



September 28, 2012

Ms. Renee Sluzalis, CEO
Roads to Freedom
Center for Independent Living of North Central Pennsylvania
24 East Third Street
Williamsport, Pennsylvania 17701

Dear Ms. Sluzalis:

Enclosed for your review is the final audit report of the Center of Independent Living of North Central Pennsylvania (CILNCP) which was recently completed by this office.

Your agency's response has been incorporated into the final report and is labeled Appendix B.

The final report will be forwarded to the Department's Office of Long Term Living (OLTL) and Office of Developmental Programs (ODP) to begin the Department's resolution process concerning the report contents. The staff from OLTL and ODP may be in contact with you to follow up on the corrective actions taken to comply with the report's recommendations.

I would like to extend my appreciation for the courtesy and cooperation extended to my staff during the course of the fieldwork.

If you have any questions please contact Mr. Brian Pusateri, Audit Manager of the Northeast Field Office at (570) 963-3066.

Sincerely,

Tina L. Long, CPA
Director

Enclosure

c: Ms. Bonnie Rose Mr. Michael Hale
 Mr. Kevin Friel Ms. Jennifer BrannonNordtomme
 Ms. Sallee Rowe Mr. Grant Witmer

bc: Ms. Karen Deklinski
Mr. Alexander Matolyak
Mr. David Bryan (N1103-R99)
Mr. Brian Pusateri
Ms. Kenya Mann Faulkner
Ms. Shelley L. Lawrence



September 28, 2012

The Honorable Gary Alexander
Secretary for the Department of Public Welfare
Health and Welfare Building Room 333
Harrisburg, Pennsylvania 17120

Dear Secretary Alexander:

In response to a request from the Office of Long Term Living's (OLTL) Quality Management, Metrics and Analytics Office, the Bureau of Financial Operations (BFO) completed a performance audit of the Center for Independent Living of North Central Pennsylvania (CILNCP). The audit was primarily directed to determine CILNCP's compliance with applicable regulations and management of its various programs. The audit focused on the period January 1, 2011 through December 31, 2011.

The auditors identified OLTL was overcharged \$67,451, most of which was for unsupported Supports Coordination billings. In addition, from January 1, 2011 to March 31, 2012, the auditors estimate \$404,794 of retained revenues restricted to the Attendant Care Program (ACP) have been used primarily to fund operating expenses of other programs.

The report is currently in final form and therefore does contain CILNCP's views on the report findings, conclusions and recommendations. CILNCP's response to the draft audit is included as Attachment B. An auditor's commentary that addresses key areas of the response is included as Attachment A. The report's contents and CILNCP's response were discussed at an exit conference held on September 17, 2012. At the exit conference, certain items were clarified by the CILNCP, which required revisions to the certain parts of the Executive Summary and certain recommendations.

Center for Independent Living of North Central Pennsylvania **Executive Summary**

CILNCP is a not-for-profit, social service organization that provides services to people with disabilities, community service providers, government agencies, private businesses and the community at large. CILNCP provides these services as a means to empower people with disabilities to obtain independence in their lives. CILNCP became an independent Center for Independent Living in 1998 and is currently located at 24 East Third Street in Williamsport, Pennsylvania.

CILNCP, through federal Medicaid waiver programs administered by the Department of Aging and OLTL, provides services directly and subcontracts with other providers to furnish an array of home and community-based services that assist waiver participants to live in the community and avoid institutionalization. The waiver programs currently utilized by CILNCP are: Independence, Attendant Care, Aging, and Adult Autism.

**Center for Independent Living of North Central Pennsylvania
January 1, 2011 through December 31, 2011**

CILNCP, as a certified Fiscal/Employer Agent, performs Financial Management Services (FMS) on behalf of individuals which include issuing paychecks, withholding payroll taxes, remitting payroll tax liability, and doing background checks. CILNCP also provides FMS for various microboards. These microboards have arrangements with the Office of Developmental Programs (ODP) to provide services to individuals with intellectual disabilities. Additionally, CILNCP assists waiver participants in purchasing participant-directed goods and services.

FINDING NO. 1	SUMMARY
<p align="center">Support Coordinators' Case Notes Did Not Substantiate Units Billed to PROMISe</p>	<ul style="list-style-type: none"> • 19 of 50 Supports Coordination claims sampled were not substantiated by service notes. • The variance between PROMISe billings and the specific units documented per federal guidelines resulted in an error rate of 38.5%. • Extrapolating this percentage over the entire population of Supports Coordination billings results in a disallowance of \$64,651. • In addition, service notes do not always reflect the service dates billed in PROMISe.

HIGHLIGHTS OF RECOMMENDATIONS	
<p>CILNCP should:</p> <ul style="list-style-type: none"> • Improve its Supports Coordination billing procedures to ensure all PROMISe billings are supported by the required service notes and that all service notes correspond to the dates or periods the services were provided. • Monitor service notes to ensure Supports Coordinators fully document their services and dates of services to support the claims billed in PROMISe as well as track quarterly and face to face contacts. <p>OLTL should:</p> <ul style="list-style-type: none"> • Recover the \$64,651 that relates to unsupported Supports Coordination claims. • Consult with the ODP and consider utilizing HCSIS to bill for Supports Coordination claims, which will help prevent providers from billing without a supporting service note. This practice will also strengthen provider management and OLTL oversight. 	

