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**INDEPENDENT STATE AUDITOR'S REPORT ON
CERTAIN ACTIVITIES OF THE
ACTIVE DAY OF NEW BEDFORD, INC.
JULY 1, 2007 TO JUNE 30, 2008**

**OFFICIAL AUDIT
REPORT
JANUARY 5, 2009**

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INTRODUCTION

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Active Day of New Bedford, Inc. (Active Day) was incorporated in October 1997 as a domestic for-profit corporation for the purpose of operating an adult day health facility for functionally impaired adults. Active Day was approved for operation by the Division of Medical Assistance (currently known as MassHealth) and must operate in accordance with 130 Code of Massachusetts Regulations (CMR) 404, which specifies the requirements for providers of adult day health services. During our audit, Active Day employed approximately 24 full-time and part-time staff, and served more than 70 adults from the Greater New Bedford area.

Active Day's clients have various illnesses, physical ailments, and social limitations. To aid its clients, Adult Day provides nursing services and health oversight, assists with activities of daily living (ADL), provides nutritional and dietary services, and offers physical therapy and counseling. Active Day employs registered nurses (RNs) and licensed practical nurses (LPNs) to attend to members' health care needs, social workers to provide individual and group counseling for members and their families, and other direct care staff to attend to members' ADL requirements. Active Day contracts with United Hand and Rehabilitative Services for rehabilitative services that physicians prescribe for Active Day's clients. Finally, Active Day offers a wide variety of recreational and therapeutic programs for clients including arts and crafts, daily exercise sessions, educational games, community outings, daily walks, and gardening. During our audit period, Active Day received \$1,235,000 from MassHealth for adult day health services it provided to eligible adults.

The scope of our audit was to determine whether Adult Day submitted allowable claims for adult day health services during the period July 1, 2007 to June 30, 2008. Our audit was conducted in accordance with generally accepted government auditing standards for performance audits issued by the Comptroller General of the United States and, accordingly, included such procedures and tests as we considered necessary under the circumstances. Our audit procedures consisted of reviewing Active Day's claims for adult day health services to ensure that claims were supported with required documentation; services were provided as claimed; claims were for eligible recipients; and claims were complete, accurate, and in compliance with applicable laws, rules, and regulations. We also reviewed Active Day's internal controls over its claims and billing procedures to determine their adequacy.

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, for the sample of transactions reviewed, Active Day submitted claims for adult day health services that complied with applicable laws, rules, and regulations during the 12-month period ended June 30, 2008.

AUDIT RESULTS

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1. REQUIRED NURSING COVERAGE NOT PROVIDED

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Our review found that Active Day, at times, did not provide the required nursing coverage on weekdays. In this regard, Active Day's payroll and personnel records identified that a RN and LPN were hired for weekday coverage. However, the agency, at

times, required the LPN to serve as interim program director and, at other times, kitchen manager. This individual's time and attendance records did not indicate the amount of time she spent on these other tasks. However, clearly, when this individual was filling in for the program director or kitchen manager, she could not have performed her clinical responsibilities as a LPN. As a result, during these times, Active Day had one nurse providing care for approximately 60 clients, a violation of MassHealth's program requirements

In addition, MassHealth's Adult Day Health program regulations required Active Day to have a RN on site each program day. However, Active Day did not employ a RN on Saturdays throughout the audit period. Instead, the agency relied upon its LPN to serve all its clients on weekends. Active Day's Executive Director stated that she was aware of the nursing shortage on weekdays and Saturdays, and the agency is attempting to hire additional nurses to ensure compliance with MassHealth's program regulations.

2. LACK OF INTERNAL CONTROLS OVER CLIENT BILLING**4**

Our review found that Active Day did not bill for certain adult day health services in accordance with MassHealth's Adult Day Health program regulations. Specifically, we examined billings that Active Day submitted to MassHealth for 28 clients during October 2007 and April 2008 and found that Active Day submitted proper charges for 26 of these clients. However, Active Day inadvertently switched client identification numbers within its billing system for the remaining two clients, which caused the agency to over-bill MassHealth \$573 during the audit period.

The problem originated when Active Day implemented a new computerized billing system. During the conversion process, the two clients in question, who share the same first name and have very similar last names, had their identification numbers improperly recorded into the new billing system. Active Day never detected the mistake, which caused it to submit inaccurate billings for these two individuals throughout the audit period. It should be noted that Active Day did not identify the problem even after one client left the program, indicating a significant deficiency in the agency's internal controls over client billings.

