



**pennsylvania**  
DEPARTMENT OF PUBLIC WELFARE

FEB - 2 2012

Mrs. Lauren Ellison, President  
Ellison Nursing Group, Inc.  
500 Office Center Drive  
Fort Washington, Pennsylvania 19034-3234

Dear Mrs. Ellison:

I am enclosing for your review the final performance audit report of Ellison Nursing Group, Inc. as prepared by the Division of Audit and Review (DAR). Your response dated January 23, 2012 has been incorporated into the final report as an attachment. The report covers the period January 1, 2010 to June 30, 2011.

This report contains the findings and recommendations that were discussed with your staff at the closing conference on November 22, 2011. Your letter of January 23, 2012 declined an exit conference.

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 Developmental Programs (ODP) to begin the department's resolution process concerning the report's contents. The staff from ODP 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 Long, CPA  
Director

Enclosure

c: Mr. Kevin M. Friel  
Ms. Vicki Stillman-Toomey  
Ms. Karen Deklinski



FEB - 2 2012

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

Dear Mr. Costa:

In response to a request from the Office of Developmental Programs (ODP), the Bureau of Financial Operations (BFO) initiated an audit of Ellison Nursing Group, LLC. (Ellison). The audit was designed to investigate, review and make recommendations regarding claim reimbursements from PROMISE for various types of client care. Our audit examined the period from January 1, 2010 to June 30, 2011 (Audit Period).

This report is currently in final form and therefore contains Ellison'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 were discussed at the closing conference on November 22, 2011. Ellison's management did not request an exit conference.

### **Ellison Nursing Group, LLC's Executive Summary**

Ellison was incorporated on June 16, 2004 in Pennsylvania as a Limited Liability Company. It is a health care provider servicing clients who are approved by the Commonwealth of Pennsylvania, Department of Public Welfare (DPW) and ODP. Ellison works with developmental disability organizations in Philadelphia, Bucks and Montgomery Counties to provide in-home services to consumers and families with special needs. Ellison assists consumers to acquire and maintain the highest possible level of independent living considering each consumers particular circumstances by providing habilitation, companionship, light housekeeping, skilled nursing, transportation and respite services.

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

<b>FINDINGS</b>	<b>SUMMARY</b>
<b><i>Finding No. 1 – A Sample Of Ellison's PROMISE Reimbursements And An Audit Of Underlying Documentation Found That 1.6% Of The Claims Tested Were Unsubstantiated.</i></b>	A random sample of claims was tested for adequacy of documentation. The results were that 1.6% of the tested reimbursed claims were unsubstantiated. Extrapolating this variance over the entire population of reimbursed claims results in a disallowance of \$118,370.

**HIGHLIGHTS OF RECOMMENDATIONS**

ODP should :

- Recover \$118,370 from Ellison due to unsubstantiated claims.

Ellison should

- Not claim reimbursement for unsubstantiated claims and retain adequate documentation for each claim submitted to PROMISe.

**FINDINGS**

***Finding No. 2 – Ellison’s Internal Controls Were Inadequate To Assure Reliable And Accurate Billings To PROMISe.***

**SUMMARY**

It was Ellison’s business practice to submit billings to PROMISe based upon the number of units allowed in a customers’ Individual Service Plan, prorated on a weekly basis. In many instances, the number on units actually delivered varied from such a straight line projection. Ellison did not reconcile payroll time records to units invoiced to PROMISe.

**HIGHLIGHTS OF RECOMMENDATIONS**

ODP should:

- Monitor Ellison to ensure that PROMISe claims are properly invoiced for services rendered during the respective billing period and are properly documented.

Ellison should:

- Limit its PROMISe billings to only invoice for services rendered during the respective billing period and properly documented.
- Reconcile its direct labor time inputs for payroll purposes to its hours/units billed to PROMISe for the corresponding periods.

**FINDINGS**

***Finding No. 3 – Ellison Did Not Have An Audit Report Available As Required By Federal Regulations.***

**SUMMARY**

Ellison was not in compliance with 45 CFR 74.26 which requires either an Office of Management and Budget’s (OMB) Circular A-133 audit or a financial related audit of HHS awards in accordance with Government Auditing Standards.

**HIGHLIGHTS OF RECOMMENDATIONS**

ODP should:

- Verify that Ellison has met the audit requirements of 45 CFR 74.26 and any resulting reports are available for review.

Ellison should

- Engage an independent certified public accountant to meet the audit requirements of 45 CFR 74.26.

