

**TEXAS HEALTH AND HUMAN SERVICES COMMISSION**  
**INSPECTOR GENERAL**

**HOMELIFE AND COMMUNITY  
SERVICES, INC.**

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*A Texas Medicaid Home and Community-Based  
Services Program Provider*



**November 30, 2017**



## HHSC IG

TEXAS HEALTH AND HUMAN  
SERVICES COMMISSION  
INSPECTOR GENERAL

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# HOMELIFE AND COMMUNITY SERVICES, INC.

*A Texas Home and Community-Based Services Program Provider*

## WHY THE IG CONDUCTED THIS AUDIT

The Texas Health and Human Services Commission (HHSC) Inspector General (IG) Audit Division conducted an audit of Homelife and Community Services, Inc. (Homelife), a Home and Community-based Services (HCS) provider.

Texas Medicaid fee-for-service HCS expenditures totaled \$1.1 billion in 2015, which was a quarter of all Texas Medicaid fee-for-service Long-term Services and Supports program expenditures that year.

The HCS program provides more than 20 individualized services and supports to persons with intellectual disabilities who are living with their family, in their own home, or in other community settings, such as small group homes.

Homelife processed 95,277 Medicaid claims through HCS during the audit period, June 1, 2015, through May 31, 2016, for which it received reimbursements of more than \$4.2 million.

## WHAT THE IG RECOMMENDS

Homelife should:

- Reimburse HHSC \$71,645.34 for paid claims that did not have sufficient supporting documentation.
- Implement a secure electronic mail service.
- Create and implement policies and procedures, staff training, and review or oversight of processes.

For more information, contact:  
[IG.AuditDivision@hsc.state.tx.us](mailto:IG.AuditDivision@hsc.state.tx.us)

## WHAT THE IG FOUND

Audit results indicated that:

- Homelife did not always document services provided to clients on Service Delivery Logs as required. Of the 355 Service Delivery Logs tested, 32 included documentation errors, impacting 80 claims for which HHSC paid Homelife \$8,953.21.
- Service Delivery Logs did not always contain required signatures. Of the 355 Service Delivery Logs tested, 67 were missing signatures, impacting 106 claims for which HHSC paid Homelife \$33,694.10.
- Service Delivery Logs contained signature discrepancies. Of the 355 Service Delivery Logs tested, 31 had signature discrepancies, impacting 154 claims for which HHSC paid Homelife \$22,089.85.
- Individual Plans of Care did not always contain required provider representative signatures. Of the 47 Individual Plans of Care tested, 2 did not include a provider representative signature as required, impacting 283 claims for which HHSC paid Homelife \$6,908.18.
- Homelife did not have a networked information technology environment and did not maintain a company based email for employees, creating a risk that personal emails could be used, either intentionally or unintentionally, to transmit unencrypted client protected health information.
- Homelife did not have written policies and procedures, did not provide formal training to its management or staff, and did not have an adequate process in place for management review or oversight of the billing process.

The objectives of this audit were to determine whether (a) documentation to support fee-for-service claims for Residential Support Services submitted by and paid to Homelife existed and were completed in accordance with the HCS provider agreement and with state rules and guidelines and (b) authorizations for billed Day Habilitation services existed and were documented in accordance with the HCS provider agreement and with state rules and guidelines.

The audit scope included paid claims for the period from June 1, 2015, through May 31, 2016, and a review of relevant activities, internal controls, and information technology general controls through the end of fieldwork in August 2017.

Homelife has been an HCS service provider since 1995, serving clients primarily in San Antonio, Texas. Homelife operates 13 small group homes offering residential services (e.g., Residential Support and Supervised Living) within the community, and operates its own Day Habilitation service facility on its home office premises.

Homelife acknowledged the IG Audit Division's findings and has taken the opportunity to address process changes recommended in the report. Homelife's management responses are included in the body of the report after each applicable recommendation.

**HHSC Inspector General**

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# INTRODUCTION

The Texas Health and Human Services Commission (HHSC) Inspector General (IG) Audit Division conducted an audit of Homelife and Community Services, Inc. (Homelife), a Home and Community-based Services (HCS) provider.

## Objective and Scope

The objectives of this audit were to determine whether (a) documentation to support fee-for-service claims for Residential Support Services submitted by and paid to Homelife existed and were completed in accordance with the HCS provider agreement and with state rules and guidelines and (b) authorizations for billed Day Habilitation services existed and were documented in accordance with the HCS provider agreement and with state rules and guidelines.

The audit scope included paid claims for the period from June 1, 2015, through May 31, 2016, and a review of relevant activities, internal controls, and information technology (IT) application controls through the end of fieldwork in August 2017.

## Background

The HCS program provides individualized services and supports to persons with intellectual disabilities who are living with their family, in their own home, or in other community settings, such as small group homes. There are more than 20 services available to clients through the HCS program, with service determinations made by teams comprised of local intellectual and developmental disability authority service coordinators, the client (and/or designee), and provider representatives.

