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DWIHN, Finance Committee

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Roll Call

Committee members present:

- Karima Bentounsi
- Kevin McNamara (Vice-Chair)
- Dora Brown (Committee Chair)
- Eva Garza Dewaelsche
- Angelo Glenn
- Kenya Ruth

Others present at roll call:

- Thomas J. Adams, chair, Substance Use Disorder Oversight Policy Board

Other [Board members](#) present later in the meeting:

- Angela Bullock
- Wayne County Commissioner Jonathan Kinloch
- Bernard Parker

The meeting was called to order at 1:08 p.m. The [agenda](#) was approved, there were no remarks and the [July 3 minutes](#) were approved. There was no discussion or dissension. [Here's an article](#) for some background information on the Detroit Wayne Integrated Health Network (DWIHN).

Presentation of the Monthly Finance Report

Chief Financial Officer (CFO) Stacie Durant presented the financial report for nine months, ending June 30. She stated there are no noteworthy items in the report. Cash flow is stable.

Special Presentation on Internal Controls and Segregation of Duties

This presentation stems from the recent, [well-publicized \\$40 million embezzlement](#) from the Detroit Riverfront Conservancy and subsequent federal criminal charges against the ex-CFO William Smith, though no names are mentioned. Smith is accused of doctoring bank statements, wiring money to his own companies, paying nearly \$15 million in personal American Express expenses and fraudulently obtaining a \$5 million line of credit on the conservancy's behalf.

[Concerns have been expressed](#) about how this happened under the [nonprofit's Board's](#) watch. DWIHN's auditor, Plante Moran, and Durant said they want to ensure the Board understands DWIHN's internal controls and give them the opportunity to ask any questions.

Durant presented the criminal complaint and federal indictment against Smith, focusing on his financial schemes and DWIHN's fraud prevention measures. Smith had sole access to the Conservancy's bank account, while DWIHN has multiple employees with view-only access and separated duties for reconciliation and approval. Plante Moran's audit testing includes bank confirmations to all financial institutions, reviewing all the processes, and testing for accuracy, reasonableness and completeness.

Smith could also execute contracts and pay vendors, but DWIHN requires Board approval for contracts more than \$50,000 and involves multiple departments for purchase orders. Durant explained DWIHN's internal controls, including processes for vendor setup and paying corporate cards. She highlighted that 99% of DWIHN's payments are through Medicaid and follow strict approval and authorization processes, with regular provider audits. Board members expressed shock at the Conservancy's fraud, and Durant noted that smaller nonprofits often struggle with segregation of duties, clarifying that the Conservancy has a small staff, not a small budget.

- Alisha Watkins, lead engagement partner from Plante Moran, explained that the audit company wanted to offer the board an opportunity to ask questions and have a conversation due to the recent scandals. She emphasized they would not speculate on the case.

McNamera asked how the board could better review audits or target audits to areas of

concern. Plante Moran said audits are not designed to detect fraud but that boards can hire auditors for that purpose — compliance audits, internal control review, advisory services, etc. They also noted that boards can inform auditors of specific concerns for closer examination.

Another board member asked for clarification on audits not detecting fraud. The auditor explained that financial statement audits ensure compliance with GAAP, review internal controls and report issues, but are not necessarily designed to find fraud.

Plante Moran concluded by mentioning that internal training on fraud can significantly reduce its occurrence. They noted the importance of awareness and reporting mechanisms. Brown highlighted DWIHN's internal and external reporting hotline.

Board members expressed gratitude for Durant's and Plante Moran's presentation.

There was no unfinished business, no new business and no public commenters. The meeting was adjourned at 2:27 p.m. with the budget meeting to follow at 2:30 p.m..

Budget Hearing

The hearing was called to order at 2:42 p.m. Roll call was taken, and [the agenda](#) was approved.

Durant presented the 2025 budget.

1. Overview and Narrative

The recommended operating budget is approximately \$1.165 billion, which is 2% (\$23.5 million) more than 2024's budget. That increase is primarily related to the \$20 million in state grant funds budgeted for the new integrated care centers on 7 Mile and in Downriver.