FINDING NO. 2	SUMMARY
<p align="center">Revenues Retained from the ACP were Not Restricted as Required</p>	<ul style="list-style-type: none"> • An OLTL Bulletin, effective January 1, 2011, requires providers to deposit all ACP related payments into a designated bank account to be used solely toward the goals and objectives of the program. • The BFO estimates CILNCP inappropriately used \$404,794 of restricted ACP funds to cover operating expenses of other programs.

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HIGHLIGHTS OF RECOMMENDATIONS

<p>CILNCP should:</p> <ul style="list-style-type: none"> • Use profits of the ACP in correlation with the goals and objectives of the program as required. • Reimburse the designated ACP bank account \$404,794 to account for funds spent on other programs. <p>OLTL should:</p> <ul style="list-style-type: none"> • Ensure CILNCP reimburses the designated ACP bank account \$404,794. • Monitor CILNCP's ACP bank balance and expenditures to ensure funds are used to meet the goals and objectives of the ACP. • Adjust CILNCP's reported unused funds for calendar year 2011 from \$479,042 to \$402,995 to account for \$76,047 unreported worker's compensation costs.
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FINDING NO. 3	SUMMARY
<p>Landlord Approval was Not Documented Prior to the OLTL's Authorization of DME</p>	<ul style="list-style-type: none"> • CILNCP billed PROMISE \$2,800 in November 2011 for porch handrails without first documenting landlord approval; the landlord subsequently requested that the handrails be removed. • CILNCP's Billing Coordinator informed the BFO that the contractor refunded the \$2,800 to CILNCP on May 10, 2012. At the closing conference, the CILNCP informed the BFO an adjustment was made in PROMISE. At the exit conference, CILNCP informed the BFO that the contractor eventually installed acceptable handrails at no cost to remedy the situation.

HIGHLIGHTS OF RECOMMENDATIONS

<p>CILNCP should:</p> <ul style="list-style-type: none"> • Ensure the PROMISE refund is completed and the \$2,800 is adjusted in future payments. • Obtain written preapproval from landlords before requesting OLTL approval of adaptations to rental properties. <p>OLTL should:</p> <ul style="list-style-type: none"> • Ensure the adjustment is processed and refund is made. • Verify written landlord approvals are obtained prior to authorization of rental property modifications.
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FINDING NO. 4	SUMMARY
<p align="center">CILNCP Lacked Controls Over Payments to Agencies Providing Personal Assistance Services (PAS)</p>	<p><u>PAS-Agency Model</u></p> <ul style="list-style-type: none"> • All 14 PAS-Agency Model claims sampled were supported by contractor invoices and appropriately billed to PROMISE at cost. • CILNCP did not obtain attendant timesheets to ensure time billed to CILNCP was supported. However, contractors currently bill PROMISE directly making future timesheet review unnecessary. <p><u>PAS-Consumer Model</u></p> <ul style="list-style-type: none"> • Timesheets signed by consumers and attendants were on file to support all 95 claims sampled. • The BFO estimates CILNCP's total profit for the 95 claims sampled was \$6,813 or a 12% profit margin.

HIGHLIGHTS OF RECOMMENDATIONS	
<p>OLTL should:</p> <ul style="list-style-type: none"> • Determine the appropriateness of the profit levels achieved when providing PAS under the Consumer Model. This could include limiting the billing of attendant wages to the actual amounts paid or be accomplished through a return of any excess revenues from the waiver programs to DPW. 	

FINDING NO. 5	SUMMARY
<p align="center">Multiple Services Provided at Microboards Create a Potential Conflict of Interest</p>	<ul style="list-style-type: none"> • CILNCP provides IM4Q monitoring and FMS to Microboards, which creates a potential conflict of interest. • CILNCP has the ability to market its services when providing IM4Q monitoring.

HIGHLIGHTS OF RECOMMENDATIONS	
<p>CILNCP should:</p> <ul style="list-style-type: none"> • Discontinue IM4Q or FMS services at agencies that provide both services if a conflict of interest exists. <p>ODP should:</p> <ul style="list-style-type: none"> • Ensure CILNCP resolves the potential conflict of interest by discontinuing one of the two services where applicable. 	

OBSERVATION NO. 1	SUMMARY
<p align="center">Independent Audits Not Completed Timely and Books Not Closed since June 30, 2010</p>	<ul style="list-style-type: none"> • CILNCP was not issued an A-133 independent audit report for fiscal year 2009-10 until March 12, 2012. The fiscal year 2010-11 audit was not issued as of the close of onsite fieldwork. • As a result, CILNCP's books have not been closed since June 30, 2010 and management cannot produce current income statements to make informed financial decisions.

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OBSERVATION NO. 2	SUMMARY
Supports Coordinators Document Services in Multiple Locations	<ul style="list-style-type: none"> • CILNCP expects Supports Coordinators to document service notes in HCSIS and CIL Suite, CILNCP's internal system, which is inefficient. • Notes are entered in HCSIS so OLTL can access the records. • According to CILNCP management, notes are entered in CIL Suite due to CILNCP's access to additional reporting capabilities needed to make management decisions. Granting providers additional HCSIS reporting capabilities may eliminate this documentation redundancy.

