



# **Association for Long Term Care Financial Managers**

Craig J. Lubitski Consulting LLC



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# Audit Process

- Types of Audits
  - Nursing Facilities
  - Residential Care Homes
  - Resident Day User Fee
  - ICF/MR
  - CLA
  - Management Companies
  - Strike Costs
  - Development Agreements

# Audit Process

- Who Gets Audited?
  - Interim Rate Facilities
  - New Owners
  - Base Years
  - Everybody!!



# Audit Process

- What Gets Audited?
  - We do substantial planning to determine the potential for impact of any audit. We may perform limited procedures if significant cost caps are in place.
  - The actual testing of expense items differs for each facility based on analytical review and license type.

# Audit Process

- The audit process involves sampling certain expense items contained in the Annual Report.
  - Sampling is random and the findings from the sample are extrapolated to the population.
  - The findings may also be extrapolated to additional years under review.
  - A facility may provide 100% support to avoid extrapolation.

# Audit Process

- Contact by our office
- Initial Document Request Form (DRF)
  - DRF requests expense schedules and other documentation to be sent to our office prior to the commencement of field work.
  - We request items to be sent electronically in a PDF format for documents or Excel for expense schedules.
  - 30 days to respond to DRF.

# Audit Process

- Sample Selections will be provided approximately one week prior to the start of field work.
- Field work is typically scheduled for one week with one or two staff members.
- “Ten-Day Letter” is left at the end of the week for all remaining items requested during the field work.

# Audit Process

- Staff finalize audit package for review by an audit manager.
- Facility receives a “13-Day Letter” after a comprehensive review of the audit.
- Audit package is finalized and a draft audit report is created.
- Draft audit reports are reviewed with DSS on a monthly basis.

# Audit Process

- An audit summary report is prepared to detail the adjustments contained in the audit report.
- The draft audit report and audit summary report are sent to the facility.
- The facility has 30 days to respond to the adjustments and comments contained in the report.

# Audit Process

- A response to the draft audit report could include the following:
  - Additional documentation
  - Written responses to proposed audit disallowances
  - If you wish to avoid extrapolation, this is the time to provide 100% of the support
- No documentation is accepted after the 30 days.

# Audit Process

- An Exit Conference is held with facility representatives shortly after the 30-day response time has passed.
- A final audit report is prepared and issued to DSS with revised rate computation reports.
- DSS issues the revised rates and audit report to the facility.

# Audit Process

- Extension Requests
  - If we can grant an extension request and maintain the deadlines we have agreed to with DSS, we may agree to an extension. Typically these extensions will only be a few days. Extensions longer than a few days will be referred to DSS for approval and require justification.

# Common Audit Issues

- Lack of cooperation
  - Unresponsiveness
  - Incomplete answers
  - Disorganized materials
- Undocumented costs
  - Invoices with no description
  - Lack of supporting documentation for claimed costs

# Common Audit Issues

- Poor record keeping
  - Schedules that don't tie out to reported amounts.
  - Invoices charged to multiple GL accounts with no record of how split was calculated.
  - Invoices don't tie to amount reported in general ledger.
  - Depreciation schedules don't agree to amounts reported in the Annual Report.

# Common Audit Issues

- Time records
  - Time records must be contemporaneous, contain hours worked on a daily basis, be signed and dated to considered acceptable support for hours worked.
- Medical Director
  - Time records are required to support the hours claimed in the Annual Report. Comments have been included in audit reports notifying providers of the requirement. Disallowances will be made after notification.

# Common Audit Issues

- Improper or incomplete allocation of expenses
  - Non-patient care related activities must have all direct costs disallowed. Additionally, an allocation must be made to absorb a portion of the overhead costs.
  - Overhead costs include utilities, property taxes, property and liability insurance, property maintenance costs, housekeeping, depreciation, mortgage interest and fair rent.

# Common Audit Issues

- Unpaid Accounts Payable
  - Accounts payable must be paid within one year of the end of the cost year in which the expenses were incurred.
- Non-Compliance with Rate Agreements
  - Spending requirements
- Repeat Comments
  - Facilities should pay attention to and correct items noted in the comments section of the audit report.