The HCS program is the largest Texas Medicaid Long-term Services and Supports (LTSS) program based on estimated fee-for-service expenditures, with expenditures of \$1.1 billion in 2015 and Total Texas Medicaid fee-for-service LTSS program expenditures for 2015 of \$4.4 billion.<sup>1</sup>

Homelife has been an HCS service provider since 1995, serving clients primarily in San Antonio, Texas. Homelife operates 13 small group homes offering residential services (e.g. Residential Support and Supervised Living)<sup>2</sup> within the community

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<sup>1</sup> DADS Operating Budget FY 2016 (estimated expenditures); 2016 DADS Reference Guide, Budget Summary, p. 15.

<sup>2</sup> “Residential Support” and “Supervised Living” services are almost identical residential services only offered in group homes; Residential Support requires that provider staff remain awake overnight, whereas Supervised Living does not. Examples of these residential services include assisting with meal preparation, housekeeping, ambulation and mobility, and supervising safety and security.

and operates its own Day Habilitation<sup>3</sup> service facility on its home office premises. Other services offered by Homelife include (a) case management services, (b) nursing services, (c) Host Home/Companion Care service (Adult Foster Care),<sup>4</sup> and (d) various therapy services.

Homelife processed 95,277 Medicaid HCS claims during the audit period, June 1, 2015, through May 31, 2016, for which it received reimbursements of \$4,221,842.72.

The focus of this audit was Residential Support Service paid claims and authorizations for Day Habilitation services. During the audit period, Homelife processed (a) 8,763 Residential Support Service Medicaid claims, for which it received reimbursements of \$1,284,401.47, and (b) 15,449 Day Habilitation Medicaid claims, for which it received reimbursements of \$435,422.13.

The IG Audit Division conducted the audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Unless otherwise described, any year referenced is the state fiscal year, which covers the period from September 1 through August 31.

The IG Audit Division presented preliminary audit results, issues, and recommendations to Homelife in a draft report dated November 22, 2017. Homelife provided responses to the audit findings that detail actions taken or planned to address recommended process changes. These responses are included after each applicable recommendation.

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<sup>3</sup> “Day Habilitation” services are provided to people with intellectual and developmental disabilities to help them get, keep, or improve their skills so they can live successfully in the community.

<sup>4</sup> “Host Home/Companion Care” (Adult Foster Care) service is another type of residential service; however, this service is provided by an individual’s family member in the individual’s home as opposed to a group home.

## AUDIT RESULTS

The IG Audit Division reviewed documentation maintained by Homelife to support paid claims for Residential Support Services and authorization for Day Habilitation services, and identified issues relating to the following areas:

- Claims support
- Service authorizations
- Information technology
- Policies and procedures, training, and management oversight

Issues related to these areas are discussed in the sections that follow.

### **CLAIMS SUPPORT**

Form 4119, Residential Support Services and Supervised Living Service Delivery Log (Service Delivery Log), is used by Homelife to document claims for residential service components, and represents support for a billed claim. The Service Delivery Log supports up to seven days of billed claims and is used as a source of data from which to input billing information into the Client Assignment and Registration System (CARE).<sup>5</sup>

The IG Audit Division tested 355 Service Delivery Logs that corresponded to a sample of 1,942 paid claims selected from 8,763 paid claims for the period of June 1, 2015, through May 31, 2016. Audit test work was performed to determine whether claims submitted by and paid to Homelife were adequately supported by documentation.

Audit results indicated that some of the Service Delivery Logs did not include a list of services that had been provided, and other Service Delivery Logs were not signed. In addition, some Service Delivery Logs appeared to contain discrepancies with signatures and initials. Results are detailed in the findings and observation that follow.

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<sup>5</sup> Provider claims are submitted and adjudicated through the Client Assignment and Registration System (CARE). Adjudication is a process designed to determine whether claims should be paid or not and what amount will be paid.

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## **Finding 1: Billed Services Were Not Documented On Service Delivery Logs**

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Homelife did not always document services provided to clients on Service Delivery Logs as required. Of the 355 Service Delivery Logs tested, 32 included documentation errors, impacting 80 claims for which HHSC paid Homelife \$8,953.21.

HCS Program Billing Guidelines state that claims must be supported by a Service Delivery Log,<sup>6</sup> which must include a “description or list of activities performed by the service provider ... that evidences the performance of one or more billable activities.”<sup>7</sup> In addition, the HCS provider agreement requires Homelife to certify that information submitted regarding claims will be true, accurate, and complete, and that such information can be verified by source documents.<sup>8</sup>

Support for the 80 claims was missing because Homelife did not follow requirements that billed services must be documented. As a result, HHSC paid for claims that did not meet program documentation requirements.

HHSC may recoup any payment made to a program provider for a service if the service is not documented in accordance with the HCS Program Billing Guidelines,<sup>9</sup> or if the claim for the service does not meet the requirements of the HCS Program Billing Guidelines.<sup>10</sup>

### **Recommendation 1**

Homelife should ensure billed services are fully and accurately documented on Service Delivery Logs.

