



Administrative Office, 105 Hall Street, Suite A, Traverse City, MI 49684

Committee of the Whole Meeting Minutes

03/21/24

12:30 p.m.

Board Members Present: Ben Townsend, Greg McMorrow, Mary Marois, Al Cambridge, Ruth Pilon, Tom Bratton, Ty Wessell, Dean Smallegan, Penny Morris, Sherry Powers, Dave Freedman, Carol Blake, Tony Lentych, Pam Babcock, Kate Dahlstrom, Eric Ostergren

Others Present: Brian Martinus, Stacy Maiville, Jeremiah Williams, Kim Silbor, Kari Barker, Mark Crane, Brian Newcomb, Dave Simpson, Haider Kazim, Andrew Berge, Richard Carpenter, Laura Argyle, Darryl Washington, Nancy Stevenson, Neil Rojas, Dan Mauk, Vickie McDonald, Hilary Rappuhn, Any Kotulski, Justin Reed, Randy Kamps, Cheryl M, Allison Zimpfer, Courtney Wiggins, Pamela Kaiser

Virtual: Aimee Horton Johnson, Terri Henderson, Lisa Holmes, Amanda Ritchie, Alyssa Heider, Melanie Schopieray, Tiffany Fewins, Lynn Pope, Mark Draeger, Melissa Bentgen, Rob Palmer, Erica Smith, Kellee Hoag, Pamella Petroelje, Abby Schonfeld, Becky Brown, Deb Freed, Ann Ketchum, Teresa Cooper, Robert Sheehan, Amanda Taylor, Lisa Jones, Rob Veale, Kasie Morse, Melissa Trout, Jennifer Wisnieski, Travis Merz, Jan Pytlowany, Curt Cummins, Carlton Ketchum, Dean Baldwin, Mardi Link, Lori Barnard, Mats Andtbacka, Cindy Petersen, Eric Kurtz, Aaron Fader, Jessica Williams, Judi Crane, Kristine Rigling, Sophorn Klingelsmith, April Weinrick, Heather Sleight, Lori Stendel, Keli Macintosh, Kathy Sanders, Angie Schroeder, Manda Clements, Pat MacIntosh, A. Wagner, Barbara Conley, Karen Cass, Kiley Fields, Cindy Evans, Roxanne Bott, Sharon Mikowski, Ceciley Thomason-Murphy, Kevin Hartley, Guest (1), Anonymous (8)

Greg McMorrow called the meeting to order at 12:30 p.m.

Public Comment:

Amy Kotulski, NLCMHA Director of Cadillac Clubhouse – Ms. Kotulski shared updates regarding different projects and partnerships Club Cadillac is currently involved in. She explained the Club Cadillac Growing Dreams project and that they are currently fundraising for it. This year marks the 30th anniversary of Club Cadillac and there will be an open house to celebrate. There will also be many events happening for May is Mental Health Month. The Clubhouse is looking for employment partners for their transition program. State Representative Joseph Fox will do a tour of the Clubhouse and learn more about their program.

Justin Reed, Grand Traverse County – Mr. Reed spoke about Traverse Clubhouse and acknowledged a recent positive article about the Clubhouse. Mr. Reed would like more clarification about the criteria for Board membership, how to define primary and secondary consumers, how many of these are on the Board, and whether a County Commissioner has to be assigned to the Board in each county.

NLCMHA Board Bylaws-

The Board of Directors reviewed and discussed the revision of the Board Bylaws. Different sections were addressed, and some were identified as possibly needing further revision.

Article 8, Section 2. Mr. Lentych is concerned that the line is too prescriptive. It was requested to strike all references to the “super-majority”.

Mr. Cambridge recommends that the Board change the amount of super-majority from ten to eleven.

Article 15, Section 1 – The suggestion was made that any changes to the Bylaws should be made over two meetings. Possible written notice be provided for members no less than 30 days prior and voted on at the next meeting.

Article 4, Section 1 (Page 12) Change from: “expires will remain” to be changed to “may or can remain seated until a new member is appointed.”

Article 4, Section 4 Qualifications of Board Members:
Change the first line from “primary **or** secondary” to “primary **and** secondary”.
Mr. Kazim clarified that this language is taken from the Enabling Agreement.

Ms. Dahlstrom suggested an addition about the process of the Board firing a CEO near Article 14. Mr. McMorrow clarified that the termination of a CEO is typically addressed in the CEO’s contract.

