



**pennsylvania**  
DEPARTMENT OF PUBLIC WELFARE

OCT 21 2011

Mr. Thomas Earle, Chief Executive Officer  
Liberty Resources, Inc.  
714 Market Street  
Philadelphia, Pennsylvania 19107

Dear Mr. Earle:

I am enclosing for your review the final performance audit report for Liberty Resources, Inc. as prepared by the Division of Audit and review (DAR). Your response dated September 12, 2011 has been incorporated into the final report as an attachment.

The report contains the findings and recommendations that were discussed with your staff at the exit conference on September 22, 2011.

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

The report will be forwarded to the Department's Office of Long Term Living (OLTL) to begin the Department's resolution process concerning the report's contents. The staff from OLTL may be in contact with you to follow-up on the action taken in consideration of the report's findings.

If you have any questions concerning this report, please contact Alexander Matolyak, Audit Resolution Section at 717-783-7786.

Sincerely,

*Tina L Long*

Tina L. Long

Enclosure

c: Secretary Gary Alexander  
Ms. Jennifer Burnett  
Mr. Michael Hale  
Ms. Jennifer Diane Brannon Nordtomme  
Deborah A. Bacon



OCT 21 2011

Mr. Timothy M. Costa  
Executive Deputy Secretary  
Health & Welfare Building, Room 333  
Harrisburg, Pennsylvania 17120

Dear Mr. Costa:

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) initiated an audit of Liberty Resources, Inc. (Liberty). The audit was designed to investigate, review and make recommendations regarding several issues identified by OLTL during the course of its January 2011 on-site monitoring. Our audit examined the period July 1, 2009 to December 31, 2010 and also considered certain subsequent events and subsequent remedial steps taken.

This report is currently in final form and therefore does contain current management's views on the reported findings, conclusions and recommendations. Management's response to the draft report is included as an attachment hereto. The report's contents and response were discussed at an exit conference held September 22, 2011.

**Liberty Resources, Inc.'s Executive Summary**

Liberty Resources, Inc. is a not-for-profit, social service organization that provides services and community education focusing on promoting and supporting independent living for persons with disabilities. Liberty owns and has its main offices at 714 Market Street, Philadelphia PA. It has a second facility in Allentown, PA that serves the Lehigh Valley area.

Among other endeavors, Liberty provides services directly and subcontracts with other providers for the benefit of handicapped persons by supplying needed goods and services under several federal waiver programs. They are the Aging Waiver, Act 150 (Attendant Care) Waiver, Independence Waiver, OBRA Waiver, CommCare Waiver and AIDS Waiver.

Under the self-directed model for personal care services, handicapped persons who are Waiver Participants (WP) are empowered to interview, hire and fire their personal care assistants. Liberty provides the financial management services normally required of an employer, like issuing paychecks, withholding payroll taxes, remitting payroll tax liability, and doing background checks.

The report findings and recommendations for corrective action are summarized below:

FINDINGS	SUMMARY
<b><i>Finding No. 1 - The Approved Rates For Attendant Care In The Philadelphia Area Are Inappropriately High And Provided Liberty With \$8.7 Million In Excess Of Its Cost</i></b>	For attendant care services, Liberty paid personal care assistants less than it receives as reimbursements from PROMISE. After taking into account payroll related costs, financial management services and a portion of overhead, Liberty has received \$8.7 million in excess of its cost.

**Liberty Resources, Inc**  
**July 1, 2009 through December 31, 2010**

**HIGHLIGHTS OF RECOMMENDATIONS**

OLTL Should:

- Reevaluate its rate setting process to more closely approximate costs. This could include limiting the billing of Personal Care Attendant Wages to the actual amounts paid or could be accomplished through a return of any excess of revenue to DPW.

FINDINGS	SUMMARY
<b><i>Finding No. 2 – Support Coordinators’ Time Records And Case Notes Did Not Substantiate Units Billed To PROMISE.</i></b>	The claims billed by Supports Coordinators could not be entirely verified because their time expended on particular WPs and recorded in the case notes often did not agree with the units billed to PROMISE. The audit test results, as extrapolated, indicate that an overcharge of \$974,280 has been made.