Homelife should reimburse HHSC \$8,953.21 for claims paid on services that were not supported by documentation that reflected provided services.

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<sup>6</sup> Home and Community-based Services Program Billing Guidelines § 3810.2 (Mar. 21, 2014) and (Oct. 30, 2015).

<sup>7</sup> Home and Community-based Services Program Billing Guidelines § 3820.1 (Mar. 21, 2014) and (Oct. 30, 2015).

<sup>8</sup> Medicaid Provider Agreement for the Provision of HCS Program Services #001007433 § II.H (Sept. 1, 2003).

<sup>9</sup> 40 Tex. Admin. Code § 9.170(4)(F) (Sept. 1, 2014), § 9.170(4)(E) (Nov. 15, 2015) and (Mar. 20, 2016).

<sup>10</sup> 40 Tex. Admin. Code § 9.170(4)(G) (Sept. 1, 2014), § 9.170(4)(F) (Nov. 15, 2015) and (Mar. 20, 2016).

## **Management Response**

### Action Plan

*Implement use of the software Task Master Pro, which ensures all billed services are fully and accurately complete including signature by the provider who delivered the service and that the integrity of the claim is supported through the use of the software.*

*Some of the benefits to using this software include:*

- *No server to maintain. Data storage and backup are maintained at secure server sites.*
- *HIPAA compliant.*
- *Electronic Data Signature brings consistency to documentation.*
- *Reduces non-billable time and shifts efforts toward client-focused billable tasks.*

### Responsible Manager

*RSS/SL Supervisor, Host Home/Companion Care Supervisor, Day Habilitation Director, Nursing Supervisor*

### Target Implementation Date

*The use of Task Master Pro was already in effect as of 7-1-17 however, this period audited was not included in the recently implemented program.*

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## **Finding 2: Support for Billed Services Did Not Include Required Provider Signatures**

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Service Delivery Logs did not always contain required signatures. Of the 355 Service Delivery Logs tested, 67 were missing signatures, impacting 106 claims for which HHSC paid Homelife \$33,694.10.

HCS Program Billing Guidelines state that the Service Delivery Log must be written and signed by the provider who delivered the service.<sup>11</sup>

Signatures were missing from the Service Delivery Logs supporting the 106 claims because Homelife did not follow requirements that Service Delivery Logs must be signed. As a result, HHSC paid for claims that did not meet program documentation requirements.

HHSC may recoup any payment made to a program provider for a service if the service is not documented in accordance with the HCS Program Billing Guidelines,<sup>12</sup> or if the claim for the service does not meet the requirements of the HCS Program Billing Guidelines.<sup>13</sup>

### **Recommendation 2**

Homelife should ensure that Service Delivery Logs are appropriately signed by the provider who delivered the services before using a Service Delivery Log as support for an HCS claim billed to Medicaid.

Homelife should reimburse HHSC \$33,694.10 for claims paid on services that were not supported with a Service Delivery Log that included required signatures.

### **Management Response**

#### Action Plan

*Implement use of the software Task Master Pro, which ensures all billed services are fully and accurately complete including signature by the provider who delivered the service and that the integrity of the claim is supported through the use of the software.*

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<sup>11</sup> Home and Community-based Services Program Billing Guidelines, § 3810.2 (Mar. 21, 2014) and (Oct. 30, 2015) and § 3820.1 (Mar. 21, 2014) and (Oct. 30, 2015).

<sup>12</sup> 40 Tex. Admin. Code § 9.170(4)(E) (Nov. 15, 2015) and (Mar. 20, 2016) and § 9.170(4)(F) (Sept. 1, 2014).

<sup>13</sup> 40 Tex. Admin. Code § 9.170(4)(F) (Nov. 15, 2015) and (Mar. 20, 2016) and § 9.170(4)(G) (Sept. 1, 2014).

*Some of the benefits to using this software include:*

- *No server to maintain. Data storage and backup are maintained at secure server sites.*
- *HIPAA compliant.*
- *Electronic Data Signature brings consistency to documentation.*
- *Reduces non-billable time and shifts efforts toward client-focused billable tasks.*

Responsible Manager

*RSS/SL Supervisor, Host Home/Companion Care Supervisor, Day Habilitation Director, Nursing Supervisor*

Target Implementation Date

*The use of Task Master Pro was already in effect as of 7-1-17 however, this period audited was not included in the recently implemented program.*

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### **Finding 3: Service Delivery Logs Contained Signature Discrepancies**

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Of the 355 Service Delivery Logs tested, 31 contained signature discrepancies, impacting 154 claims for which HHSC paid Homelife \$22,089.85. Signature discrepancies reflected one of the following:

- Certain signatures for an individual appeared to differ substantially from other examples of the same individual's signature, suggesting that some of the signatures could have been written by another staff member.
- Printed names in lieu of actual signatures for various individuals. All printed signatures appeared to be printed by the same person.