Background

The OLTL is responsible for the overall management of programs that were designed to assist individuals with physical disabilities. This is done through waiver services that complement and/or supplement the services available to participants through the Medicaid State plan and other federal, state and local public programs.

Under the self-directed model for personal care services, individuals with physical disabilities who are waiver participants are empowered to interview, hire, and fire their personal care assistants. CILNCP, as a certified Fiscal/Employer Agent, performs Financial Management Services (FMS) on behalf of waiver participants which include issuing paychecks, withholding payroll taxes, remitting payroll tax liabilities, and doing background checks. The center also assists waiver participants in purchasing participant-directed goods and services. Additionally, CILNCP works with the Pennsylvania's Nursing Home Transition Program and with Area Agencies on Aging to facilitate environmental home modifications for consumers who are 60+ to help them stay in their homes and communities.

Individual Service Plans (ISPs) address possible natural supports in the participant's community, desired outcomes, appropriate types of services and service providers needed to achieve or realize those outcomes, and the frequency of needed goods or services. Supports Coordinators communicate with waiver participants throughout the year on the phone and in person and meet with them annually to review prior year ISPs and amend them as needed. ISPs detail the type and amount of waiver services available to the waiver participants and specify the units that can be billed through the PROMISE system.

Objective, Scope and Methodology

The audit objectives developed in concurrence with the OLTL were:

- To determine if CILNCP has adequate documentation to support its claims to PROMISE for Durable Medical Equipment (DME), Supports Coordination Services (SC), Personal Assistance Services (PAS), and Personal Emergency Response Systems (PERS).

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- To determine the effectiveness of OLTL's PAS rates with respect to actual cost.
- To determine if retained revenues restricted to the Attendant Care Program from January 1, 2011 on have been used appropriately.

In pursuing our objectives, the BFO interviewed management and staff members from CILNCP. We also reviewed client case records, subcontractor invoices, financial reports, and other pertinent documentation necessary to complete our objectives.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Government auditing standards also require that we obtain an understanding of internal controls that are relevant to the audit objectives described above. The applicable controls were examined to the extent necessary to provide reasonable assurance of the effectiveness of those controls. Based on our understanding of the controls, some deficiencies were identified. These deficiencies and other areas where we noted an opportunity for an improvement in management's controls are addressed in the findings and observations of this report.

Fieldwork for this audit took place between April 23, 2012 and May 9, 2012. The report, when presented in its final form, is available for public inspection.

Results of Fieldwork

Finding No. 1 – Support Coordinators' Case Notes Did Not Substantiate Units Billed to PROMISe

Service Notes Not Present

Pursuant to the Department of Health and Human Services' interim final rule published in the Federal Register on December 4, 2007, Vol. 72, No. 232, if a State plan provides for case management services, the "... case records must document for each individual ... the dates of case management services; the nature, content, units of case management services received, and whether the goals specified in the care plan have been achieved..." (42 CFR, Parts 431, 440, and 441).

For 19 of 50 Supports Coordination (SC) claims sampled, CILNCP billed PROMISe for services which were not substantiated by service notes located in HCSIS and/or CILNCP consumer files (CIL Suite). When case notes are not maintained, OLTL cannot be reasonably assured that billed services have been performed and consumers are working toward and achieving their goals. The variance between PROMISe billings and the specific units documented per federal guidelines resulted in an error rate of 38.5%. When the BFO extrapolates the percentage over the entire population of billings for SC, it results in a disallowance of \$64,651. CILNCP's current Director of Programs and Services informed the BFO that monitoring procedures have been put in place after the audit period to ensure all SC services are supported by service notes.

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Additionally, CILNCP did not consistently enter month-long date ranges for SC services provided under the Attendant Care Waiver. As a result, service notes do not always reflect the service dates billed in PROMISe. Although BFO did not disallow any of these claims if a note existed during the applicable month, these claims could result in OLTL receiving a disallowance of funds if sampled by the Federal Government.

Quarterly Phone Calls and Biannual Personal Visits Were Not Always Performed

The HCBS Waiver requires providers to monitor the health and safety of the participant and the quality of services provided to the participant through personal visits at a minimum of twice per year and telephone calls at least quarterly. Two of the 43 SC consumers included in our sample were not contacted each quarter during the audit period. Also, one of the 43 consumers was not contacted face to face during the audit period. When consumers are not periodically assessed as required, Supports Coordinators cannot determine if authorized services remain effective.

On the other hand, CILNCP is meeting the required contact guidelines when acquiring DME. Supports Coordinators followed up on all 14 DME claims sampled to determine if consumers are satisfied and benefiting from the DME. The CILNCP Supports Coordinators are also properly authorizing and billing for the PERS.

Recommendations

The BFO recommends CILNCP improve its SC billing procedures to ensure all PROMISe billings are supported by the required service notes and that all service notes correspond to the dates or periods the services were provided. The BFO also recommends that CILNCP monitor service notes to ensure Supports Coordinators fully document their services and dates of services to support the claims billed in PROMISe, as well as track quarterly and face to face contacts.

