



October 22, 2014

Ms. Jeanne Meikrantz, Executive Director
The ARC of Chester County
900 Lawrence Drive
West Chester, Pennsylvania 19380

Dear Ms. Meikrantz:

I am enclosing for your review the final audit report of The ARC of Chester County, as prepared by the Division of Audit and Review (DAR). Your response has been incorporated into the final report and labeled as an Appendix. The report covers the period July 1, 2012 to June 30, 2014.

I would like to express my appreciation for all of the courtesy extended to my staff during the course of the fieldwork. I understand that you were especially helpful to Timothy Rausch in completing the audit process.

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

If you have any questions concerning this matter, please contact David Bryan, Audit Resolution Section at [REDACTED].

Sincerely,

A handwritten signature in black ink that reads "Tina L Long". The signature is written in a cursive, flowing style.

Tina L. Long, CPA
Director

Enclosure

c: Mr. Jay Bausch
Ms. Deborah Donahue
Ms. Rochelle Zaslow
Mr. Timothy O'Leary
Ms. Patricia McCool

bc: Mr. Alexander Matolyak
Mr. Daniel Higgins
Mr. David Bryan
Mr. Michael A. Sprow
Ms. Shelley L. Lawrence
SEFO Audit File (S1400 – R99)

Some information has been redacted from this audit report. The redaction is indicated by magic marker highlight. If you want to request an unredacted copy of this audit report, you should submit a written Right to Know Law (RTKL) request to DHS's RTKL Office. The request should identify the audit report and ask for an unredacted copy. The RTKL Office will consider your request and respond in accordance with the RTKL (65P.S. §§ 67.101 et seq.) The DHS RTKL Office can be contacted by email at: rapwrtkl@pa.gov.



October 22, 2014

Mr. Brendan Harris, Executive Deputy Secretary
Department of Public Welfare
Health & Welfare Building, Room 334
Harrisburg, Pennsylvania 17120

Dear Deputy Secretary Harris:

In response to a request from the Office Developmental Programs (ODP), the Bureau of Financial Operations (BFO) initiated an audit of The ARC of Chester County (ARC-CC). The audit was designed to investigate, analyze and make recommendations regarding the reimbursements from the Provider Reimbursement and Operations Management Information System (PROMISE) for client care. Our audit covered the period from July 1, 2012 to June 30, 2014 (Audit Period).

This report is currently in final form and therefore contains ARC-CC's views on the reported findings, conclusions and recommendations.

Executive Summary

ARC-CC provides services through participation in the Home and Community-Based Services (HCBS) waiver programs funded by ODP, such as the Consolidated, Person/Family Directed Supports (P/FDS) and Adult Autism waivers as well as intellectual disabilities (ID) programs funded through the counties (known as "Base Funded" programs). ARC-CC provides habilitation services under both the traditional provider model and under the Agency With Choice (AWC) model. As an AWC, ARC-CC is required to provide an array of functions for the managing employer (ME) who is typically a parent or close relative or the consumer.

The report finding and recommendations for corrective action are summarized below and apply only to the AWC model.

FINDINGS	SUMMARY
<i>Finding No. 1 – PROMISE Claims Were Not Supported by Adequate Documentation.</i>	A statistically valid random sample (SVRS) of claims paid by PROMISE was tested for adequacy of supporting documentation. The discrepancies identified related to missing daily activity notes. Total questioned costs related to this error were \$3,672,981.

**The ARC of Chester County
July 1, 2012 Through June 30, 2014**

HIGHLIGHTS OF RECOMMENDATIONS

ODP should:

- Recover \$3,672,981 for inadequately documented claims.
- Review ARC-CC's new internal control procedures that were recently put in place to verify that adequate documentation, as required by 55 Pa. Code Chapter 51, is prepared and retained.

ARC-CC should:

- Only claim reimbursements for services that are supported by adequate documentation.

See Appendix A for the Background; Objective, Scope and Methodology; and Conclusion on the Objective.

Results of Fieldwork

Two SVRSs were selected to verify HCBS paid claims: one for the traditional provider service model and one for the AWC service model. Other claims categories were randomly tested for adequacy of supporting documentation. Other than the exceptions noted for the AWC daily activity notes, all claims were properly documented.

Finding No. 1 – PROMISe Claims Were Not Supported by Adequate Documentation.

A SVRS of claims was selected from the claims reimbursed through PROMISe during the Audit Period for the AWC financial management services model. The SVRS consisted of Home and Community Habilitation services. All of the services were rendered in the consumers' homes and/or communities.

The BFO analyzed the underlying documentation to determine the adequacy and validity of each claim in the sample. The documentation included employee time sheets, monthly progress notes, semi-monthly progress notes and other documentation which did not meet the day-specific regulatory requirements. Occasionally, employee time sheets had brief narrative descriptions of activities that were date-specific. These were allowed, as were all of the other date-specific descriptions of home and community activities. The claims that had only monthly progress notes or semi-monthly progress notes were determined to be inadequate.