Homelife management stated that supervisors may have inserted initials or signatures for staff in instances where the supervisors knew the staff had worked, but failed to sign or initial the form.

HCS Program Billing Guidelines state that the Service Delivery Log must be written and signed by the provider who delivered the service.<sup>14</sup>

HHSC may recoup any payment made to a program provider for a service if the service is not documented in accordance with the HCS Program Billing Guidelines,<sup>15</sup> or if the claim for the service does not meet the requirements of the HCS Program Billing Guidelines.<sup>16</sup>

### **Recommendation 3**

Homelife should increase the integrity of supporting documentation by ensuring that records supporting HCS claims are signed by the person making the Service Delivery Log entries.

Homelife should reimburse HHSC \$22,089.85 for claims paid on services that were supported with a Service Delivery Log that included signature discrepancies.

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<sup>14</sup> HCS Program Billing Guidelines, § 3810.2 (Mar. 21, 2014) and (Oct. 30, 2015) and § 3820.1 (Mar. 21, 2014) and (Oct. 30, 2015).

<sup>15</sup> 40 Tex. Admin. Code § 9.170(4)(F) (Sept. 1, 2014), § 9.170(4)(E) (Nov. 15, 2015) and (Mar. 20, 2016).

<sup>16</sup> 40 Tex. Admin. Code § 9.170(4)(G) (Sept. 1, 2014), § 9.170(4)(F) (Nov. 15, 2015) and (Mar. 20, 2016).

## **Management Response**

### Action Plan

*Implement use of the software Task Master Pro, which ensures all billed services are fully and accurately complete including signature by the provider who delivered the service and that the integrity of the claim is supported through the use of the software.*

*Some of the benefits to using this software include:*

- *No server to maintain. Data storage and backup are maintained at secure server sites.*
- *HIPAA compliant.*
- *Electronic Data Signature brings consistency to documentation.*
- *Reduces non-billable time and shifts efforts toward client-focused billable tasks.*

### Responsible Manager

*RSS/SL Supervisor, Host Home/Companion Care Supervisor, Day Habilitation Director, Nursing Supervisor*

### Target Implementation Date

*The use of Task Master Pro was already in effect as of 7-1-17 however, this period audited was not included in the recently implemented program.*

## SERVICE AUTHORIZATIONS

Form 3608, Individual Plan of Care, is used by Homelife to document authorization of client services. The Individual Plan of Care is completed at the time a client enrolls in the HCS program and, if the client remains eligible, is valid for 365 days.

The IG Audit Division tested 47 Individual Plans of Care associated with a sample of 20 Day Habilitation clients selected from a population of 96 clients who received Day Habilitation services during the period of June 1, 2015, through May 31, 2016. Audit test work was performed to determine whether Individual Plans of Care used to support claims submitted by and paid to Homelife contained required provider signatures.

Audit results indicated that some of the Individual Plans of Care did not include required provider signatures. Results are detailed in the finding that follows.

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### **Finding 4: Individual Plans of Care Did Not Always Include Required Provider Representative Signatures**

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Individual Plans of Care did not always contain required provider representative signatures. For 2 of the 47 Individual Plans of Care tested, representing 283 claims for which HHSC paid Homelife \$6,908.18, the Individual Plan of Care did not include a provider representative signatures as required.

The HCS Handbook requires Homelife to sign an Individual Plan of Care at the time of initial enrollment,<sup>17</sup> annual renewal,<sup>18</sup> revision,<sup>19</sup> and transfer.<sup>20</sup> HHSC may recoup any payment made to a program provider for a service if the service is not provided in accordance with a signed, dated, and authorized Individual Plan of Care,<sup>21</sup> or if the service is provided during a period of time for which there is not a signed, dated, and authorized Individual Plan of Care for the individual.<sup>22</sup>

Provider representative signatures were missing from the Individual Plans of Care supporting the 283 claims because Homelife did not follow requirements that Individual Plans of Care must be signed. As a result, HHSC paid for claims that did not meet program documentation requirements.

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<sup>17</sup> Home and Community-based Services Handbook, § 6230 (Mar. 1, 2011).

<sup>18</sup> Home and Community-based Services Handbook, § 6324 (June 9, 2014).

<sup>19</sup> Home and Community-based Services Handbook, § 6431.2 (Mar. 1, 2011).

<sup>20</sup> Home and Community-based Services Handbook, § 6523 (Mar. 1, 2011).

<sup>21</sup> 40 Tex. Admin. Code § 9.170(4)(O) (Sept. 1, 2014), § 9.170(4)(B)(iv) (Nov. 15, 2015) and (Mar. 20, 2016).

<sup>22</sup> 40 Tex. Admin. Code § 9.170(4)(B)(i) (Nov. 15, 2015) and (Mar. 20, 2016).