**HIGHLIGHTS OF RECOMMENDATIONS**

OLTL Should :

- Recover the \$974,280 relating to unsupported Supports Coordinator claims.

Liberty Should:

- Cease billing claims that are not supported by the proper documentation in the case records, such as the time required and services rendered.
- Ensure that employees are trained as to how to properly record the time required and services rendered in the case records.

FINDINGS	SUMMARY
<b><i>Finding No. 3 – The Propriety Of Non-Medical Transportation Expenditures Was Not Supported By The Records, Case Notes Or Other Documentation.</i></b>	BFO was unable to determine if the WPs were receiving the correct number of mass transit tokens because there were no details of necessary trips in the records examined. In addition, prior to October 2010, Liberty’s internal controls were insufficient to ascertain if the public transportation tokens and passes were received because the WPs were not required to sign a receipt.

**HIGHLIGHTS OF RECOMMENDATIONS**

OLTL Should:

- Ensure that service authorizations for NMT are approved based on individual service plans that state the specific reasons for and the number and types of trips to be taken.
- Determine if the absence of the transportation or living status test renders the NMT claim ineligible.

Liberty Should:

- Comply with requirements pertaining to the appropriate use of transportation services.
- Ensure that employees are trained as to the appropriate use of transportation services and to document the specific trips undertaken by the WPs.

**Liberty Resources, Inc**  
**July 1, 2009 through December 31, 2010**

FINDINGS	SUMMARY
<b><i>Finding No. 4 – Approval Of Durable Medical Equipment Purchases Could Not Be Verified.</i></b>	For large Durable Medical Equipment expenditures, OLTL approval is a prerequisite. However, in many instances the case notes and comments did not include any evidence of an OLTL approval.

HIGHLIGHTS OF RECOMMENDATIONS
<p>OLTL should :</p> <ul style="list-style-type: none"> <li>• Ensure the waiver requirements for Durable Medical Equipment approvals are communicated to Liberty's management and are recorded.</li> </ul> <p>Liberty Should:</p> <ul style="list-style-type: none"> <li>• Ensure that all required Durable Medical Equipment purchases are approved by OLTL and document such approval in the case records.</li> </ul>

FINDINGS	SUMMARY
<b><i>Finding No. 5 – Liberty Could Not Substantiate That The Necessary Living Conditions Existed Prior To Approving A Personal Emergency Response System (PERS). Liberty Overbilled OLTL \$11,040 For PERS.</i></b>	As a prerequisite to receiving a PERS, a WP must live alone, be alone for significant parts of the day, have no regular caregiver and otherwise require extensive routine supervision. The case notes and comments did not always detail the necessary qualifying facts. In addition, Liberty billed PROMISE more than it paid its subcontractors.

HIGHLIGHTS OF RECOMMENDATIONS
<p>OLTL should :</p> <ul style="list-style-type: none"> <li>• Further qualify the nature of the tests to be applied for PERS eligibility.</li> <li>• Closely monitor whether or not a potential PERS recipient's living conditions are such that he or she would be eligible for a PERS.</li> <li>• Recover \$11,040 in overbilled cost.</li> </ul> <p>Liberty should:</p> <ul style="list-style-type: none"> <li>• Establish controls to ensure the Waiver requirements for PERS are met.</li> <li>• Not bill PROMISE for amounts in excess of what it is billed by its PERS subcontractors.</li> </ul>

FINDINGS	SUMMARY
<b><i>Finding No. 6 – Liberty Did Not Substantiate All Of The Face-To-Face Meetings and Quarterly Contacts Required Under The Various Waivers.</i></b>	In many cases, Liberty could not substantiate that its Supports Coordinators had made at least two face-to-face meetings and had made at least quarterly contacts with their WPs.

**Liberty Resources, Inc**  
**July 1, 2009 through December 31, 2010**

**HIGHLIGHTS OF RECOMMENDATIONS**

OLTL should:

- Continue to monitor the frequency of Liberty's Supports Coordinators' mandatory contacts and visits with their WPs.