# Common Audit Issues

- If noted issues are not corrected, future audits may result in the following statement included in the audit report:

“In the future, the Facility must \_\_\_\_\_. Failure to do so may lead the Department to pursue an Administrative Action against the Facility.”

# Common Audit Issues

- Deficit Reduction Act (DRA)
  - The DRA requires facilities (or groups of facilities) with Medicaid revenue in excess of \$5.0 million per year to comply with the requirements of the act.
  - The DRA requires facilities to establish written policies for all employees and contractors or agents of the facility to include detailed information about the Federal False Claims Act and other provisions named in section 1902(a)(68)(A) of the Social Security Act.

# Common Audit Issues

- *DRA continued*
  - The other provisions referenced include criminal, fraud and whistleblower protection statutes and regulations.
  - Provider Bulletin 2007-41 provided detailed information regarding the requirements of the act and mandated facilities to submit an affidavit of compliance.

# Common Audit Issues

- *DRA continued*
  - If field work determines the facility is not in compliance with the DRA:
    - The Facility risks termination of the provider agreement with the Department.
    - The Facility risks exposure to administrative sanction for submitting a false affidavit to the Department.
    - The Facility will have 30 days from the date of the exit conference to demonstrate compliance with the DRA. Failure to show compliance may result in administrative sanctions.

# Other Issues

- Amended Pages
  - Amended pages will not be accepted while an audit is in process.
- Cooperation
  - The audit process is difficult for all involved, a lack of responsiveness only makes things worse. It elongates the process and creates the potential for significant recoupment.
  - Please do not ignore due dates without contacting us.

# Other Issues

- Accounting Firm Changes
  - There have been a number of facilities changing accounting firms recently (mostly in RCH's).
  - The new accountant thinks the prior accountant did everything wrong.
  - The old accountant has not been very cooperative in providing information to the new accountant.
    - Can't We All Just Get Along?

# Other Issues

- Documentation trumps explanations.
  - We get audited too.

# Resident Day User Fee Audits

- All facilities were reviewed for the first two years (7/1/05-6/30/07).
- Going forward we will not be auditing all facilities for all years and will not limit review to one year.
- We are currently reviewing the quarterly filings from 7/1/07-6/30/09 for fifty-seven facilities.

# Resident Day User Fee Audits

- You should file the correct figures with DRS, not what you can afford to pay.

# Fraud & Abuse

- Individuals are encouraged to report potential fraud and abuse to State or Federal authorities.

- Federal Health Care Fraud Task Force

Office of the Inspector General

HHS TIPS Hot Line

P.O. Box 23489

Washington, DC 20026

203-785-9270 or 800-HHS-TIPS

[HHSTips@oig.hhs.gov](mailto:HHSTips@oig.hhs.gov)

# Fraud and Abuse

- Office of the Attorney General

Health Care Fraud Department

55 Elm Street

Hartford, CT 06106

860-808-5355

- Department of Social Services

Office of Quality Assurance

25 Sigourney Street

Hartford, CT 06106

800-842-2155 or 860-424-4934

[Quality.dss@ct.gov](mailto:Quality.dss@ct.gov)

# Fraud and Abuse

- For Provider Fraud contact

John McCormick

860-424-5920

John.McCormick@ct.gov

- For Recipient Fraud contact

Craig Zimmerman

860-424-5617

Craig.Zimmerman@ct.gov

# Contact Information

- Questions about the audit process should be directed to
  - Mark MacKenn (860) 610-9009 x113
  - Email: [Mark.MacKenn@cjlc.com](mailto:Mark.MacKenn@cjlc.com)
- Specific questions about your audit should be addressed to the staff or manager assigned to your audit, whose information will be included on correspondence.



# Going Green

- In an effort to save paper and go green this presentation was not printed and distributed. However, it may be downloaded from our website [www.cjlc.com](http://www.cjlc.com)
  - 2009 ALTCFM Desk Review Presentation
  - 2009 ALTCFM Audit Presentation





# Questions