**Recommendation 4**

Homelife should ensure Individual Plans of Care include required provider representative signatures before using the form as support for an HCS claim billed to Medicaid.

Homelife should reimburse HHSC \$6,908.18 for claims paid for Day Habilitation services that were not authorized with Individual Plans of Care that included required signatures.

**Management Response****Action Plan**

*Case Managers were retrained and all understood that all IPC's must be completely filled out including all signatures required.*

**Process of IPC's:**

*Case Managers will complete IPC's either for revisions/annuals/address changes and are given to the person responsible for data entry. IPC's are then reviewed by that person who enters the IPC into CARE and then signs the IPC and it is then faxed to Service Coordinators. If the IPC is not fully complete, it will be returned to the Case Managers.*

**Responsible Manager**

*Billing Specialist*

**Target Implementation Date**

*This process has already been in place when the current Responsible Manager began the duties of data entry.*

## INFORMATION TECHNOLOGY

The sections below describe the results of the IG Audit Division's examination of application controls at Homelife, and include an issue related to the Health Insurance Portability and Accountability Act (HIPAA) compliance.

### IT Application Controls

IT controls that pertain to individual applications used to process data for a specific business purpose are referred to as application controls. Application controls include data validation and completeness edits, separation of business functions, balancing of processing totals, transaction logging, and error reporting. These controls, when working as intended, help provide assurance to management that:

- Input data is complete, accurate, and valid
- Internal processing produces the expected results
- Processing accomplishes the desired tasks
- Output reports are protected from disclosure

CARE is an HHS system used to adjudicate home and community-based services claims. Homelife staff accesses CARE, using an HHS-provided and authorized terminal emulation<sup>23</sup> software, to enter provider services information. That information creates Medicaid claims and Homelife accounts receivable.

The IG Audit Division examined Homelife processes for entering information into CARE, and tested the effectiveness of input processes at Homelife. Audit results indicated that application controls were in place to ensure that information was entered into CARE by authorized individuals, and that services entered were limited to authorized:

- Clients and their associated providers
- Services approved by the Local Authorities
- Number of hours and days
- Dollar amounts

In addition, Homelife used a reconciliation report, available from the CARE application, to ensure CARE received and processed the entered number of services. Homelife also reviewed reports detailing claims generated and adjudicated that it received, via the TexMedCentral secure portal from the CARE system, to validate that submitted claims had been adjudicated.

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<sup>23</sup> Terminal emulation is the ability to make a given computer appear like an actual terminal or client computer networked to a server or mainframe. This is often done using software to access data or programs on the server or mainframe, which are usually only available to the terminal being emulated.

### HIPAA Compliance

As a HIPAA covered entity,<sup>24</sup> and as indicated in the HCS provider agreement, Homelife is required to adhere to the HIPAA security rule.<sup>25</sup> The HIPAA security rule requires covered entities to implement technical safeguards to protect electronic protected health information from unauthorized viewing or modification. Technical safeguards require covered entities to implement security measures to guard against unauthorized access to electronic protected health information that is being transmitted over an electronic communications network.<sup>26</sup>

Homelife did not have a networked information technology environment, and did not maintain a company based email for employees.

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### **Finding 5: Personal Email Accounts Were Used by Homelife Management and Staff to Conduct Agency Business**

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Homelife management and employees used personal email accounts to conduct Homelife business, creating the risk that personal emails could be used, either intentionally or unintentionally, to transmit unencrypted client protected health information. The use of personal email accounts placed protected health information at risk of exposure, since web mail services such as Gmail, Yahoo! Mail, Hotmail, and other internet service providers are not secured by encryption.

While Homelife management indicated personal emails were not used for this purpose, and auditors did not test individual accounts to evaluate whether protected health information was transmitted on personal accounts, there were no controls in place at Homelife to prevent or detect protected health information from being transmitted in an unencrypted email.

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<sup>24</sup> Covered entities are defined in the HIPAA rules as (a) health plans, (b) health care clearinghouses, and (c) health care providers who electronically transmit any health information in connection with transactions for which HHS has adopted standards.

<sup>25</sup> Medicaid Provider Agreement for the Provision of HCS Program Services #001007433 § II.AA. (Sept. 1, 2003).

<sup>26</sup> 45 C.F.R., § 164.312(e)(1) (Jan. 25, 2013).

## **Recommendation 5**

Homelife should:

- Develop formal policies that prohibit the use of personal emails by Homelife staff to transmit protected health information.
- Develop and present periodic HIPAA training to its workforce that includes information about how protected health information should be transmitted.
- Develop and implement reporting and remediation plans that would be deployed in the event a privacy breach involving transmitting of unencrypted protected health information occurs.
- Seek to implement a HIPAA compliant email service that utilizes secure mail servers and allows the encryption of messages. Cloud-based solutions exist that are secure and provide Business Associate Agreements which would make the relationship between the email service provider and Homelife HIPAA compliant.