Liberty should:

- Put in place the necessary internal controls to assure that a minimum of two face-to-face visits and quarterly contacts are made with each WP.

**Background**

Liberty Resources, Inc. is a not-for-profit, social service organization that provides services and community education focusing on promoting and supporting independent living for persons with disabilities. Liberty owns and has its main offices at 714 Market Street, Philadelphia PA. It has a second facility in Allentown, PA that serves the Lehigh Valley area.

Liberty is related by Board of Director commonality to other entities which operate from the Philadelphia corporate offices. The related parties are:

1. Liberty Housing Development Corporation (LHDC) is a not-for profit corporation providing housing to support independent living for persons with disabilities. Liberty contributes the majority of LHDC's funding. On September 16, 2010, Liberty's Board of Directors approved a resolution forgiving loans and advances to LHDC.
2. Liberty Wheels, Inc. (Wheels) is organized to sell durable medical equipment to the disabled population in the Philadelphia area. Liberty is the sole corporate member with two common directors. On September 16, 2010, Liberty's Board of Directors approved a resolution forgiving loans and advances.
3. Liberty Community Integration Program, Inc. (LCIP) is a not-for-profit Housing and Urban Development (HUD) project that acquired five condominium units in Philadelphia and has prepared them for occupancy by persons with disabilities.
4. Liberty Community Integration Program II, Inc. is a not-for-profit HUD project that acquired eleven condominium units in Philadelphia and has prepared them for occupancy by persons with disabilities.

These related entities pay rent or management fees to Liberty. The related entities also reimburse Liberty for payroll and related costs such as insurance.

WPs undergo annual evaluations of their needs, the means of achievement or realizing those needs and the frequency of goods or services required. The Support Coordinator meets with the WP annually to discuss and update Liberty's records. The previous year's Individual Service Plan (ISP) is reviewed, discussed, amended and then a new ISP is drafted, agreed to, signed and sent to OLTL for approval. The ISP would contain authorizations such as number of attendant care hours per week, number of tokens authorized per month, if any PERS or DME should be considered, etc.

**Liberty Resources, Inc**  
**July 1, 2009 through December 31, 2010**

On some of the issues that follow, Liberty's management has taken the overall position that the ISP authorizations are a benchmark to be met, even in the absence of detailed justification (distribution of NMT tokens) or supporting documentation (time records of Supports Coordinators). BFO has taken the general position that the ISP authorizations are not to exceed ceilings and that any amount reimbursed must be justified and documented, even if less than the maximum amount allowable in the ISP.

**Objective/Scope/Methodology**

The audit objective, developed in concurrence with OLTL was:

- To determine if Liberty has adequate documentation to substantiate its claims to PROMISE for Non Medical Transportation (NMT), Durable Medical Equipment (DME), Supports Coordinators (SC), Attendant Care Services, and Personal Emergency Response Systems (PERS).

In pursuing the objective, the BFO interviewed OLTL personnel and Liberty's management. We also reviewed Liberty's books, records, third party invoices, bills, receipts and other pertinent data necessary to pursue the audit objectives such as PROMISE data, HCSIS electronic records and records of financial management services.

The BFO sampled items from the five (5) categories listed above and also took a sub-sample of all categories and traced these disbursements through to the clearing of the payments through the bank. The sample sizes for SC, DME and NMT were 70 each; for PERS the sample size was 20; and, for Attendant Care Services the sample size was 150. All samples were chosen at random from the populations of reimbursements found in PROMISE.

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 these controls. Based on our understanding of the controls, certain material deficiencies came to our attention. Areas where we noted material deficiencies or an opportunity for improvement in management controls are addressed in the findings of this report.

We conducted this performance audit in accordance with generally accepted governmental 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The BFO's fieldwork was conducted between March 21, 2011 and May 6, 2011 and was performed in accordance with generally accepted government auditing standards. This report, when presented in final form, will be available for public inspection.