INTRODUCTION

Background

Active Day of New Bedford, Inc. (Active Day) was incorporated in October 1997 as a domestic for-profit corporation to, among other things, offer a skilled and personal service in the area of frail, medically disabled adults and families in need of such services, including the administration of material aid and special care and services. Active Day was approved for operation by the Division of Medical Assistance (currently known as MassHealth) and must operate in accordance with 130 Code of Massachusetts Regulations (CMR) 404, which specifies the requirements for providers of adult day health services. During our audit, Active Day employed approximately 24 full-time and part-time staff, and served more than 70 adults from the Greater New Bedford area.

Active Day's clients have various illnesses, physical ailments, and social limitations. To aid its clients, Adult Day provides nursing services and health oversight, assists with activities of daily living (ADL), provides nutritional and dietary services, and offers physical therapy and counseling. Active Day employs registered nurses (RNs) and licensed practical nurses (LPNs) to attend to members' health care needs, social workers to provide individual and group counseling for members and their families, and other direct care staff to attend to members' ADL requirements. Active Day contracts with United Hand and Rehabilitative Services for rehabilitative services that physicians prescribe for Active Day's clients. Finally, Active Day offers a wide variety of recreational and therapeutic programs for clients including arts and crafts, daily exercise sessions, educational games, community outings, daily walks, and gardening. During our audit period, Active Day received \$1,235,000 from MassHealth for adult day health services it provided to eligible adults.

Audit Scope, Objectives, and Methodology

The scope of our audit was to determine whether Adult Day submitted allowable claims for adult day health services during the period July 1, 2007 to June 30, 2008. Our audit was conducted in accordance with generally accepted government auditing standards for performance audits issued by the Comptroller General of the United States and, accordingly, included such procedures and tests as we considered necessary to meet these standards.

Our objectives consisted of the following:

1. To review and examine a sample of Medicaid claims for adult day health services filed by Active Day to determine whether:
 - The claims were supported with required documentation;
 - The services were provided as claimed;
 - The claims were for eligible Medicaid recipients; and
 - The claims were complete, accurate, and in compliance with applicable laws, rules, and regulations.
2. To review Active Day's internal controls over its claims and billing procedures to determine their adequacy.

In order to achieve our objectives, we held discussions with Active Day officials; reviewed organization charts, policies, and procedures; and reviewed internal controls over billing procedures and all applicable laws, rules, and regulations. We also examined Active Day's cost reports and related financial statements, member records, and other pertinent financial records to determine whether records were in compliance with applicable laws, rules, and regulations. Finally, we selected a sample of 40 claims filed by the agency during October 2007 and April 2008 for 28 clients that totaled \$21,723 and \$20,852, respectively.

Our audit was not made for the purposes of forming an opinion on Active Day's financial statements. We also did not assess the quality and appropriateness of all program services provided by Active Day. Rather, our report was intended to report findings and conclusions on the extent of Active Day's compliance with applicable laws, rules, and regulations, and to identify services, processes, methods, and internal controls that could be made more efficient and effective.

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 12-month period ended June 30, 2008, for the transactions reviewed, Active Day submitted claims for adult day health services that it was providing to Medicaid recipients that complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

1. REQUIRED NURSING COVERAGE NOT PROVIDED

Our review found that Active Day of New Bedford, Inc. (Active Day) did not provide on-site nursing coverage for its clients in accordance with MassHealth's Adult Day Health program regulations. Specifically, 130 Code of Massachusetts Regulations (CMR) 404.406: Adult Day Health Program Requirements; Section (D)(1) Nursing Services and Health Oversight, states, in part:

The adult day health centers must provide nursing coverage on site for a minimum of eight hours a day, four hours of which must be provided by a registered nurse. The balance of the coverage may be provided by a licensed practical nurse... When the average daily census reaches 50 members or more, the adult day health center must provide nursing coverage on site for a minimum of 16 hours a day, eight hours of which must be provided by a registered nurse...

During the audit period, Active Day had an average census of 60 clients on weekdays. Based upon MassHealth's Adult Day Health program regulations, Active Day was required to provide a minimum of 16 hours of nursing coverage per day, of which eight hours had to be provided by a registered nurse (RN), whereas a registered nurse or licensed practical nurse (LPN) could provide the remaining coverage.

