as employee reimbursement, a reimbursement request form is filled out, signed by the employee’s supervisor and reviewed and signed by the Finance Director or CEO.

Requirement: According to Exhibit C, Section 8.1 – “Fiscal Records: books, records, documents and other data evidencing and reflecting all costs and unusual other expenses incurred by the Contractor in the performance of the Contract, and all income received or collected by the Contractor during the Contract Period, said records to be maintained in accordance with accounting procedures and practices which sufficiently and properly reflect all such costs and expenses, and which are acceptable to the Department....”

8. Observation: In reviewing one of the invoices for the purchase of a microwave, it was discovered that not only was there no authorized signature for payment, but no back-up documentation was provided to indicate there was prior approval to make the purchase.

Recommendation: SENHS should develop a Purchasing Policy for uncommon purchases. This policy should include the need for written approval prior to the purchase.

Contract Agency Response: The purchase in question was approved and purchased by the CEO as documented by her initials on the document. She used the agency’s debit card to make the purchase.

For the unusual items such as employee reimbursement, a reimbursement request form is filled out, signed by the employee’s supervisor and reviewed and signed by the Finance Director or CEO.

Requirement: According to Exhibit C, Section 8.1 – “Fiscal Records: books, records, documents and other data evidencing and reflecting all costs and other expenses incurred by the Contractor in the performance of the Contract, and all income received or collected by the Contractor during the Contract Period, said records to be maintained in accordance with accounting procedures and practices which sufficiently and properly reflect all such costs and expenses, and which are acceptable to the Department...”

9. Observation: The agency currently has budget management, travel, collection of client fees, purchasing and funds management policies.

Recommendations: The agency should develop formal policies and procedures to strengthen internal controls. These policies should include but not be limited to:

- Cash Disbursements
- Billing Processes
- Management
- Record Retention

The Agency should also review and modify existing policies as necessary.

Contract Agency Response: We have revised or drafted policies #50013, 50014, 50015, 50025, 50030, 50035 and 50040 to address the above issues. The policies have been sent to the Board finance committee to review and then will be sent to the Board for approval.

Requirement: According to Title 2 CFR Part 230 Appendix B – Selected Items of cost #8m Support of salaries and wages, “(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports”

“(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards:”

- (a) The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (*i.e.*, estimates determined before the services are performed) do not qualify as support for charges to awards.
- (b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.
- (c) The reports must be signed by the individual employee, or by a responsible supervisory official having firsthand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.
- (d) The reports must be prepared at least monthly and must coincide with one or more pay periods.”

10. Observation: During the review of payroll, we discovered that the salaried employees do not maintain timesheets.

Recommendation: In order for any time to be allocated to any Federal grant, timesheets must be completed for all employees, including salaried positions.

Contract Agency Response: A Verification of Time form for salaried persons has been created and all salaried persons are submitting the forms on a bi-weekly basis. Please see attached.

The information and recommendations in the following section are for technical assistance and best practices.

At the time of the review, it does not appear that the BOD has a formal orientation manual.

Recommendation: There should be a BOD orientation manual. It should include:

- All applicable State administrative rules.
- Overview of responsibilities (fiduciary and programmatic)
- Organizational chart including BOD subcommittees
- The mission statement
- Current list of BOD members
- All brochures of the agency.
- Copy of the By-Laws.
- Copy of the current contracts.
- Policies and procedures (operations, financial and employee handbook)

This process will assist BOD members to acclimate to their role and understand their responsibilities.

Contract Agency Response: The recommendation was referred to the BOD at the May 22th meeting. The Board will work on an orientation policy.

End of Report