Liberty Resources, Inc  
July 1, 2009 through December 31, 2010

**Results of Fieldwork**

**Finding No. 1 - The Approved Rates For Attendant Care In The Philadelphia Area Are Inappropriately High And Provided Liberty With \$8.7 Million In Excess Of Its Cost**

Certain WPs receive Personal Care or Attendant Care services. Under the self-directed model, Liberty provides financial management services (FMS) for these WPs. The FMS services enable WPs to interview, hire, retain, withhold payroll taxes, remit employment tax liabilities and pay wages to their care givers. The OLTL has issued reimbursement rates for such personal care services. However, Liberty pays WP care givers less per hour than OLTL's set reimbursement rate. Liberty set the wage rates during its January 11, 2010 Board of Directors meeting.

In addition to the wages paid, BFO estimated the payroll related costs and a portion of overhead in order to determine the Total Cost of Attendants (TCOA). The TCOA was compared to the attendant care claims revenue according to PROMISE. Since the total claims reimbursed exceed the TCOA, this created a profit center within Liberty.

The excess revenue received was used to help finance certain other of Liberty's programs and operations such as LHDC and Wheels. After advancing the funds, Liberty's Board of Directors simply forgave the loans.

	Statement of Cash Flows <u>June 30, 2009</u>	Detailed Income Statement for Multi-Range Comparison <u>June 30, 2010</u>
Loans Forgiven	\$250,000	\$1,030,459

According to Liberty's management the mark-up in personal Care Services is necessary as it receives no reimbursement for the myriad of ancillary services required under the waiver guidelines. For instance, Liberty must provide information technology support (which is particularly important each time a state guideline changes or new information is required); a portion of overhead must be covered; the payroll related services are extensive (i.e. hiring, firing, and/or multiple care givers); criminal and child abuse background checks. Liberty's management reiterated that all FMS agents in the Commonwealth use the excess revenue in a similar fashion.

After allocating a portion of overhead, BFO determined that Liberty's financial management of personal care services has realized \$8,767,727 in excess revenue over expenses for the fiscal year ended June 30, 2010. This results in an 11% profit margin.

It should be noted that the BFO accepted Liberty's cost allocation plan for the computation above; however, a more accurate cost allocation plan would take into account the fact that attendant care claims are essentially a pass-thru of wages and payroll related costs paid by Liberty. An appropriate plan would remove these wages from the basis used to allocate costs. This would redirect some of the indirect costs attributed to these services to more appropriate

**Liberty Resources, Inc**  
**July 1, 2009 through December 31, 2010**

programs. In effect this would increase the amount of attendant care revenue received in excess of cost beyond the 11% identified above as prescribed within OMB Circular A-122 "Cost Principles for Non-Profit Organizations".

**Recommendation:**

The BFO recommends that OLTL reevaluate its rate setting process to more closely approximate actual cost. This could include limiting the billing of Personal Care Attendant Wages to the actual amounts paid or could be accomplished through a return of any excess of revenue to DPW.

**Finding No. 2 – Support Coordinators' Time Records And Case Notes Did Not Substantiate Units Billed To PROMISe.**

Liberty billed PROMISe for supports coordination services for which no evidence exists to support the claim. The Supports Coordinators did not keep hourly time records for the purpose of billing PROMISe nor did they always document their provision of these services. As a result, the hours listed in HCSIS's notes and comments sections and other documentation did not confirm the amount billed in many instances.

Pursuant to the Department of Health and Human Services' interim 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 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.

The variance between PROMISe billings and the specific units or hours explained in HCSIS resulted in an error rate of 35%. Extrapolating the percentage of noncompliance over the entire population of billings for support coordinators resulted in a variance of \$974,280.

**Recommendations:**

The BFO recommends the OLTL recover the \$974,280 relating to unsupported Supports Coordinator claims.

The BFO also recommends that Liberty cease billing claims that are not supported by the proper documentation in the case records, such as the time required and services rendered; and, Liberty ensure that employees are trained as to how to properly record the time required and services rendered in the case records.