## **Management Response**

### Action Plan

*Upon employment and before contact with any consumer or their information, all staff is trained on HIPAA. Staff are also retrained annually. As extra measure, we will employ the use of HIPAA information sheet posted throughout the office.*

*In the case that a staff becomes aware that private information has been shared with unauthorized staff or persons, they immediately report it to the Administrators and each case will be handled on an individual basis according to the information that was disclosed and the effect it may have on the said individual.*

*From here forward, the staff will be retrained and instructed to no longer use personal email addresses for the transmission of Homelife information. The email will be issued through the Task Master Pro software.*

*Furthermore, we are researching separate software that will be utilized in a secure fashion for those not in TMP, i.e., Pharmacies, Doctor's offices, Local Authority and other outside entities.*

### Responsible Manager

*HIPAA Employee Training-Human Resources, Secure Email-General Revenue/IT Support*

Target Implementation Date

*Retraining and additional posting of HIPAA information will be effective immediately. Secure email for staff will be implemented within 6 months' time.*

## ***POLICIES AND PROCEDURES, TRAINING, AND MANAGEMENT OVERSIGHT***

Internal controls are generally considered the basis for establishing the corporate culture and setting the tone within an organization for efficiency, standardization, and compliance. Internal controls, including effective policies and procedures, can result in increased consistency and effectiveness throughout the organization. Other common benefits of internal controls that are well designed and working as intended include:

- Segregation of duties
- Clear lines of authority
- Trained staff
- Management review and approval of transactions and other activities performed by staff
- Safeguarding of assets

Audit results indicated there were internal control weaknesses at Homelife.

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### **Finding 6: Opportunities Exist to Improve Internal Controls at Homelife**

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Homelife management indicated that Homelife had no written policies and procedures. Other than a brief orientation for new employees, Homelife did not provide formal training to its management or staff. In addition, Homelife did not have an adequate process in place for management review or oversight of the billing process. Without management oversight or other compensating safeguards in place, there is a heightened risk that claims can be submitted for billing without adequate support, such as forms that do not include required signatures.

Homelife operates with limited staffing resources, and this contributed to the lack of management oversight. When small staff size limits the ability of an organization to implement a strong management review process, compensating controls, such as comprehensive policies and procedures, effective and applicable staff training, and a well-designed quality assurance program, can help mitigate the risks associated with absence of supervisory review and approval. Homelife did not have these mitigating controls in place as part of its billing process.

**Recommendation 6**

Homelife should develop and implement an effective internal control structure, including drafting policies and procedures, providing management and staff with relevant training, and establishing a review and oversight process to strengthen the accuracy of its billing process and the quality of its supporting documentation for Medicaid claims.

**Management Response****Action Plan**

*Homelife has begun the process of reviewing the TAC code forwarded in order to develop policy and procedures specific to said codes. Homelife will continue to implement initial and annual training on documentation on Task Master Pro and ensure all claims are processed according to the billing guidelines.*

**Responsible Manager**

*Policy and Procedures-CEO, Training-RSS/SL Supervisor, Host Home/Companion Care Supervisor, Day Habilitation Director, Nursing Supervisor*

**Target Implementation Date**

*Policy and Procedures will be implemented within 6 months' time. Training is effective immediately with the use of Task Master Pro.*

## CONCLUSION

The audit evaluated support for Medicaid fee-for-service HCS claims submitted by Homelife to determine whether Service Delivery Logs for Residential Support Services detailed the services provided and were properly signed, and Individual Plans of Care for Day Habilitation Services contained required provider representative signatures. The IG Audit Division also evaluated IT application controls to determine whether data used for audit testing was reliable. The IG Audit Division conducted site visits in August 2017.

Homelife did not comply with the HCS provider agreement or with state rules and guidelines for 623 of 24,212 claims. The 623 errors resulted in \$71,645.34 in unsupported Medicaid reimbursements. Based on the results of IT application controls testing, Homelife's data was sufficiently reliable for the purposes of the audit.

The IG Audit Division concluded:

- Homelife did not always include a list of services delivered to clients on Service Delivery Logs.
- Homelife did not always ensure Service Delivery Logs were signed.
- Homelife did not always ensure Individual Plans of Care contained required provider representative signatures.
- Homelife had application controls in place to ensure that information was entered into CARE by authorized individuals, and that services entered were limited to authorized (a) clients and their associated providers, (b) services approved by the Local Authorities, (c) number of hours and days, and (d) dollar amounts.
- Homelife used a reconciliation report available from the CARE application to ensure CARE received and processed the entered number of services. Homelife also reviewed reports detailing claims generated and adjudicated that it received, via the TexMedCentral secure portal from the CARE system, to validate that submitted claims had been adjudicated.
- Homelife did not have a networked information technology environment, and did not maintain a company based email for employees.
- Homelife did not have written policies and procedures.

- Other than a brief orientation for new employees, Homelife did not provide formal training to its management or staff.
- Homelife did not have an adequate process in place for management review or oversight of the billing process.