FINDINGS	SUMMARY
<p><b><i>Finding No. 4 – Ellison Did Not Have A Written Contract With Subcontractors Who Provide Day Program Services During The Same Time That Ellison’s Employee-Care Givers Are Being Paid.</i></b></p>	<p>A few consumers attended a day time community based program and were accompanied by their care giver, who is employed by Ellison. Even though Ellison does not bill DPW for the care giver’s time at the day program, the care giver continued to be paid as an employee by Ellison. The day care program reimburses Ellison but there is no contract setting forth terms of this arrangement. Under the waiver rules, all sub-contractors must have written contracts.</p>
HIGHLIGHTS OF RECOMMENDATIONS	
<p>ODP should:</p> <ul style="list-style-type: none"> <li>• Verify that all subcontractors and agents have written, up to date contracts on file.</li> </ul> <p>Ellison should:</p> <ul style="list-style-type: none"> <li>• Review its list of subcontractors and agents and prepare written contracts if none presently exist.</li> </ul>	

**Background**

Ellison was incorporated on June 16, 2004 in Pennsylvania doing business as a Limited Liability Company. Its corporate office is located at 500 Office Center Drive, Suite 400, Fort Washington, PA 19034.

Ellison is a health care provider servicing clients who are approved by the Commonwealth of Pennsylvania, Department of Public Welfare, ODP and OLTL. Ellison works with Philadelphia, Bucks and Montgomery County developmental disability organizations to provide in-home habilitation services to consumers and families with special needs. Ellison assists consumers to acquire and maintain the highest possible level of independent living considering each consumers particular circumstances by providing habilitation, companionship, light housekeeping, transportation and respite services. These services are performed in consumers’ homes and communities by Ellison’s employees.

**Objective/Scope/Methodology**

The audit objective, developed in concurrence with ODP was:

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

In pursuing the objective, the BFO interviewed ODP personnel and Ellison’s management. We also reviewed books, records, third party invoices, bills, receipts and other pertinent data necessary to pursue the audit objective, such as PROMISE reimbursement data, and HCSIS electronic records.

The criteria used to ascertain the adequacy of substantiation were ODP Bulletin #00-07-01 dated April 26, 2007 and pertinent Federal Waiver requirements.

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, there were material deficiencies in billing procedures. Areas where we noted 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 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 intermittently from September 21, 2011 to November 21, 2011 and was performed in accordance with generally accepted government auditing standards. This report will be available for public inspection.

### **Results of Fieldwork**

#### **Finding No. 1 – A Sample Of Ellison's PROMISE Reimbursements And An Audit Of Underlying Documentation Found That 1.6% Of The Claims Tested Were Unsubstantiated.**

A statistically random sample of 59 claims was selected from the total of 7,709 claims reimbursed by PROMISE during the Audit Period. The underlying documentation for the sampled claims was examined including supporting time sheets, progress notes, if any, and the nature of the services provided. The number of units authorized by an Individual Service Plan (ISP) was compared to the units billed. BFO also verified that the units billed did not exceed the number authorized.

The 23 exceptions in the 59 claims sampled totaled to a net of \$919 of the \$57,860 tested, or a 1.6% variance. This amount was extrapolated over the universe of reimbursed PROMISE reimbursement claims which was \$7,280,046 in order to determine the total disallowance of \$118,370.

In discussions with management, it was explained that Ellison's billing procedure is to divide the total number of units budgeted annually by 52 weekly billing periods. Since most individuals are on a fixed schedule of days and hours, the time sheets often reflect such a straight line billing scheme. However, the PROMISE billings are not being controlled by actual time units worked. Therefore many items sampled were either over billed or under billed (See also Finding No. 2 below).

## **Recommendations**

The BFO recommends that ODP recover \$118,370 due to a lack of adequate substantiation for claims paid.

The BFO also recommends that Ellison should not claim reimbursement for unsubstantiated claims.

The BFO further recommends that Ellison only bill PROMISE for services rendered and documented on employee time sheets.

Finally, the BFO recommends that Ellison insure that service delivery is consistent with accurate and current ISPs.

## **Finding No. 2 – Ellison’s Internal Controls Were Inadequate To Assure Reliable And Accurate Billings To PROMISE.**

The examination of the random sample included a review of employee care-giver time sheets. The review of the time sheets was an integral audit step because the time sheets are signed, and dated by both the employee care-giver and consumer; thereby verifying the date, times and hours of service. The time sheets were then compared to the number of units billed to PROMISE.

The expectation is that providers, such as Ellison, will invoice PROMISE only for actual services rendered, that such services be adequately documented, and that such documentation be retained and made available for future review. Under this view, ISP budgetary authority is not PROMISE billing authority (See Finding No. 1 above).

Of the 59 items tested, 12 PROMISE reimbursements were supported by documentation short of the number of units billed for the tested period (Shortages). The amount of the shortage was \$4,384. On the other hand, 11 PROMISE reimbursements were supported by documentation with an excess of billable units for the tested period (Overages).