The BFO recommends the OLTL recover the \$64,651 that relates to unsupported Supports Coordination claims.

The BFO also recommends that OLTL consult with the ODP and consider utilizing HCSIS to bill for SC claims, which will help prevent providers from billing without a supporting service note. This practice will also strengthen provider management and OLTL oversight.

Finding No. 2 – Revenues Retained from Attendant Care Program (ACP) were Not Restricted as Required

CILNCP interprets the ACP to be a fee-for-service program, which would entitle CILNCP to retain any excess revenue over expenses. However, OLTL Bulletin 54-11-01, 51-11-01, 59-11-01, 55-11-01, 05-11-01, effective January 1, 2011, regarding billing procedure codes for fiscal/employer agents states, "...reimbursement for these services is posted directly into the dedicated bank account for participant-directed services and is not considered to be income."

The BFO reviewed ACP retained revenues reported to OLTL for the period January 1, 2011 to December 31, 2011, a payroll report, bank statements, and PROMISe payments. Our review indicated CILNCP, as of March 31, 2012, inappropriately used approximately \$404,794 of restricted funds to cover operating expenses of other programs.

**Center for Independent Living of North Central Pennsylvania
January 1, 2011 through December 31, 2011**

Recommendations

The BFO recommends CILNCP only use profits of the ACP in correlation with the goals and objectives of the program as required. The BFO further recommends CILNCP reimburse the designated ACP bank account \$404,794 to account for funds used for other programs.

The BFO recommends OLTL ensure CILNCP reimburse the designated ACP bank account \$404,794. The BFO further recommends OLTL monitor CILNCP's ACP bank balance and expenditures to ensure funds are used to meet the goals and objectives of the ACP. Additionally, the BFO recommends that OLTL adjust CILNCP's reported unused funds for calendar year 2011 from \$479,042 to \$402,995 to account for \$76,047 unreported worker's compensation costs.

Finding No. 3 – Landlord Approval was Not Documented Prior to the OLTL's Authorization of DME

All 14 DME claims tested were authorized by OLTL as necessary and were appropriately billed to PROMISE at cost. However, according to a May 4, 2012 service note, CILNCP billed PROMISE \$2,800 in November 2011 without first documenting landlord approval for porch handrails. Furthermore, although the ISP indicates the property is owned by the consumer, service notes indicate the landlord had the railing removed because it was not the railing that was agreed to. The Supports Coordinator also noted that the railing the landlord wants is decorative and therefore is not reimbursable through the waiver.

The Independence Waiver states, "rented property modifications must meet the following: there is a reasonable expectation that the participant will continue to live in the home; permission is secured from the property owner for the modification; indication of whether the owner will or will not require the home to be returned to its original state; and the landlord will not increase the rent because of repairs."

CILNCP's Billing Coordinator informed the BFO after onsite fieldwork that the contractor dropped off a \$2,800 refund check for the unused rails on May 10, 2012. At the closing conference held on May 23rd, CILNCP informed the BFO that an adjustment was made in PROMISE for the claim. At the exit conference on September 17th, CILNCP informed the BFO that the contractor eventually installed acceptable handrails at no cost to remedy the situation.

Recommendations

The BFO recommends CILNCP ensures the PROMISE refund is completed and the \$2,800 is adjusted in future payments. The BFO also recommends CILNCP obtain written preapproval from landlords before requesting OLTL authorization of adaptations of rental properties.

The BFO recommends OLTL ensures the adjustment is completed in PROMISE for the \$2,800. In addition, the BFO recommends OLTL verify written landlord approvals are obtained prior to authorization of rental property modifications.

Center for Independent Living of North Central Pennsylvania
January 1, 2011 through December 31, 2011

Finding No. 4 – CILNCP Lacked Controls over Payments to Agencies Providing PAS

Attendant Care Program (ACP) Overview

The ACP is funded by OLTL and Aging and encompasses two models, the Agency Directed Model and the Consumer Model. Each model has its own distinct fee-for-service rate depending upon the region in which the provider is located. The Agency Directed Model is structured for providers who directly hire employees to perform the actual direct care service to the consumer. The Consumer Model allows the consumer to employ his/her own attendants and have an organization provide the fiscal and administrative oversight for the consumer, known as a Fiscal/Employer Agent.

The CILNCP ACP is based on the Consumer Model. The CILNCP's responsibilities under this model is enrolling participants, providing orientation and training; conducting criminal background checks; distributing, collecting, and processing support worker timesheets. CILNCP also prepares and issues workers' payroll checks; withholding, filing, and depositing federal, state, and local income taxes; brokering workers' compensation for all support workers; processing all judgments, garnishments, tax levies, or any related holds on workers' pay; and preparing and disbursing IRS Forms W-2s and/or 1099s.

PAS-Consumer Model Results

Timesheets signed by consumers and attendants were on file to adequately support all 95 claims sampled. CILNCP generated profit margins ranging from 5% to 23% per unit for 94 of the 95 claims tested. 90 of the 94 claims were billed at \$3.12 per unit and four of the 94 claims were billed at \$3.16 per unit. The one sampled claim remaining was billed at \$3.93 per unit, which generated a profit of \$1.18 per unit or a 30% profit margin. CILNCP's total profit for the 95 claims tested before overhead allocation was \$6,813 or a 12% profit margin.