The IG Audit Division offered recommendations to Homelife which, if implemented, will:

- Ensure Service Delivery Logs include all delivered services and are signed.
- Ensure Individual Plans of Care contained provider representative signatures.
- Reduce the risk that personal emails used by Homelife staff to conduct business could be used to transmit client protected health information.
- Result in Homelife drafting and implementing policies and procedures, providing staff training, and improving management oversight of key activities such as billing processes.

The IG Audit Division thanks management and staff at Homelife for their cooperation and assistance during this audit.

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## **Appendix A: Objective, Scope, and Methodology**

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### **Objective**

The objectives of this audit were to determine whether (a) documentation to support fee-for-service claims for Residential Support Services submitted by and paid to Homelife existed and were completed in accordance with the HCS provider agreement and with state rules and guidelines and (b) authorizations for billed Day Habilitation services existed and were documented in accordance with the HCS provider agreement and with state rules and guidelines.

### **Scope**

The audit scope included paid claims for the period from June 1, 2015, through May 31, 2016, and a review of relevant activities, internal controls, and IT application controls through the end of fieldwork in August 2017.

### **Methodology**

To accomplish its objectives, the IG Audit Division collected information for this audit through discussions and interviews with Homelife management and staff and by reviewing:

- Homelife's organizational chart
- Homelife's new employee orientation handbook
- Service Delivery Logs
- Individual Plans of Care
- IT application controls

The IG Audit Division issued an engagement letter on August 28, 2017, to Homelife providing information about the upcoming audit, and conducted fieldwork at the Homelife facility in San Antonio, Texas, in August 2017. Auditors did not remove original records from the Homelife premises. During fieldwork, auditors requested additional documents, which Homelife provided. While on site, the IG Audit Division interviewed responsible personnel, evaluated internal controls, and reviewed relevant documents related to sampled claims.

## Criteria

The IG Audit Division used the following criteria to evaluate the information provided:

- 45 C.F.R., § 164.312(e)(1) (Jan. 25, 2013)
- 40 Tex. Admin. Code § 9.170(4)(B)(i) (Nov. 15, 2015) and (Mar. 20, 2016)
- 40 Tex. Admin. Code § 9.170(4)(B)(iv) (Nov. 15, 2015) and (Mar. 20, 2016)
- 40 Tex. Admin. Code § 9.170(4)(E) (Nov. 15, 2015) and (Mar. 20, 2016)
- 40 Tex. Admin. Code § 9.170(4)(F) (Nov. 15, 2015) and (Mar. 20, 2016)
- 40 Tex. Admin. Code § 9.170(4)(G) (Sept. 1, 2014)
- 40 Tex. Admin. Code § 9.170(4)(O) (Sept. 1, 2014)
- Home and Community-based Services Program Billing Guidelines § 3810.2 (Mar. 21, 2014) and (Oct. 30, 2015)
- Home and Community-based Services Program Billing Guidelines § 3820.1 (Mar. 21, 2014) and (Oct. 30, 2015)
- Home and Community-based Services Handbook, § 6230 (Mar. 1, 2011)
- Home and Community-based Services Handbook, § 6324 (June 9, 2014)
- Home and Community-based Services Handbook, § 6431.2 (Mar. 1, 2011)
- Home and Community-based Services Handbook, § 6523 (Mar. 1, 2011)
- Medicaid Provider Agreement for the Provision of HCS Program Services #001007433 § II.H (Sept. 1, 2003)
- Medicaid Provider Agreement for the Provision of HCS Program Services #001007433 § II.AA. (Sept. 1, 2003)

## **Auditing Standards**

The IG Audit Division conducted this audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the issues and conclusions based on our audit objectives. The IG Audit Division believes the evidence obtained provides a reasonable basis for our issues and conclusions based on our audit objectives.

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## Appendix B: Sampling Methodology

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After an initial assessment of risk and contractor performance outcomes, the IG Audit Division performed testing from the Residential Support and Day Habilitation services for the period of June 1, 2015, through May 31, 2016. The IG Data and Technology Division provided data for testing.

### Residential Support Services Service Delivery Logs

The selection of the Residential Support Services audit sample for testing of Service Delivery Logs was completed using a non-statistical random sampling approach.

The Residential Support Services population was defined and validated by the IG Data and Technology Division team to include all fee-for-service paid claims between June 1, 2015, and May 31, 2016, inclusively. This population consisted of 8,763 paid claims for 28 clients. The sample unit for testing of Residential Support Services was at the claim level.

The general sampling approach was to select 5 weeks, for which all 28 clients' paid claims would be tested ( $5 \text{ weeks} \times 7 \text{ days} \times 28 \text{ clients} = 980 \text{ units}$ ). However, not all clients had paid claims for the five sample weeks selected, and some clients did not have claims for all seven days of the week, which resulted in a refined sample size of 837 actual claims. The five weeks tested were the weeks of:

- July 5, 2015
- September 13, 2015
- December 27, 2015
- March 27, 2016
- May 22, 2016

Documentation to support paid claims is captured weekly, starting on Sunday and ending on Saturday.

