



House Health and Human Services Committee

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Financial and Compliance Audits for the Centers For Independent Living and Home Health Agencies

Integrated Service Delivery
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Representative Brenda Landwehr, Chair
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Thank you for the opportunity to share information with the Committee on audit processes and the approach taken by the SRS Office of Audits and Consulting Services (OACS). The two SRS programs that requested the audits of the Centers for Independent Living are Community Supports and Services (CSS – Overseers of HCBS programs) and Rehabilitation Services (RS). Audits have been completed for all of the CILs operating in Kansas and 11 home health agencies providing services under the HCBS waivers. OACS audited the financial management over Rehabilitation Services grants and HCBS / Medicaid billing and services.



Questions and concerns have been raised about the audits of the Centers for Independent Living and how those audits were initiated. The following is a chronology of events related to the audit process for the Centers for Independent Living:

- 7/1/2007 – 9/7/2007: Rehabilitation Services Administration (RSA) issues Fiscal Year 2007 Monitoring Report on the VR and IL Programs in the State of Kansas. The report documents need to improve monitoring and accountability over federal funds received by the State of Kansas and awarded to providers. In response, SRS Rehabilitation Services (RS) develops a grants monitoring process that roughly mirrors the Federal CIL review process.
- 10/2/2008: The Office of Audit and Consulting Services (OACS) prepares a memo to SRS RS about concerns related to the Center for Independent Living for Southwest Kansas (CILSWKS) after review of their independent CPA audit report. Information presented by the CPA for the fiscal year 9/30/07 notes significant



deficiencies related to their internal controls and financial presentation.

- 7/7/2009 – The Office of Audit and Consulting Services prepares a memo to SRS Rehabilitation Services about the Center for Independent Living of Northeast Kansas (CILNEKS – NOW called ABLE) after review of their independent audit report for the fiscal years ending July 31, 2007 and July 31, 2008. This request was initiated because of questions related to how funding for independent living services were being expended.
- 9/3/2009: OACS conducts onsite portion of the audit of the CILNEKS/ABLE.
- 9/25/2009: Representatives from the Centers for Independent Living (CEOs and CFOs) are trained on documentation requirements for salaries and wages and non-payroll expenses, proper recording and reporting of the receipt/expenditure of federal/state dollars, and reasonable and appropriate use of federal and state grant funds.



- 1/8/2010: CILNEKS/ABLE final audit report issued with finding CILNEKS/ABLE overpaid \$489,870.14 because of poor documentation and noncompliance to OMB Circular requirements.
- 2/8/2010 – 5/11/10: CIL Monitoring visits occur in CILNEKS/ABLE, CILSWKS and LINK. Substantial questions raised regarding the financial controls and accountability, organizational management, cost allocation and service delivery. RS requests complete audit of CILSWKS.
- 4/12/2010: OACS conducts onsite portion of the audit of Ability Resources, an HCBS waiver service provider. Audit requested by SRS Community Supports and Services (CSS) due to concerns about management, documentation of services and compliance to the provider agreement. RS and CSS begin discussions with OACS to complete audits of all CILs.
- 6/1/2010: OACS conducts onsite portion of the audit of CILSWKS. Preliminary findings show significant internal control and compliance issues and a large recoupment.



- 9/1/2010: Ability Resources final audit report issued. OACS reports significant internal control (documentation) and compliance issues. OACS recommends that SRS CSS contact State Medicaid Agency with recoupment request of \$1,764,456, based on actual and potential costs. The provider agreement is terminated and the organization ceases business.
- 9-10/2010: The SRS Directors of RS, CSS and OACS meet and determine need to audit all the Centers for Independent Living based on the results of the completed audits of the CILSWKS and the CILNEKS/ABLE. Decision made to expand scope of these audits to include HCBS waiver services, in addition to the Rehabilitation services grants. The proposed audits are approved by the SRS Audit Committee because of their high risk to the Department
- 9/20/2010: OACS conducts the onsite portion of the audit of HCBS waiver services – billing and payroll agent – at the CILSWKS.



- 12/2010 – 5/2011: OACS conducts the onsite portion of the audits of other CILS. The audit scope includes Rehabilitation Services grants and provider agreements and HCBS waiver services – billing and payroll agent services.
- 2/28/2011: CILSWKS final audit report issued. OACS recommends SRS RS recoup \$340,093 because of poor documentation and noncompliance. OACS recommends SRS CSS contact State Medicaid Agency with recoupment request of \$790,420. The Board Director of the CIL closes the organization.
- 3/23/11: Representative Dave Crum requests, on behalf of the House Social Services Committee, that SRS provide copies of the completed CIL audits to the Committee once completed.
- 4 – 8/2011: OACS conducts the onsite portion of the audits of 11 Home Health Agencies (HHAs), after request from CSS Director. HHAs provide waiver services.
- 1/11/2012: CILNEKS and Whole Person final audit reports issued.



- 12/6/2011 to 1/24/2012: Draft audit reports for Independent Living Resource Center, LINK, Independence, Inc., Three Rivers and Prairie Independent Living Resource Center are issued. Draft reports cover Rehabilitation Services grants, provider agreements and HCBS Waiver billing and payroll agent services. Draft audit reports to be sent to remaining CILs by the end of February. Audit results have found, in general, similar results as previous audits relating to poor documentation, internal controls, appropriate allocation of costs to RS grants and non-compliance with state and federal requirements.

In addition to how the audits were initiated, there have also been questions about the audit approach and program:

- The audit scope for these audits has focused on the controls and compliance related to the Rehabilitation Services grants and provider agreements and HCBS (Personal Services, Overnight Support and Targeted Case Management) billing and payroll agent services.



- An audit program was developed for each area of the audit and was followed by staff in completing their work.
- As part of that work, auditors sampled transactions to test for compliance to federal and state requirements and for effective internal controls. Sampling was based on generally accepted audit practice. OACS has established audit policy followed by the auditors in the conduct of their work. The policy speaks to sample size determination, statistical sampling and extrapolation of sample results to universe.
- OACS follows Government Audit Standards in the conduct of its work. The sampling approach followed (and outlined above) is in compliance with those standards:
- OACS selected a statistically valid sample size using appropriate sampling packages and then randomly selected transactions/items to be sampled using other sampling packages.