We could not calculate the overhead allocation because CILNCP's books were not current as discussed in Observation No. 1. However, CILNCP bills a separate management fee for each consumer to cover administrative costs. Therefore, the BFO finds it reasonable to conclude the overhead allocation will have little effect on CILNCP's profit for services performed under the Consumer Model.

PAS-Agency Directed Model Results

Although all 14 PAS-Agency Model claims sampled were supported by contractor invoices and appropriately billed to PROMISE at cost, CILNCP did not obtain attendant timesheets to ensure time billed to CILNCP was supported. When employee timesheets are not reviewed, hours billed to CILNCP and subsequently PROMISE are not substantiated. Furthermore, there is an increased risk of noncompliance, errors, fraud and/or abuse among agency providers. However, contractors currently bill PROMISE directly making future timesheet review unnecessary.

The DPW Single Audit Supplement, page 6-3 states, "The consumer submits a biweekly timesheet to the service provider that details the actual hours of service provided by the attendant(s). The timesheet is signed by both the consumer and the attendant(s)." Since CILNCP billed PROMISE for the cost of services performed under the Agency Model, CILNCP was ultimately responsible for substantiating units billed just as it does for the Consumer Model.

**Center for Independent Living of North Central Pennsylvania
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Recommendations

The BFO recommends OLTL determine the appropriateness of the profit levels achieved when providing PAS. This could include limiting the billing of attendant wages to the actual amounts paid or be accomplished through a return of any excess revenues from the waiver programs to DPW.

Finding No. 5 – Multiple Services Provided to Microboards Create a Potential Conflict of Interest

Per review of Board minutes as part of our audit procedures, it was discovered CILNCP provides IM4Q monitoring in the same County as where FMS to microboards is being provided, which creates a conflict of interest. During IM4Q monitoring, CILNCP has the ability to recommend additional services offered by CILNCP to consumers. In other words, CILNCP can use IM4Q monitoring to market its services.

IM4Q Operational Guidelines, page 24 states, “All efforts must be made to insure that the local IM4Q program is without any conflicts of interest. Programs must make conscious efforts to minimize particular conflicts, which could lead to inaccuracy or lack of objectivity in monitoring. Any provider agency providing direct care service to people with developmental disabilities cannot be involved in the organization or operation of independent monitoring.” According to CILNCP’s board minutes, CILNCP set up the Roads to Freedom foundation to address this conflict of interest with the IM4Q program. Although Roads to Freedom is a separate entity for legal, audit and tax purposes, Roads to Freedom and CILNCP operate as a single entity.

Recommendations

The BFO recommends CILNCP discontinue IM4Q or FMS services at agencies that receive both services if a conflict of interest exists.

The BFO recommends ODP ensure CILNCP resolve the potential conflict by discontinuing one of the two services where applicable.

Observation No. 1 – CILNCP Independent Audits Not Completed Timely and Books Not Closed Since June 30, 2010

OMB Circular A-133 states, “Non-federal entities that expend \$500,000 or more in a year in Federal awards shall have a single audit conducted.” OMB Circular A-133 further states audits shall be performed annually.

CILNCP was not issued an A-133 independent audit report for fiscal year 2009-10 until March 12, 2012 and the 2010-11 audit was not issued as of the close of audit fieldwork. As a result, CILNCP’s books have not been closed since June 30, 2010 and management cannot produce current income statements to make informed financial decisions. Furthermore, best business practices dictate that controls over reporting be in place to ensure compliance with laws and regulations, minimize errors, prevent and detect fraud and/or abuse, and maximize operating efficiency.

**Center for Independent Living of North Central Pennsylvania
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Observation No. 2 – Supports Coordinators Document Services in Multiple Locations

SC service notes are documented in HCSIS and CILNCP's internal system, CIL Suite. When notes are maintained in multiple places time spent documenting services increases, which takes away from time available to provide the services as well as billable time for CILNCP. According to CILNCP management, Supports Coordinators are expected to enter notes into HCSIS so OLTL can access the records and CIL Suite due to its additional reporting capabilities needed to make management decisions, as HCSIS is unable to produce reports needed to effectively manage the consumer's case file. Granting CILNCP access to additional HCSIS reporting features may eliminate the redundancy of documenting SC services in multiple locations.

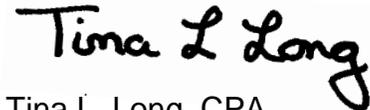
In accordance with our established procedures, an audit response matrix will be provided to OLTL and ODP. OLTL and ODP are responsible for separately completing the matrix within 60 days and emailing the Excel files to the DPW Audit Resolution Section at:

RA-pwauditresolution@pa.gov

The response to each recommendation should indicate OLTL's and ODP's concurrence or non-concurrence, the corrective action to be taken, the staff from OLTL and/or ODP responsible for the corrective action, the expected date that the corrective action will be completed, and any related comments.

Please contact David Bryan, Audit Resolution Section, at (717) 783-7217 if you have any questions concerning this audit or if we can be of any further assistance in this matter.