The ARC-CC's management was prompt in producing employee time sheets but daily activity notes were, for the most part, absent prior to March, 2014. The BFO thoroughly reviewed all files and documents that were presented. The ARC-CC was provided additional time to present documentation in support of its HCBS claims; however, no additional information was presented. As a result, total questioned costs related to the lack of daily activity notes are \$3,672,981.¹

¹ 55 Pa. Code Chapter 51, §51.13 Ongoing Responsibilities of Providers, §51.15 Provider Records and §51.16 Progress Notes. Also 55 Pa. Code Chapter 1101 §1101.11 General Provisions and §1101.51 Ongoing Responsibilities of Providers.

The ARC of Chester County
July 1, 2012 Through June 30, 2014

Recommendations

The BFO recommends that ODP recover \$3,672,981 from ARC-CC due to claims that were inadequately documented.

The BFO also recommends that ODP review the ARC-CC's new internal control procedures to verify that adequate documentation, as required by 55 Pa. Code Chapter 51, is prepared and retained.

Additionally, the BFO recommends that ARC-CC only claim reimbursement for services that are supported by adequate documentation.

Exit Conference / Auditor's Commentary

The ARC-CC did not request an exit conference. A closing conference was held on August 11, 2014 at ARC-CC's offices to discuss the details of the finding and the remedial steps recently taken by ARC-CC to be in better compliance with the regulation requiring daily activity notes (55 Pa. Code Chapter 51, Section 51.16(b)).

ARC-CC's reply to the draft report was received on October 9, 2014 and it contained several citations to regulations pertaining to monthly progress notes; however, the questioned costs were the result of a lack of daily activity notes as required by 55 Pa. Code Chapter 51, Section 51.16(b). The reply did not address Section 51.16(b) nor did it argue that the Section is not applicable.

In accordance with our established procedures, an audit response matrix will be provided to ODP. Once received, ODP should complete the matrix within 60 days and email the Excel file to the DPW Audit Resolution Section at:



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

Sincerely,

A handwritten signature in black ink that reads "Tina L Long".

Tina L. Long, CPA
Director

- c: Mr. Jay Bausch
- Ms. Deborah Donahue
- Ms. Rochelle Zaslou
- Mr. Timothy O'Leary
- Ms. Patricia McCool

bc: Mr. Alexander Matolyak
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THE ARC OF CHESTER COUNTY

APPENDIX A

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Background

The ARC-CC is a non-profit corporation that was incorporated in Pennsylvania on February 21, 1963. The ARC-CC was organized to promote the general welfare of individuals with intellectual and physical disabilities. As such, the ARC-CC provides developmental programs and services to those with intellectual disabilities, as well as advising, instructing and aiding the families of those who are disabled and public advocacy of the disabled.

ARC-CC serves consumers who are approved by ODP. The ODP funds the waiver eligible services which are paid through the PROMISE reimbursement process.

Objective/Scope/Methodology

The audit objective, developed in concurrence with ODP was:

- To determine if ARC-CC has adequate documentation to substantiate its paid claims through PROMISE for services delivered.

The criteria used to ascertain the adequacy of supporting documentation was 55 Pa. Code Chapter 51, 55 Pa. Code Chapter 1101 and pertinent Federal Waiver requirements.

In pursuing this objective, the BFO interviewed ODP personnel and ARC-CC's management. We also analyzed books and records, care-giver time sheets, daily activity notes, monthly and semi-monthly progress reports, billing data, PROMISE reimbursement data, documentation of criminal background checks, electronic records available in the Home and Community Services Information System (HCSIS) and other pertinent data necessary to pursue the audit objective.

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

Government auditing standards require that we obtain an understanding of management controls that are relevant to the audit objective 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, there was a material deficiency in billing procedures under the AWC service model. Areas where we noted an opportunity for improvement in management controls are addressed in the finding of this report.

The BFO's fieldwork was conducted from July 27, 2014 to July, 30, 2014 and was performed in accordance with GAGAS. This report is available for public inspection.

Conclusion on the Objective

In conclusion, ARC-CC did not meet the documentation requirements for reimbursement of PROMISe claims under the AWC service model. Missing daily activity notes resulted in a total recommended disallowance of \$3,672,981.

**THE ARC OF CHESTER COUNTY
RESPONSE TO THE DRAFT REPORT**

APPENDIX B

October 9, 2014

Mr. Daniel Higgins, Audit Manager
Division of Audit and Review
Bureau of Financial Operations
Department of Public Welfare ("Department")


Dear Mr. Higgins:

The Arc of Chester County would like to thank you and your staff and The Office of Developmental Programs staff for their time and efforts in completing the audit, and for the opportunity to discuss the audit on August 12, 2014 at a closing conference.

We are in receipt of your resulting letter and draft performance audit report dated September 2, 2014, which we received on September 8, 2014. The audit found The Arc of Chester County in full compliance in all areas tested in the traditional side of our agency. In addition, The Arc of Chester County is in full compliance in all areas tested in the Agency with Choice ("AWC") program with the exception of the single finding noted in your draft audit report.