**Finding No. 3 – The Propriety Of Non-Medical Transportation Expenditures Was Not Supported By The Records, Case Notes Or Other Documentation.**

Liberty did not list the particular places, activities or any other justification that would correspond to the specific number of tokens or passes that were distributed to WPs for Non-Medical Transportation (NMT).

**Liberty Resources, Inc**  
**July 1, 2009 through December 31, 2010**

Each month Liberty distributed public transportation tokens and monthly mass transit passes to WPs. The purpose was to allow each WP to remain as active members of their communities by facilitating their NMT needs. However, the needs must be specific in nature and quantity. In reviewing the HCSIS case notes and comments, only a few addressed a finite number of trips, specific destinations, or the specific activities that a certain number of tokens would enable a WP to attend. As such, BFO was unable to verify how the tokens and monthly passes were used. In many instances the standard issue was 60 tokens monthly; but there were no details describing the reasons for these daily round trips in the case notes, comments or ISPs.

Additionally, for periods prior to October 2010, the BFO could not verify whether or not the WP received their designated allotment of tokens. While the Supports Coordinators were signing off as having delivered tokens, the WPs were not required to sign as having received tokens. This compliance deficiency was corrected in October 2010 with WP signing as they received tokens and passes from the receptionist desk and not receiving tokens from the Supports Coordinators, as was the prior practice.

In order for a WP to be eligible for NMT, a WP must demonstrate that they don't own or lease a car and that no neighbor, relative or other person living with them can provide the transportation services in question. This must be documented in HCSIS and is a prerequisite to NMT eligibility.

In 17% of the NMT items tested, the ISP, case notes and comments either did not describe a WP's living status or stated that they lived with others but did not state that the co-habiting person could not provide the same or similar service.

The BFO did not undertake an independent verification of NMT eligibility due to the practicality of the task. An after the fact verification of eligibility would be unlikely to decipher the capacity of transportation and living arrangement of relatives and neighbors. The OLTL should determine if the absence of the transportation or living status test renders the NMT claim ineligible.

**Recommendations:**

The BFO recommends the OLTL ensure that service authorizations for NMT are approved based on individual service plans that state the specific reasons for and the number and types of trips to be taken.

The BFO also recommends that the OLTL determine if the absence of the transportation or living status test renders the NMT claim ineligible. Additionally, BFO recommends that Liberty comply with requirements pertaining to the appropriate use of transportation services.

**Finding No. 4 – Approval Of Durable Medical Equipment Purchases Could Not Be Verified.**

The various Waivers provide for Durable Medical Equipment to be supplied to WPs so as to keep them self-sufficient and comfortable in their homes. This could also include adaptations of existing equipment, new equipment or modifications to a home such as the installation of

**Liberty Resources, Inc**  
**July 1, 2009 through December 31, 2010**

bathroom rails or wheelchair ramps. For expenditures above a certain amount, OLTL approval is required. However, the HCSIS case notes and comments seldom contained the OLTL's approval. After October 2010, OLTL instituted additional in house procedures to insure that all required approvals are appropriately considered by OLTL. These subsequently added internal controls have not been examined by BFO.

**Recommendations:**

The BFO recommends OLTL ensure the waiver requirements for Durable Medical Equipment approvals are communicated to Liberty's management and are recorded.

The BFO also recommends that Liberty ensure that all required Durable Medical Equipment purchases are approved by OLTL and document such approval in the case records.

**Finding No. 5 – Liberty Could Not Substantiate That The Necessary Living Conditions Existed Prior To Approving A Personal Emergency Response System (PERS). Liberty overbilled OLTL \$11,040 For PERS.**

As a prerequisite to eligibility for a PERS, a WP must:

1. Live alone or are alone for significant parts of the day;
2. Have no regular caregiver for extended periods or live with another who may be limited in their ability to access a telephone quickly; and,
3. Would otherwise require extensive routine supervision.<sup>1</sup>

In 68% of the PERS expenditures tested, the ISP, case notes and comments did not describe or include a set of facts that would meet all three requirements. As such, Liberty must document the three part test described above prior to authorizing a PERS.