Sincerely,



Tina L. Long, CPA
Director

**CENTER FOR INDEPENDENT LIVING OF NORTH CENTRAL PENNSYLVANIA
AUDITOR'S COMMENTARY**

APPENDIX A

**Center for Independent Living of North Central Pennsylvania
Auditor's Commentary**

The BFO's review of CILNCP's response identified seven comments that warrant clarification in this auditor's commentary.

Response Page 2 – RESPONSE TO FINDINGS

The response asserts BFO did not cite specific regulations to support Finding No. 1 regarding service notes not being present.

BFO Comment

The BFO did cite the Department of Health and Human Services' (HHS) interim final rule published in the Federal Register on December 4, 2007, Vol. 72, No. 232, 42 CFR Parts 431, 440, and 441. These parts detail the Commonwealth's responsibilities when providing Medicare and Medicaid funded case management services. The OLTL has in the past demonstrated its support of BFO's use of these criteria, as CILNCP is a Medicaid provider.

Response Page 2 – FINDING NO. 1

The response states CILNCP did comply with supports coordination documentation requirements per OLTL Bulletin Number 2007-HCBS-02.

BFO Comment

The BFO did not test for compliance with OLTL Bulletin Number 2007-HCBS-02 because the Bulletin is superseded by the HHS interim final rule. The Bulletin is superseded for two reasons: first, Federal regulations always supersede State regulations; and second, the effective date of the HHS interim final rule was subsequent to that of the OLTL Bulletin.

Response Page 2 – FINDING NO. 1 – FOOTNOTE 1

The response requests an opportunity to review and respond to the BFO's extrapolation methodology related to unsubstantiated supports coordination claims.

BFO Comment

The BFO provided a list of the 19 supports coordination exceptions to CILNCP on May 25, 2012 after CILNCP requested the information at the audit Closing Conference. The BFO provided documentation on the extrapolation methodology, universe of supports coordination claims, and random sample at the Exit Conference held on September 17, 2012.

**Center for Independent Living of North Central Pennsylvania
Auditor's Commentary**

Response Page 2 – FINDING NO. 2

The response alleges the BFO did not identify and misinterpreted the OLTL Bulletin used as a basis for the Finding.

BFO Comment

The BFO misstated OLTL Bulletin 54-11-01, 51-11-01, 59-11-01, 55-11-01, 05-11-01 on page 7 of the report. The correct Bulletin Number is 54, 541-11-01, 51-01-11-01, 59-01-11-01, 55-01-11-01, effective January 1, 2011, which in the Discussion section reads exactly as quoted by the BFO in the Audit Report. The error was corrected in the body of the Final Audit Report and discussed with CILNCP at the Audit Exit Conference.

Response Page 3 – FINDING NO. 2

The response states the entire \$404,794 of restricted revenues pre-date the effective date of the OLTL Bulletin so the Finding must be withdrawn. CILNCP's Chief Executive Officer clarified at the audit Exit Conference that she is referring to revenues earned prior to January 1, 2011 that were not received by CILNCP until after January 1, 2011.

BFO Comment

OLTL Bulletin 54, 541-11-01, 51-01-11-01, 59-01-11-01, 55-01-11-01 became effective January 1, 2011. The BFO interprets this Bulletin to apply to all funds received and disbursed after the Bulletin effective date, regardless of when the funds were earned or expenses were incurred. The BFO's interpretation is consistent with the OLTL's provider reporting requirements for unused funds. CILNCP reported \$479,042 of unused funds to the OLTL for the period January 1, 2011 to December 31, 2011, which was the only figure used in the BFO calculation for calendar year 2011, less \$76,049 worker's compensation costs not reported to the OLTL. Therefore, Finding No. 2 should not be withdrawn.

Response Page 3 – FINDING NO. 3

The response indicates CILNCP identified the \$2,800 overpayment prior to the BFO and remedied the overpayment prior to the audit Closing Conference.

BFO Comment

Due to additional information obtained during the exit conference on September 17, 2012, the BFO agreed to revise Finding No. 3 in the final audit report.

**Center for Independent Living of North Central Pennsylvania
Auditor's Commentary**

Response Page 3 – FINDING NO. 4

The response asserts that the BFO, when calculating profit margins for Personal Assistance Services – Consumer Model (PAS), should consider losses incurred for other services. At the exit conference on September 27, 2012, the CILNCP Chief Executive Officer specified that she was referring to losses incurred performing other PAS activities, such as travel.

The response also asks what regulation(s) BFO used as a basis for the Finding.

BFO Comment

As stated in Finding No. 4 of the audit report, “PAS-Consumer Model results,” second paragraph, we could not calculate the overhead allocation because CILNCP’s books were not current as discussed in Observation No. 1. However, CILNCP bills a separate management fee for each consumer to cover administrative costs. Therefore, the BFO finds it reasonable to conclude the overhead allocation will have little effect on CILNCP’s profit for services performed under the Consumer Model.