Our review found that Active Day, at times, did not provide the required nursing coverage on weekdays. In this regard, Active Day's payroll and personnel records identified that a RN and LPN were hired for weekday coverage. However, the agency, at times, required the LPN to serve as interim program director and, at other times, kitchen manager. This individual's time and attendance records did not indicate the amount of time she spent on these other tasks. However, clearly, when this individual was filling in for the program director or kitchen manager, she could not have performed her clinical responsibilities as a LPN. As a result, during these times, Active Day had one nurse providing care for approximately 60 clients in violation of MassHealth's program requirements

In addition, 130 CMR 404.409: Adult Day Health Staff Qualifications and Responsibilities; Section (C) Registered Nurse, states:

There must be a registered nurse on site each program day... A registered nurse must be available while members are on site.

However, Active Day did not employ a RN on Saturdays throughout the audit period. Instead, the agency relied upon a LPN to serve its approximately 35 Saturday clients during the audit period. Active Day's Executive Director stated that she was aware of the nursing shortage on weekdays and Saturdays, and the agency is attempting to hire additional nurses to ensure compliance with MassHealth's program regulations.

Recommendation

Active Day should hire additional nursing staff for weekdays and Saturdays in order to comply with the nursing services and health oversight requirements described in 130 CMR 404.406 and 130 CMR 404.409.

Auditee's Response:

Active Day's Center Director responded, in part:

In regards to the issues at hand I have made some necessary changes that had been addressed. As far as the required nursing on Saturdays I have since hired a RN to work 4 hours on Saturdays. Our LPN during the week has been addressed about trying to fulfill other duties including her job as LPN. This problem has been fixed and one of the reasons she was in the kitchen "acting" as the cook was we were in between cooks at this time. Since this time we have a fulltime cook on during the week.

2. LACK OF INTERNAL CONTROLS OVER CLIENT BILLING

Our review found that Active Day did not bill for certain adult day health services in accordance with MassHealth's Adult Day Health program regulations. Specifically, 130 CMR 404.415 states:

Conditions of Payment

(A) The MassHealth agency pays for adult day health services beginning with the effective date of the authorization.

(B) The MassHealth agency pays an adult day health provider for only those attendance days attended by an eligible MassHealth member.

(C) The MassHealth agency pays for adult day health services only when the member attends for at least two six-hour days. Members must attend the program at least six hours each day, excluding transportation time to and from the program. Any alteration from this requirement is at the discretion of MassHealth and must be approved.

During the audit, we examined billings that Active Day submitted to MassHealth for 28 clients during October 2007 and April 2008. We found that Active Day submitted proper charges for 26 of these clients. However, Active Day inadvertently switched client identification numbers

within its billing system for the remaining two clients, which caused the agency to over-bill MassHealth \$573 during the audit period. This over-billing was caused by Active Day over-billing \$2,990 for one client and under-billing \$2,417 for the other client, resulting in the \$573 net overcharge.

The problem originated when Active Day implemented a new computerized billing system. During the conversion process, the two clients in question, who share the same first name and have very similar last names, had their identification numbers inadvertently switched when their information was entered into the new billing system. Active Day never detected the mistake, which caused it to submit inaccurate billings for these two individuals throughout the audit period. It should be noted that Active Day did not identify the problem even after one client left the program, indicating a significant deficiency in the agency's internal controls over client billings. The table below details the amounts Active Day incorrectly billed MassHealth for these two clients during the audit period.

Client I.D. Number	Agency's Charges Fiscal Year 2008	Correct Charges Fiscal Year 2008	Over-Billed/(Under-Billed)
402000029	\$19,436	\$21,853	(\$2,417)
402000032	<u>\$15,694</u>	<u>\$12,704</u>	<u>\$2,990</u>
Total	<u>\$35,130</u>	<u>\$34,557</u>	<u>\$573</u>

Recommendation

Active Day must strengthen its internal controls over client billings to ensure that accurate information is inputted into its billing system and the amounts it charges to MassHealth for adult day health services are accurate and reflect actual client services. In addition, Active Day should reimburse MassHealth for the \$573 that it improperly charged for adult day health services during the audit period. Moreover, because the billing problem started before our audit period and continued into fiscal year 2009, Active Day should review its records and remit any additional funds that it incorrectly received from MassHealth relative to these two clients.

Auditee's Response:

Active Day's Center Director responded, in part:

The issue with the billing has been addressed with Corporate and they are working on fixing this problem. We did have 2 participants with the same name and unfortunately their identification numbers were switched and Corporate has been made aware of this mistake and are fixing this problem.