However, the tests as described are subjective. The OLTL should further define what would be a significant part of a day or extended routine supervision. Therefore, the eligibility of the PERS was permitted.

Additionally, three subcontractors were employed by Liberty for the fiscal year ended June 30, 2010. In each case, Liberty billed PROMISE for an amount greater than was paid to the contractors. According to LRI's books and records, PERS revenue exceeded its costs by \$11,040. This amount should be recovered.

**Recommendations**

The BFO recommends that OLTL further describe and qualify the nature of the tests to be applied for PERS eligibility.

---

<sup>1</sup> Refer to, Aging Waiver at p. 79; Commcare Waiver at p. 78; Independence Waiver at p. 76; and, OBRA Waiver at Appendix 3 p. 28.

**Liberty Resources, Inc**  
**July 1, 2009 through December 31, 2010**

The BFO also recommends OLTL should ensure, through their monitoring process, that Liberty is applying the three part test described above to determine whether or not a recipient's living conditions are such that he or she would be eligible for a PERS.

The BFO further recommends Liberty establish controls to ensure the Waiver requirements for PERS are met.

Additionally, the BFO recommends that OLTL should recover the \$11,040 in overbilled cost and Liberty should not bill PROMISE for amounts in excess of what it is billed by its PERS subcontractors.

**Finding No. 6 – Liberty Did Not Substantiate All Of The Face-To-Face Meetings And Quarterly Contacts Required Under The Various Waivers.**

Pursuant to the terms of the various waivers, Liberty's Support Coordinators are required to have a minimum of two face-to-face meetings annually and a minimum of four annual contacts with their WP throughout the year. BFO reviewed case notes and descriptions of services rendered to determine if such contacts were made during the fiscal year ended June 30, 2010. In cases that a WP became ineligible, was terminated or may have died during the period tested a full fiscal year could not be examined. In such instances, these samples were marked "Not applicable." For purposes of this test, a face-to-face meeting also counted as a quarterly contact. The results of testing were as follows:

		<u>Semi-Annual Face-to-Face</u>	<u>Quarterly Contacts</u>
Support Coordination	Passed	74%	94%
	Failed	26%	6%
Non-Medical Transportation	Passed	65%	85%
	Failed	35%	15%
PERS	Passed	96%	100%
	Failed	4%	0%
Durable Medical Equipment, Modifications, Adaptations	Passed	93%	100%
	Failed	7%	0%
Attendant/Personal Care	Passed	81%	90%
	Failed	19%	10%

To summarize, Liberty is substantially meeting the required contact guidelines in situations where on site visits are necessary to physically inspect the WP's residence. For instance, where home modifications are recommended or where assistive equipment or PERS installations are warranted, the necessary contacts are being made, with only a few face-to-face exceptions. However, for NMT, Personal Care or for Supports Coordination, significant deficiencies in the periodic contact requirements were found to exist.

**Liberty Resources, Inc**  
**July 1, 2009 through December 31, 2010**

**Recommendations:**

The BFO recommends the OLTL continue to monitor the frequency of Liberty's Supports Coordinators' mandatory contacts and visits with their WPs.

The BFO also recommends Liberty put in place the necessary internal controls to assure that a minimum of two face-to-face visits and quarterly contacts are made with each WP.

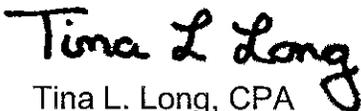
**Auditors Commentary**

On September 22, 2011, an audit exit conference was held at Liberty's administrative offices. Liberty's management expressed concern that many of the findings in the draft audit report pertained to OLTL and only indirectly impacted Liberty. Management requested that findings and recommendations directed towards OLTL not be included in the final audit report. Liberty based this request on the premise that all services delivered had been authorized within individuals ISP and OLTL approved all ISPs.

The audit report does direct recommendations towards OLTL; however, the circumstances that led to the findings occurred at Liberty. Furthermore, the standards applied were the various federal waiver requirements agreed to by Liberty when executing the provider agreements. In most instances recommendations were directed to OLTL to address circumstances where the program office needs to develop policies to further clarify the established standards. As such, the audit is issued with only minor wording changes.