Article 7, Section 6 – Change to “as soon as possible and no later than 30 days.”

Due to time constraints and the need for additional discussion, Mr. McMorrow recommended that the Board table the discussion for the next board meeting.

Rehmann Group Executive Summary -

Richard Carpenter of the Rehmann Group presented the “Financial Assessment Preliminary Report.” The recommendation of the Rehmann Group is that the agency divest from the MIChoice Waiver program as soon as possible while ensuring the continuity of services during a planned transition period.

It is also the recommendation of the Rehmann Group that the agency should divest from the Integrated Health Clinic as soon as possible.

The report is attached for more details.

Agenda Planning- April 18, 2024, in Traverse City

Bylaws discussion

Other/Adjourn: Meeting adjourned at 2:10 p.m.

Respectfully submitted,

Stacy Maiville, Executive Secretary



Financial Assessment Preliminary Report

Northern Michigan Regional Entity Assessment of Northern Lakes CMHA

Submitted by:
Richard L Carpenter, CPA, CGFM, CGMA, Principal

Executive Summary

Northern Michigan Regional Entity (NMRE) engaged Rehmann Robson LLC to perform an assessment for the Northern Lakes Community Mental Health Authority (NLCMH) in the fall of 2023. The assessment includes evaluation and recommendations related to both the financial and human resource operations of the organization.

Disclosures:

- After being engaged by the NMRE, the NLCMH Board hired Rehmann in the capacity of Interim CFO. Both parties, as represented by their respective CEOs, have acknowledged the roles held simultaneously and have concluded that this does not represent a conflict of interest, as both parties are interested in identifying and correcting any errors and/or omissions in the accounting record and resulting reports.
- During the course of this assessment, it came to our attention that the previous CFO and Finance Manager may have been colluding to manipulate or conceal information from us. Upon discovery of this, we immediately halted the finance portion of the assessment and recommended a forensic investigation of financial transactions as we can no longer rely on internal controls due to the risk of management override.

Report Limitations:

- This report does not include any results or recommendations related to the Human Resources portion of the assessment. Those results are published in a separate standalone report.
- This report is being released at the request of the NMRE CEO given the nature of the recommendations and the urgency of action required by the NMRE Board of Directors. This is only a partial report, limited to the MIChoice and Integrated Health Clinic (IHC) programs, a comprehensive report related to finance is expected to supersede this report.

MIChoice Concerns/Recommendations:

- MIChoice Waiver is not a typical program run by a CMHSP nor is it contemplated in the Michigan Mental Health Code or the NLCMH enabling agreements.
- There is no evidence that administrative cost reports have ever been completed/submitted; neither is there any evidence that administrative costs in 2023 had been allocated to the program as required by MDHHS contracts, 2 CFR 200 or the required MDHHS Standard Cost Allocation Method.
- Failure to allocate administration in accordance with regulations results in an overallocation of administration to NMRE's Behavioral Health Medicaid programs.
- The financial sustainability of MIChoice after allocation of administration is questionable and puts NLCMH at risk of being unable to fulfill its purpose as a CMHSP.
- **RECOMMENDATION:** NLCMH should divest from the MIChoice Waiver program as soon as possible, while ensuring continuity of service during a planned transition period.

Integrated Health Clinic (IHC) Concerns/Recommendations:

- IHCs are not typical programs run by a CMHSP.
- There is no evidence that administrative costs in 2023 had been allocated to the IHC, understating the actual operating cost of the program.
- The IHC is not financially sustainable; after allocation of administration, approximately \$250,000 of local funds are required to supplement medical billing and grant revenues.
- **RECOMMENDATION:** NLCMH should divest from the Integrated Health Clinic as soon as possible.

**NORTHERN MICHIGAN REGIONAL ENTITY
BOARD EXECUTIVE COMMITTEE
12:00PM – MARCH 20, 2024
GAYLORD CONFERENCE ROOM & MICROSOFT TEAMS**

GAYLORD ATTENDEES: Ed Ginop, Gary Nowak, Don Tanner

VIRTUAL ATTENDEES: Jay O'Farrell

GUESTS: Stave Burnham, Richard Carpenter, Brian Martinus

Rehmann's "Financial Assessment Preliminary Report of Northern Lakes CMHA" was provided to Executive Committee members prior to the meeting. Mr. Carpenter clarified that the report is currently privileged and confidential and was produced as part of the management assessment of Northern Lakes CMHA (versus the forensic investigation).