The State of Michigan is the primary source of funding for DWIHN. The Michigan Department of Health and Human Services (MDHHS) will not have its budget finalized until late September. DWIHN had to make certain assumptions in its budgeting process in the absence of MDHHS' budget such as using FY24 Medicaid rates and not factoring potential new Certified Community Behavioral Health Clinics (CCBHCs) into CCBHC revenue. The General Fund allocation will stay the same for 2025 at \$21.4 million. However, that amount is not enough to meet the basic needs of the community. DWIHN CEO Manny Singla said they are continuing to advocate with the state legislature to get additional funding, and they are looking at federal grant funding.

2. Revenue and Expense Summary (A-1, A-2, A-3)

There has been an \$11.2 million increase in federal grants and \$5 million from the increase in Medicaid rates (not the \$20 million anticipated from the rate increase). The SAMHSA mobile grant will end, COVID funds will end and the opioid settlement funds will also end. Interest income is up from \$5 million to \$6.7 million.

3. DWIHN Administrative Budget Summary (A-4, A-4.1)

Administrative costs have increased due to cost of living adjustments (COLA) and building maintenance debt service.

The Healthcare Quality Initiative aims to improve Medicaid patient care and system efficiency. These initiatives have made some programs Medicaid-eligible. Although Medicaid classifies them as administrative, DWIHN can exclude them from administrative expenses under the Code of Federal Regulations when calculating the admin rate, which is advantageous.

The board discussed the restriction on using Medicaid funds for incarcerated people and agreed the state should push for including jail services, as California and other states have done. Parker emphasized that DWIHN should advocate for this and work on getting a bill written. Incarcerated persons constitute DWIHN's largest residential population.

4. Adult, Children, and IDD Services Summary (All A-5's)

Steve Zawisa, Informatics and Analytics Director, presented data on expenditures by population over the last five years, highlighting increases in both population served and expenditures. Durant noted a decrease in providers treating children with severe emotional disturbance (SED). Zawisa also pointed out that higher service intensity results in higher costs per patient. He compared costs per member among the largest clinically responsible service providers (CRSPs).

The Hospital Utilization and Expenditures Report showed rising costs, mainly for adults with mental illness, and an increase in hospitalization days per member. Parker asked for the impact of the diversion program on costs.

The Diversion Analysis indicated a decrease in adult diversions from 4,009 to 3,362 between 2020 and 2023, while child diversions increased. Claims from previous years will be included in the final budget package. The Med Drop Hospitalization analysis report showed cost savings from enrollment.

5. Substance Use Disorder (SUD), (A-6, A-6.1)

Durant went through the SUD budget and the analysis of the SUD treatment services and providers. DWIHN received the first payment for the opioid settlement, and it was \$1.9 million, slightly more than the \$1.7 million budgeted for 2024. Durant clarified that the Women's Speciality Services grant is different from the Postpartum Services Project.

7. State General Fund Allocation (A-8, A-8.1)

Total General Fund expenses are \$34 million, while its budget is \$24 million. Durant reviewed each line item included in the General Fund budget.

8. Position & Vacancy List (A-9)

The list was not reviewed, but will be included in the budget packages.

Parker wanted to explore using some portion of the \$64 million in reserves for behavioral support specialists for 911 calls. Brown reminded the group that the reserves are finite and once programs are implemented, it's difficult and unpopular to take them away.

There were no public comments and the group adjourned at 4:22 p.m.

Summary

- DWIHN has robust internal controls, segregation of duties and audit processes to protect against fraud and embezzlement. It also has a considerable financial staff and staff in general, which is protective.
- The budget for fiscal year 2025 is complete, though the budget is made with a number of assumptions and unknowns. There will likely need to be revisions.
- The annual General Fund allocation is insufficient to cover needs, but it will likely be challenging to get more funding from the state legislature. Finding ways to expand Medicaid-eligibility is another way to get more of these expenses covered.

Follow-Up Questions

- I used to do work vaguely related to states' 1115 Medicaid waivers, and I was pretty annoyed to hear that Michigan hadn't applied for the 1115 Reentry Services Demonstration. Anyway, the good news is that [it has or is planning to](#). This leads me to ask - how does MDHHS communicate about this type of thing to agencies

throughout the state?

- Do board members receive any training or guidance on DWIHN's budget, how to read and interpret the financial reports, etc., before beginning their term?
- Does the information that was presented in the meeting (the presentations, etc.) eventually get shared to the public?

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