Before allowing the Overages as an offset against the Shortages, BFO investigated as to whether or not the fiscal year budgetary authorization was reached before crediting the full Overages against the Shortages. BFO found that, except for two Overages, the budget authorized ceilings had been reached or exceeded by the respective fiscal year ends for the other Overages. The two Overages with unused budgetary authorizations amounted to \$1,318 and were used to offset the Shortages.

Ellison repeatedly billed for services not rendered because it did not reconcile payroll time sheets to PROMISE billings. No internal controls existed to verify that the PROMISE unit invoicing was directly related to the duration of actual services delivered during the billing period.

### **Recommendations**

The BFO recommends that ODP monitor Ellison to ensure that PROMISE claims are properly invoiced for services rendered during the respective billing period and are properly documented.

The BFO also recommends that Ellison limit its PROMISE billings to only invoice for services rendered during the respective billing period and properly documented.

Finally, the BFO recommends that Ellison reconcile its direct labor time inputs for payroll purposes to its hours/units billed to PROMISE for the corresponding periods.

### **Finding No. 3 – Ellison Did Not Have An Available Audit Report As Required by Federal Regulations.**

Ellison as a for profit recipient of Federal Health and Human Services (HHS) awards is required to comply with 45 CFR 74.26. Entities such as Ellison have two options in satisfying audit requirements. Ellison can either have a financial related audit that is in accordance with Government Auditing Standards or they can have an audit that meets the standards of OMB Circular A-133 in regard to its HHS award.

Ellison claimed and was reimbursed by ODP in excess of \$500,000 for each of the years ended December 31, 2009 and 2010. As such, Ellison was required to comply with 45 CFR 74.26.

### **Recommendations**

The BFO recommends that ODP should verify that Ellison meets the audit requirements of 45 CFR 74.26 and resulting reports are available for review.

The BFO also recommends that Ellison should engage an independent certified public accountant to meet the requirements of 45 CFR 74.26.

### **Finding No. 4 – Ellison Did Not Have A Written Contract With Subcontractors Who Provided Day Program Services During Which Time Ellison Continued To Pay Its Employee-Care Givers.**

Certain of Ellison's consumers attend day programs at CATCH (Citizens Acting Together Can Help, Inc.) which is a program that provides community mental health and retardation services. Although Ellison's employee-care giver accompanies the consumer to CATCH, the employees' time spent at CATCH is not billable to PROMISE. Instead, Ellison continues to pay the employee care-giver and CATCH reimbursed Ellison.

Although Ellison and CATCH had a Memorandum of Understanding, it lacked specifics as to rates, effective dates and other relevant details. All subcontractors should have written, current contracts setting forth the nature of the financial and legal rights and obligations of the respective parties.

**Recommendations**

The BFO recommends that ODP should verify that all subcontractors and agents have written, up to date contracts on file.

The BFO also recommends that Ellison review its list of subcontractors and agents and prepare written contracts if none presently exist.

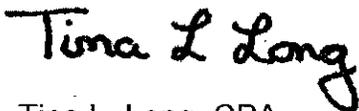
**Ellison's Response Dated January 23, 2012**

Ellison's response to the draft report was dated January 23, 2012 and it contained two attachments. In reference to Finding No. 3, Ellison attached Financial Statements and a Compliance Report for the year ended December 31, 2009. As such, the finding was satisfied in part; however, Ellison remains out of compliance with 45 CFR 74.26 for the year ended December 31, 2010.

The second attachment to Ellison's response included six contracts with third party providers who share responsibility for certain common customers who are accompanied by Ellison's employee care-givers while they attend day care programs. As such, Finding No. 4 has been adequately remedied and Ellison is in compliance with the written contract requirement.

In accordance with our established procedures, an audit response matrix will be provided to the Office of Developmental Programs. The ODP 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 ODP'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: Mr. Gary Alexander  
Mrs. Lauren Ellison  
Mr. Kevin M. Friel  
Ms. Vicki Stillman-Toomey  
Mr. Joseph Church  
Ms. Karen Deklinski

**ELLISON NURSING GROUP, LLC  
RESPONSE TO THE DRAFT REPORT**

**ATTACHMENT**

THE ELLISON NURSING GROUP, LLC.  
500 OFFICE CENTER DRIVE, SUITE 400  
FORT WASHINGTON, PA. 19034  
PHONE: 267-513-1721  
FAX: 267-513-1729  
EMAIL: LAUREN.ELLISON@ELLISONNURSINGGROUP.COM

Mr. Daniel Higgins  
Audit Manager  
Bureau of Financial Operations  
801 Market Street  
5th Floor-Suite 5040  
Philadelphia, PA. 19107

January 23, 2012

RE: The Ellison Nursing Group, LLC. (TENG) Audit

Dear Mr. Higgins:

I hope all is well. Thanks again to you and your team for your assistance and guidance during the entire audit process. You were extremely helpful. I have begun to make the necessary changes in order to be compliant with the State of Pennsylvania and the Office of Developmental Programs, Department of Public Welfare.