Mr. Carpenter reviewed the **Report Disclosures**.

- It was recognized that both the NMRE and Northern Lakes CMHA have current, separate involvements with Rehmann. It was concluded that this does not represent a conflict of interest.
- During the performance of the management review, Rehmann staff were made aware of possible collusion by previous Northern Lakes CMHA finance staff to conceal information. The finance portion of the management review immediately halted, and a forensic investigation was recommended.

Mr. Carpenter reviewed the **Report Limitations**:

- The report does not include any results or recommendations related to the Human Resources portion of the management review. Those results will be furnished in a separate standalone report.
- The report is being released at the request of Mr. Kurtz given the nature of the recommendations and the urgency of action required by the NMRE Board of Directors. Only a partial report has been produced, limited to the MI-Choice and Integrated Health Clinic programs operating as Northern Healthcare Management. A comprehensive report on the finance portion of the management review will follow.

Mr. Carpenter reviewed the concerns and recommendations related to the **MIChoice Waiver Program**:

- The MIChoice Waiver is not a typical program run by a CMHSP nor is it contemplated in the Michigan Mental Health Code or the NLCMHA Enabling Agreements.
- There is no evidence that administrative cost reports have ever been completed/submitted; nor is there any evidence that administrative costs in 2023 were allocated to the program as required by MDHHS contracts, 2 CFR 200, or the required MDHHS Standard Cost Allocation Method.
- Failure to allocate administration in accordance with regulations results in an overallocation of administration to NMRE's Behavior Health Medicaid programs.
- The financial sustainability of MI-Choice after the allocation of administration is questionable and puts NLCMHA at risk of being able to fulfill its purpose as a CMHSP.

- **RECOMMENDATION:** NLCMHA should divest from the MI-Choice Waiver program as soon as possible, while ensuring continuity of service during a planned transition period.

Mr. Carpenter said that the best time to transition would be the beginning of the next fiscal year. This allows six months to work toward a transition. Only certain organizations can take over the MI-Choice Waiver, including the Area Agency on Aging, or the Program of All-Inclusive Care for the Elderly (PACE) Program. Details will be gathered over the next 6 months that will need to be addressed.

Mr. Martinus noted that Northern Healthcare Management, a program of NLCMHA that runs the MI-Choice Waiver Program, operates in 22 counties.

Mr. Carpenter reviewed the concerns and recommendations related to the **Integrated Health Clinic (IHC)**:

- IHCs are not typical programs run by a CMHSP.
- There is no evidence that administrative costs in 2023 were allocated to the IHC, understating the actual operating cost of the program.
- The IHC is not financially sustainable; after allocation of administration, approximately \$250,000 of local funds are required to supplement medical billing and grant revenues.
- **RECOMMENDATION:** NLCMHA should divest from the Integrated Health Clinic as soon as possible.

Mr. Carpenter acknowledged that the recommendation for both programs is very similar, but for different reasons. The IHC initially had partnered with a physical healthcare provider. At some point, that provider pulled out of the project. It is Mr. Carpenter's opinion that the IHC should have dissolved at that time.

Executive Committee members agreed that NLCMHA should focus its funding on core CMHSP business. Mr. Kurtz asked that Mr. Carpenter stress to the NLCMHA Board that these programs could put the core CMHSP services in jeopardy as the financial review continues.

NMRE Legal Counsel, Steve Burnham, verified that the NMRE is taking the right steps, in the right order, at the right pace. Mr. Burnham stressed that the investigation of Northern Lakes CMHA is ongoing.

Mr. O'Farrell suggested that there be one person appointed to speak to the media.

MOTION BY GARY NOWAK TO ACCEPT THE RECOMMENDATIONS FROM REHMANN AS CONTAINED IN THE "FINANCIAL ASSESSMENT PRELIMINARY REPORT OF NORTHERN LAKES CMHA" AND TO ALLOW THE REPORT TO BE PRESENTED TO THE NORTHERN LAKES CMHA BOARD OF DIRECTORS ON MARCH 21, 2024; SUPPORT BY ED GINOP. MOTION CARRIED.

The meeting adjourned at 12:37PM.