The BFO calculated profit margins for PAS to simply provide information to the OLTL regarding the effectiveness of the rates with respect to actual costs. This objective is reported on page 5 of the audit report. Government Auditing Standards, 2011 Revision, Chapter 7.14 states, “the extent to which the elements for a finding are developed depends on the audit objectives. Thus, a finding or set of findings is complete to the extent that the auditors address the audit objectives.”

**CENTER FOR INDEPENDENT LIVING OF NORTH CENTRAL PENNSYLVANIA
RESPONSE TO DRAFT REPORT**

APPENDIX B



Center for Independent Living
of North Central Pennsylvania

Empowering people with all disabilities by providing:
Resources, **O**ptions, **A**nd **D**isability related

To obtain individual **Freedom** in their

September 7, 2012

Mr. Brian Pusateri, Audit Manager
Division of Audit and Review
Bureau of Financial Operations
Department of Public Welfare
Room 325, Scranton State Office Building
100 Lackawanna Avenue
Scranton, PA 18503

RE: Center for Independent Living of North Central Pennsylvania:
Response to Proposed Audit Report

Dear Mr. Pusateri:

The Center for Independent Living of North Central Pennsylvania ("CILNCP") submits its response to the draft audit report ("Report") prepared by the Bureau of Financial Operations ("BFO") dated July 18, 2012.

BACKGROUND OF THE CILNCP

The CILNCP is a not-for-profit social services agency that is located in Williamsport, PA. On October 1, 1998, the CILNCP became a center for independent living in Pennsylvania and was incorporated as CILNCP, Inc. under Section 501(c) (3) of the IRS Code. The CILNCP serves and assists individuals with disabilities and protects and enhances the rights of disabled citizens primarily in Bradford, Cameron, Centre, Clinton, Columbia, Elk, Jefferson, Lycoming, McKean, Montour, Northumberland, Potter, Snyder, Sullivan, Susquehanna, Tioga, and Union counties. The CILNCP receives a combination of federal, state and local funding and grants pursuant to which it provides numerous home and community based personal assistance services to disabled consumers which services enable the consumers to live in their homes and so avoid institutionalization.

RESPONSE TO FINDINGS

According to BFO, the audit was conducted to determine CILNCP's compliance with applicable regulations and management of its various programs. See Report at page 1. As a general response, CILNCP finds that the Report fails to reference the specific regulations that support its findings. The Report, at page six, while referencing general chapters within Title 42 of the Code of Federal Regulations, does not otherwise identify, as it must, the specific regulations that the auditors rely upon for their proposed Findings. Furthermore, no state regulations are referenced by the auditors. CILNCP is unable to fully respond to the draft report absent notice of the specific regulatory provisions that BFO alleges support the Findings.

CILNCP submits the following additional specific responses to the Findings set forth in the Report:

FINDING NO. 1

Finding No. 1 asserts that "19 of 50 Supports Coordination Claims sampled were not substantiated by service notes." BFO next proceeded to "extrapolate" the alleged error rate over the entire billings for Supports Coordination for the audit period (January 1, 2011 – December 31, 2011) and suggests that CILNCP has been overpaid by \$64,651.00.

Contrary to the Finding, CILNCP, pursuant to OLTL Bulletin No. 2007-HCBS-02, maintained time sheets that reasonably substantiate the billed services. See Attachment "A." BFO may not lawfully adopt and apply documentation standards that conflict with the standards OLTL advised CILNCP were acceptable for purposes of billing and documentation.

Accordingly, because CILNCP has maintained documentation consistent with the OLTL standards, this Finding must be withdrawn.¹

FINDING NO. 2

BFO alleges that "[a]n OLTL Bulletin, effective January 1, 2011, requires providers to deposit all ACP (Attendant Care Program) related payments into a designated bank account to be used solely toward the goals and objectives of the program". Furthermore, according to BFO, it has "estimated" that CILNCP "inappropriately used \$404,794.00 of restricted ACP funds to cover operating expenses of other programs."

To the extent that the unidentified Bulletin that BFO relies upon for the Finding is the Bulletin that was adopted by OLTL on December 2, 2010, effective January 1, 2011 (Nos. 05-10-09, 55-10-09, 52-10-09, 55-10-09, 59-10-09), BFO misinterprets and so misapplies the Bulletin. A close reading of the Bulletin does not disclose any basis within the Bulletin for BFO's conclusion in Finding No. 2. Upon review, if there is another Bulletin that BFO relies upon for its Finding No. 2, it must identify the Bulletin and provide CILNCP the opportunity to respond to BFO's interpretation and application of any such Bulletin. As written, however, Finding No. 2 fails to identify any text in the Bulletin that BFO presumptively relies upon for its Finding that actually support the Finding.

¹ A secondary concern presented by this Finding is the lack of narrative explaining the authority for BFO's extrapolation and how the extrapolation methodology was developed and applied to CILNCP's claims. If the Finding is not withdrawn on the basis of the response provided above, BFO must explain its extrapolation and afford CILNCP the opportunity to review and respond to the extrapolation.

Finally, apart from the legal defects inherent in the Finding, the revenues at issue actually pre-date the effective date of the Bulletin. All of the revenues that BFO focuses on relate to allowable services and payroll expenses incurred and paid by CILNCP prior to December 31, 2011. Thus, there is no factual basis for this Finding.