I am writing this letter in response to your letter dated December 29, 2011 which included the "draft" performance audit report of The Ellison Nursing Group, LLC. (TENG).

**Response to Recommendations for Finding No. 1:**

I understand your recommendation that TENG should not claim reimbursement for unsubstantiated claims and I do agree with the fact that we should not **but**, I can assure you that my Company has never billed for a claim whereby the service was not performed. My recordkeeping may have been inadequate and my billing practices may have been incorrect, but I know my consumers and my employees very well and I keep a very tight reign on both to insure that the consumer receives outstanding service for every single unit that the State allows. In most cases, we provide more units than the State authorizes to some, if not all consumers. If TENG was claiming reimbursement for

unsubstantiated claims then please be rest assured that my consumers would be complaining to their respective Supports Coordinators, as well as to the State directly.

I whole heartedly agree that my record keeping of documentation for timesheets and claims submitted to Promise has been inadequate. This was due to the fact that I had hired people to take care of filing whose resumes were embellished with experience that they did not possess. I checked references and all were positive. This, coupled with the fact that TENG had moved twice (from Blue Bell to Norristown in 2009 and then from Norristown to Fort Washington in early 2011) and some of the documentation was misfiled during the move. As President and 100% shareholder of TENG, I take full responsibility for these occurrences. I understand now that I have to be more mindful in securing the proper documentation so that I can prove to the State at any given point in time that all claims billed for are substantiated. On a positive note, I have hired an excellent filing clerk, rented storage space at the current office building which is right down the hall from my office which only I have a key for, and I am personally handling all of the timesheets, i.e., they are faxed directly to a fax machine that sits in my office and I am overseeing the entire filing process. I am checking the hours on the timesheets to make sure the math is correct and then filling those hours into an Excel spreadsheet that I created which automatically calculates the number of units and the dollar amount to be billed for any given week. Those numbers are then entered into Promise. I have interviewed some State authorized software vendors that will put a billing system in place which will automatically download all of the information entered directly into Promise.

**Response to Recommendations for Finding No. 2:**

Although it was TENG's business practice to submit billings to Promise based upon the number of units allowed in a consumer's ISP, prorated on a weekly basis, which I realize now was incorrect. Please note I would go back and review the timesheets to insure that the units worked were at least equal to or more than the units billed in Promise for any given week. Due to rapid growth, I was unable to continue that process and as a result, unwillful errors occurred. I have made changes and am currently billing directly from the timesheets and reconciling direct labor time inputs for payroll purposes to the hours/units billed to Promise for the corresponding periods every week. I am also in the process of going back to July 1, 2011 and reviewing the timesheets to make sure the units billed in Promise equal the units worked on the timesheets and then subsequently making the necessary adjustments in Promise. I am performing the same procedure from July 1, 2011 for the payroll reconciliation process mentioned above.

**Response to Recommendations for Finding No. 3:**

I have attached a copy of TENG's 2009 Audited Financial Statements for your files.

**Response to Recommendations for Finding No. 4:**

I have attached contracts setting forth the terms of the arrangements with TENG and the corresponding Day Programs.

Mr. Higgins, I greatly appreciate your time, consideration, and assistance in this matter. Please know that I have made a conscious effort to hire more qualified individuals to assist me to be compliant. Unfortunately, unwillful errors were made, and I as the CEO take full responsibility. Fortunately, the Audit occurred and your findings have expedited my process towards full compliance with the State of Pennsylvania, the Office of Developmental Programs and the Department of Public Welfare.

Prior to your Audit, I concentrated all of my efforts on the care of the consumers and let the financial end of the business fall behind. I can assure you that as we move forward, compliance will be of the utmost priority.....in fact, changes were begun the day of the exit interview.

I am currently billing according to the timesheets and not pro-rating the units authorized over a 52 week period and going back and fixing the previous weeks that were billed incorrectly. I am also working on getting the books and records in pristine order so I can have the independent auditors come in and do their audit work.

If you have any questions or require additional information, please do not hesitate to contact me at 267-513-1721.

Sincerely,

A handwritten signature in cursive script that reads "Lauren Ellison".

Lauren Ellison, CEO

cc: Agnes Rudolph