

# OVERVIEW

## ***Follow-Up and Management Audit of the Felix Consent Decree***

Report No. 01-16, December 2001

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### **Summary**

The Office of the Auditor conducted a follow-up audit of recommendations from several prior audits related to the *Felix* consent decree. The decree, approved by the U.S. District Court, requires the State to create a system of care to provide necessary educational and mental health services to qualified handicapped children. The Departments of Education and Health are the agencies responsible for implementing this system of care. In May 2000, the State was held in contempt for failing to implement the required system of care. This report also responds to a legislative request and concerns about fiscal issues related to the *Felix* consent decree, as well as a legislative mandate for assistance with assessments of new mental health programs.

We assessed selected aspects of the departments' capabilities for accounting, reporting, managing, and forecasting the cost of compliance with Felix requirements. We reviewed management controls intended to monitor compliance with the federal law. We also examined the responsible agencies' efforts to implement previous audit recommendations.

We found that the system of care created in response to the *Felix* consent decree has not achieved the expected results. The system of care focused more on procedural compliance rather than on a system to effectively help the children. In addition, the system is largely based on treatments that cannot demonstrate effectiveness. As a result, a major shift in school-based delivery of services was necessary. This involved the assumption of responsibility for mental health care for approximately 6,000 children by the Department of Education.

We also found that the Departments of Education and Health do not provide a full picture of the costs of complying with the consent decree. The departments lack an adequate financial management infrastructure to support the *Felix* compliance effort. Costs reported by the departments are intermingled with other programs, are inaccurate, and suffer from a lack of transparency.

Finally, we found the system for monitoring service delivery improvements to be inadequate and lacking assessment to ensure that mental health services are appropriate and effective. The Department of Education lacks objective, measurable goals in individual education programs (IEPs) and Department of Health treatment plans are not linked to educational goals.

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### **Recommendations and Response**

We recommended that the Departments of Education and Health develop and implement coordinated capabilities for detailed reporting and analysis of *Felix* costs. All involved agencies should consider employing cost accounting and



decision support systems. We also recommended that the Department of Education consider adding the requisite capabilities enabling it to maximize federal Medicaid reimbursements. In addition, we recommended that the Department of Education ensure the use of consistent measurements for children's progress and use these measures in coordination with the Department of Health to ensure that mental health services are effective and appropriate in meeting educational goals set by IEP teams. Finally, we recommended that the Departments of Education and Health submit interagency consolidated financial reports for federally mandated special education requirements.

The Department of Education responded that it generally agreed with the recommendations made in our report. The department reported that its own internal audit recognized the need for a comprehensive financial report. The department also noted that it will modify its integrated special education system to meet Medicaid requirements, but that additional changes are still needed.

The Department of Health agreed with the report's recommendations but faulted the report for not reflecting recent improvements. The department contends that the report's finding that the Child and Adolescent Mental Health Division "lacks the capability" to support evidence based practices is inaccurate. It further states that the failure to report employee-related benefit costs, as part of the *Felix*-related costs, was not intentional and would have been provided if requested. This response is indicative of the problems we encountered in attempting to identify costs.

In addition, the Department of Health responded that our assertion that the Family Health Services Division is unable to provide a separate accounting of *Felix* vs. non-*Felix* costs is inaccurate. It contends that all costs in this area are *Felix*-related. However this statement appears to contradict its explanation of mental health related excluded from costs its Child and Adolescent Mental Health Division's reports.

Finally, we are encouraged that the department acknowledged our finding that treatment plans are not linked to educational outcomes and has made establishing clear, measurable objectives and criteria reflecting achievement of educational goals, a priority.