The single finding in your draft audit report relates to the Department's interpretation of the timing and content requirements for a progress note. The Arc of Chester County's response is as follows:

1. The Arc of Chester County respectfully disagrees to the finding that its AWC progress note documentation was non-compliant with the requirements communicated by the Department. The Department's requirements for progress note documentation are set forth in the following sources:
 - ODP AWC Bulletin 00-08-08. The ODP AWC bulletin 00-08-08 directs AWC providers and stakeholders to use the mandatory forms located in the *PA Guide to Participant Directed Services* ("PA Guide").
 - The PA Guide directs AWC providers to complete a monthly progress note using form DP 1010 (Pages 57, 75 and 84).
 - Chapter 51 regulations, effective July 1, 2011, include regulatory direction in 51.16(a) to complete a monthly progress note for services that occur "at least monthly" to substantiate the provider's claims.
 - ODP's provider monitoring tool, question number 61 refers to compliance to Chapter 51 regulations for completion of a progress note and number 63 refers to a monthly progress note.

The Arc of Chester County's AWC claims documentation practices were informed and based upon these official sources. The Arc of Chester County maintains that the audited records related to your single finding contained all the elements required by the Department to document and support a claim for AWC services.

2. The Arc of Chester County's AWC documentation was, at all times, substantially compliant with the Department's internal documentation standards, even though those standards were not clearly communicated to AWC providers at the time of the claims in question. The totality of the records for each claim reviewed during the audit comprises the requisite information for an AWC progress note, even under the Department's internal standards.

As noted in your report, for every claim reviewed there was, at a minimum, a monthly progress note and corresponding time sheets that comply with the requirements listed in Chapter 51.16. In addition, your review confirmed that for 100% of the claims audited, the dates, times, units and services included on the AWC staff time sheets matched the claims submitted. Therefore, all required information and documentation were provided by The Arc of Chester County.

Moreover, The Arc of Chester County has made continuing efforts to assure compliance with all Department requirements and update its practices. Upon arrival of a new Executive Director in September 2012, a review of all internal policies and procedures was initiated. Based on the internal review and the new Executive Director's knowledge of service documentation best practices, progress/service note documentation practices were reviewed and improved for all of The Arc of Chester County's programs, including the AWC program.

The best practices changes to the AWC documentation requirements were successfully implemented on March 1, 2014. As a result, since March 2014, The Arc of Chester County's AWC progress notes have included a more detailed service note in addition to continuing the completion of the required monthly progress note and corresponding time sheets. This change was initiated and successfully implemented prior to the audit. Your report noted that the claims documentation for the AWC program was found to be audit acceptable from March 2014 forward.

That said, we respectfully reiterate that The Arc of Chester County's efforts to improve its AWC documentation practices do not mean that earlier documentation practices were not compliant with the Department's guidance and instructions for AWC providers at the time.

3. Any recovery obligation imposed on the Arc of Chester County would constitute a penalty for a failure to comply with a documentation requirement of which the Department did not inform the Arc of Chester County or other AWC providers, and that was not readily apparent in the applicable regulations. Imposing such a penalty would create a significant hardship for The Arc of Chester County, all of the programs which it administers, and, consequently, all those who participate in those programs.

In conclusion, the Department is recommending a recovery of funds from The Arc of Chester County for failing to comply with the Department's internal documentation standards that were not communicated to The Arc of Chester County or other AWC providers at the time of the claims in question. For the reasons discussed above, the Arc of Chester County does not agree that its claims documentation was deficient or that a recovery is warranted under the circumstances. Also, compelling The Arc of Chester County to participate in the recovery of \$3,672,981 will cause a significant financial hardship to our agency. Furthermore it will compromise our ability to operate not only in our AWC program but all of our programs.

In line with our response above, we respectfully request that the recommendation included in your draft audit report that ODP recover \$3,672,981 from The Arc of Chester County be fully rescinded. If you have any questions or concerns, please do not hesitate contacting me at 610-696-8090. We look forward to your final report and response to our request.

Sincerely,



Jeanne Meikrantz
Executive Director



Jessica Straghan
Board President

Cc: Rochelle Zaslow, ODP Southeast Regional Manager
Daniel Dwyer, Audit and Compliance Committee Chair
Gary Johnson-McNutt, AWC Director



The official registration and financial information of The Arc of Chester County may be obtained from the Pennsylvania Department of State by calling toll free within Pennsylvania 1-800-732-0999. Registration does not imply endorsement. The Arc of Chester County is a 501(c)(3) nonprofit organization—contributions to which are tax deductible to the fullest extent permitted by law.

900 Lawrence Drive | West Chester, PA 19380 | T 610 696-8090 | F 610-696-8300 | www.arcofchestercounty.org | info@arcofchestercounty.org

The Arc of Chester County is affiliated with The Arc of Pennsylvania, The Arc of The United States, and The United Way.