In accordance with our established procedures, an audit response matrix will be provided to OLTL. The OLTL will be responsible for completing the matrix and forwarding it to the DPW Audit Resolution Section within 60 days. The response to each recommendation should indicate OLTL's concurrence or non-concurrence, the corrective action to be taken, the staff responsible for the corrective action, the expected date that the corrective action will be completed, and any related comments.

Sincerely,



Tina L. Long, CPA  
Director

- c: Secretary Gary Alexander  
Mr. Thomas Earle  
Ms. Deborah A. Bacon  
Ms. Jennifer Burnett  
Mr. Michael Hale  
Ms. Jennifer Diane Brannon Nordtomme

**LIBERTY RESOURCES, INC  
RESPONSE TO THE DRAFT REPORT**

**ATTACHMENT**

**LIBERTY RESOURCES, INC.**

**BUREAU OF FINANCIAL OPERATIONS AUDIT REPORT**

**CORRECTIVE ACTION PLAN**

**Finding No. 1** – The approved rates for Attendant care in the Philadelphia area are inappropriately high and provided Liberty with \$8.7 million in excess of its cost.

Historically Liberty Resources, Inc. ("LRI") has received funding from the Commonwealth of Pennsylvania Department of Public Welfare Office of Long-Term Living ("OLTL") based on rates established by OLTL and with the understanding that the program functioned as a comprehensive coordination and financial services plan for Consumers. All funding was utilized to ensure that the maximum quality services were available and provided by LRI. Therefore any excess from funding under the Financial Management Services program were used to cover other underfunded programs within the comprehensive service plans. Over the years OLTL conducted onsite audits and performance reviews and LRI has submitted its annual audited financial statements and single audit reports. The issue of segregating funds only for use in a single program was never discussed with LRI management or reported as a finding pursuant to an audit or review. Therefore LRI has effectively used the DPW OLTL funding to maximize services for those in need.

As of the date of this Plan, OLTL has agreed to postpone the restriction from using the excess funds to cover the unfunded costs of other waiver programs through June 30, 2012.

**Finding No. 2** – Support Coordinators' time records and case notes did not substantiate units billed to PROMISE.

LRI has historically documented all Service Coordination ("SC") time spent with Consumers through the use of HCSIS, an internal system (CTS), and use of Services Rendered Reports ("SRR"). The signed and approved SRRs have served as the basis for submitting claims to OLTL for several years and were subjected to audit and performance review on many occasions. There has never been an issue or finding in the past regarding a lack of documentation supporting claims for Supports Coordination units.

**LIBERTY RESOURCES, INC.**

**BUREAU OF FINANCIAL OPERATIONS AUDIT REPORT**

**CORRECTIVE ACTION PLAN**

LRI's Quality Management staff conducted an inquiry into each individual Consumer file to verify BFO's findings pursuant to their audit of 70 supports coordination claims from July 1, 2009 – June 30, 2010. LRI provided the BFO with a report stating that it was able to find 49 unit exceptions (reported as 47.5 exceptions) compared to the BFO's findings of 69 exceptions. LRI classified these findings as provisional pending the completion of our inquiry. Below, you will find our final findings based off of an examination of Email correspondence records, transportation logs, and OLTL incident reports.

**Supplemental Findings:**

- 1) According to calculations made by QM staff, we assert that the 69 unit exceptions stated in the BFO Report dated 5/18/11 are incorrect and should be 67.5 units.
  
- 2) QM staff was able to locate and verify documentation that substantiated an additional nine units of service. This reduced the number of unit exceptions from the 69 units declared in the 5/18/11 BFO report to 40 units. The additional documentation and Service Coordination Unit Spreadsheet have been provided for your review under separate cover. All changes to the spreadsheet have been highlighted in yellow.