Consequently, because Finding No. 2 is factually and legally flawed, it must be withdrawn.²

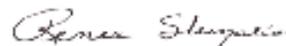
FINDING NO. 3

CILNCP objects to the inclusion of this Finding as CILNCP self identified the \$2,800.00 overpayment and cured the overpayment prior to the BFO closing conference.

FINDING NO. 4

If and to the extent BFO seeks to opine on the “profit margin” of CILNCP for a specific service, it should take into account the losses incurred by CILNCP due to inadequate funding for other services. Further, just what regulation(s) is BFO relying upon for its Finding and, absent a determination of a regulatory violation, what is the legal justification for inclusion of the Finding in the Report?

Sincerely yours,



Renee Sluzalis, CEO
Roads to Freedom
Center for Independent Living of
North Central Pennsylvania

² The presumptive Bulletin is the subject of pre-litigation negotiation between the Department of Public Welfare and providers of home and community based waiver services. The providers assert, and CILNCP asserts here in the event that Finding No. 2 is not withdrawn, that the Bulletin seeks to impose binding mandates and standards of conduct but has not been adopted pursuant to the Commonwealth's prescribed rule making process. Consequently, BFO may not rely upon the Bulletin for its disallowance determination. See Borough of Bedford et al., v. Commonwealth of Pennsylvania, Department of Environmental Protection, 972 A.2d 53 (Cmwlth Ct. 2009) (a bulletin/statement of policy that is actually an unpublished regulation in disguise is null and void). Additionally, the Bulletin, as interpreted by BFO violates the provisions of Title II of the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973.

Roads To Freedom begin at 24 East Third Street, Williamsport, PA 17701

Voice: [REDACTED]
Toll Free Voice: (800) 984-7492
Video Relay Systems: [REDACTED]
TTY: [REDACTED]
CapTel: [REDACTED]
Fax: [REDACTED]

www.CILNCP.org

ATTACHMENT A TO APPENDIX B

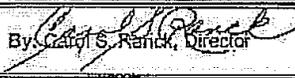
OFFICE OF LONG TERM LIVING
BUREAU OF HOME AND COMMUNITY BASED SERVICES DIRECTIVE
COMMONWEALTH OF PENNSYLVANIA * DEPARTMENT OF PUBLIC WELFARE

Date of Issue: March 16, 2007

Effective Date: March 16, 2007

Number: 2007-HCBS-02

Subject: Back-up documentation for fiscal records.

By: 
Carol S. Renick, Director

SCOPE

All Act 150, Attendant Care Waiver (ACW), and Community Services Program for Persons with Physical Disabilities (CSPPD) Grantees, Administrative Entities (AE), and provider agencies responsible for maintaining fiscal records.

PURPOSE

To advise all Act 150, ACW, CSPPD Prime Grantees, Administrative Entities, CSPPD waiver service providers that when an invoice is submitted to PROMISE for services provided under a Bureau of Home and Community Based Services (BHCBS) managed program, documentation of the transaction must also be maintained in the consumer's record. As part of the BHCBS quality management strategy this Directive clarifies and revises procedures currently utilized by the CSPPD programs. This process is a new quality management strategy for the ACT 150 and ACW programs. The implementation of this Directive for ACT 150 and ACW providers is July 1, 2007.

BACKGROUND

The statewide rollout of HCSIS has created a uniform mechanism for providers and BHCBS staff to quickly view service notes and other electronic information that would have historically been maintained in a participant/consumer file. This directive clarifies the documentation needed to maintain the participant's/consumer's fiscal record.

DIRECTIVE

When BHCBS waiver providers submit an invoice to PROMISE for services provided under a BHCBS managed program, documentation of the transaction must also be maintained in the participant's/consumer's record. The three types of documentation that will be accepted are:

1. Time sheets signed by the waiver participant or a representative
2. Invoices from other agencies not the invoices the provider submitted to BHCBS
3. Services Rendered Report (SRR, MA409).

The SRR is the form of documentation that must be used when timesheets and/or outside agency invoices do not exist. The SRR form should be kept in the participants' records. The SRR does not need to be sent to the Office of Long Term Living (OLTL) unless requested.

Billing for service/supports coordination must be documented with the SRR form; however the participant's/consumer's signature is not required for billing service/supports coordination. For all other services an agency documents using a SRR the participant/consumer signature is required to verify that the service was received. Providers can record more than one service on the SRR form as long as each SRR is for one individual participant. Example: If a participant receives one 4 hour session of community integration

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Amy High 3/16/07

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(and does not use a time sheet for this service) and 1 week of service coordination in a given week both services can be recorded on the same SRR form. Note: For the stated example the participants signature is required due to the fact a service other than service coordination was included on the form.

Agencies that utilize a telephony system such as HALO do not need to have signed time sheets for services covered under the system. Agencies utilizing a telephony system must have a BHCBS administrative waiver letter on record and produce the documentation of services provided upon request.

Attachment A: SRR/MA409

"Participant" is the Centers for Medicare and Medicaid Services (CMS) term for "consumer" and is being used here for compliance with CMS.

For comments or question regarding this Directive please call the BHCBS Policy and Quality Management Unit: 717-787-8091

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