LRI has instituted enhanced internal controls to ensure that all service units are documented in the proper sections in HCSIS and on the new billing matrix. This billing matrix contains the Supports Coordinator's name, their respective Consumers, units of time spent during each month with each Consumer, and the SC's and his/her manager's signatures. This document serves as the basis for submitting monthly claims through PROMISE. The Billing Department reviews the reports for accuracy and proper reporting before preparing the claims. The original reports are maintained in the Finance Department and copies are retained by the managers to assist in performing their monitoring activities.

**Finding No. 3** – The propriety of nonmedical transportation expenditures was not supported by the records, case notes or other documentation.

**LIBERTY RESOURCES, INC.**

**BUREAU OF FINANCIAL OPERATIONS AUDIT REPORT**

**CORRECTIVE ACTION PLAN**

Nonmedical transportation is provided only to those Consumers with approved services indicated on their Individual Service Plans ("ISP"). These Plans have been approved by OLTL and therefore serve as LRI's authority to provide the services and submit claims for reimbursement.

In the past, the process for distribution of public transportation passes and tokens was not sufficiently documented, including lack of Consumer signatures upon receipt of the passes/tokens. LRI's Billing Department utilized the HCSIS "PASA" report to submit claims for reimbursement of nonmedical transportation costs. This resulted in some excess claims. Pursuant to LRI's reorganization in 2010, new policies and procedures were implemented for distribution and billing for nonmedical transportation passes/tokens.

The list of eligible Consumers is prepared monthly and reviewed to ensure that they have approved ISPs on file indicating that they may receive the passes/tokens. This list serves as the basis to purchase the number of passes/tokens required for that specific month. The new policy includes mandated signatures by Consumers when receiving authorized monthly passes/tokens and improved controls over the actual distribution process. In addition, the only amounts submitted for reimbursement are for actual passes/tokens distributed directly to Consumers.

**Finding No. 4** – Approval of durable medical equipment purchases could not be verified.

Historically LRI has only purchased durable medical equipment for Consumers based upon each OLTL-approved ISP. Acquisitions rarely exceed the amount authorized by OLTL. The approved ISP frequently includes the exact amount of the lowest competitive quote because the bid process was already conducted.

LRI has a very stringent policy requiring minimum documentation including competitive bids, insurance certificates, a properly executed Services Authorization Form ("SAF") indicating exactly what has been approved and the maximum budget, an invoice submitted by the vendor after satisfactory

**LIBERTY RESOURCES, INC.**  
**BUREAU OF FINANCIAL OPERATIONS AUDIT REPORT**  
**CORRECTIVE ACTION PLAN**

delivery, and a SRR signed by the Consumer and Service Coordinator. Only after receiving this documentation is a claim submitted to OLTL for reimbursement.

In the future, LRI will add a control step in the procurement process to contact OLTL to obtain proper approval. This approval will be documented in the Consumers' files and with the support for claims.

**Finding No. 5** – Liberty could not substantiate that the necessary living conditions existed prior to approving a Personal Emergency Response System ("PERS"). Liberty overbilled OLTL \$11,040 for PERS.

LRI has consistently made arrangements for Consumers to receive PERS equipment only if the cost was approved by OLTL as evidenced in the ISP. The ISP is maintained in the Consumers' files and if there is a change in permitted services, the PERS are removed from the Consumers' premises as soon as possible.

As mentioned above, LRI previously submitted claims for PERS cost reimbursement based upon the PASA report. This resulted in some overbilling as noted in the finding. Effective in 2010, the only claims submitted to OLTL for PERS reimbursement were based upon the actual amounts paid to the suppliers.

LRI plans to enhance internal controls and documentation requirements to include required eligibility considerations.

**Finding No. 6** – Liberty did not substantiate all of the face-to-face meetings and quarterly contacts required under the various waivers.

As discussed above, LRI has historically documented all required SC time spent with Consumers through the use of HCSIS, an internal system (CTS), and use of Services Rendered Reports ("SRR"). The signed and approved SRRs have served as the basis for submitting claims to OLTL for several years. LRI is familiar with the required minimum face-to-face and contacts, and management has implemented policy revisions to enhance controls to ensure that each contact is properly documented.