This resulted in an initial sample size of 837 claims. During testing, the auditors noted anomalies with documentation generated by staff at one specific group home. As a result, the initial sample was expanded to include all additional Service Delivery Logs for the 4 clients at this home, resulting in the number of claims in the sample increasing from 837 to 1,942.

To test whether support for the 1,942 claims existed and were completed in accordance with the HCS provider agreement and with state rules and guidelines, auditors tested the 355 service delivery logs that corresponded to the sampled 1,942 claims.

**Day Habilitation Individual Plans of Care**

The selection of the Day Habilitation services audit sample for testing of Individual Plans of Care was completed using a non-statistical random sampling approach.

The Day Habilitation services population was defined and validated by the IG Data and Technology Division team to include all fee-for-service paid claims between June 1, 2015, and May 31, 2016, inclusively. This population consisted of 96 clients. The sample unit for testing of Day Habilitation services Individual Plans of Care was at the client level.

Because clients that receive Day Habilitation services may also receive Residential Support or Supervised Living services, clients enrolled in either of these services were excluded from the Day Habilitation sample selection, resulting in the initial population of 96 clients being reduced by 40 (28 Residential Support clients and 12 Supervised Living clients) to 56 clients.

The general sampling approach was to use a stop and go testing approach. In such case, an initial sample size of 20 clients would be tested, and if the error rate exceeded 10 percent, an additional 10 clients would be tested, otherwise, no additional testing would occur. A random number generator was used to select the initial 20 client sample, the 10 additional client sample, and 5 alternates to accommodate the occurrence of duplicates.

The Individual Plan of Care typically covers a one-year period; however, an individual may have multiple revisions or modifications of service occur during the course of the year, with each occurrence resulting in a new Individual Plan of Care generated to reflect the agreed-upon revision or modification.

The 20 clients selected in the sample had differing numbers of Individual Plans of Care, ranging from 1 to 6 per client. Table 1 indicates the number of clients with the same number of Individual Plans of Care, and multiplies the number of clients by the number of corresponding Individuals Plans of Care, resulting in the total number of 47 Individual Plans of Care tested during the audit.

**Table 1: Individual Plan of Care Sample Data**

Clients Selected in Sample	IPCs Per Client	Individual Plans of Care Tested
3	1	3
11	2	22
4	3	12
1	4	4
1	6	6
20		47

Source: IG Audit Division

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## Appendix C: Report Team and Distribution

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### Report Team

The IG staff members who contributed to this audit report include:

- Kacy VerColen, CPA, Audit Director
- Dan Hernandez, Audit Manager
- Lorraine Chavana, Audit Project Manager
- Melissa Larson, IT Audit Project Manager
- Telvina Cole, Senior Auditor
- Larry Gambone, Senior Auditor
- Keven Holst, Senior Auditor
- Lorraine Wayland, Staff Auditor
- Scott Miller, Senior Audit Operations Analyst

### Report Distribution

#### Health and Human Services

- Charles Smith, Executive Commissioner
- Cecile Erwin Young, Chief Deputy Executive Commissioner
- Kara Crawford, Chief of Staff
- Heather Griffith Peterson, Chief Operating Officer
- Karen Ray, Chief Counsel
- Karin Hill, Director of Internal Audit
- Tony Owens, Deputy Associate Commissioner for Health Plan Monitoring and Contract Services
- James Ramirez, Director Contract Administration & Provider Monitoring

#### Homelife and Community Services, Inc.

- Al Salazar, Chief Executive Officer
- Leticia Diaz, Chief Financial Officer

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## **Appendix D: IG Mission and Contact Information**

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The mission of the IG is to prevent, detect, and deter fraud, waste, and abuse through the audit, investigation, and inspection of federal and state taxpayer dollars used in the provision and delivery of health and human services in Texas. The senior leadership guiding the fulfillment of IG's mission and statutory responsibility includes:

- Sylvia Hernandez Kauffman, Principal Deputy Inspector General
- Christine Maldonado, Chief of Staff and Deputy IG for Operations
- Olga Rodriguez, Senior Advisor and Director of Policy and Publications
- Roland Luna, Deputy IG for Investigations
- Brian Klozik, Deputy IG for Medicaid Program Integrity
- David Griffith, Deputy IG for Audit
- Quinton Arnold, Deputy IG for Inspections
- Alan Scantlen, Deputy IG for Data and Technology
- Judy Hoffman-Knobloch, Interim Deputy IG for Medical Services
- Anita D'Souza, Chief Counsel

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### **To Report Fraud, Waste, and Abuse in Texas HHS Programs**

- Online: <https://oig.hhsc.texas.gov/report-fraud>
- Phone: 1-800-436-6184

### **To Contact the Inspector General**

- Email: [OIGCommunications@hhsc.state.tx.us](mailto:OIGCommunications@hhsc.state.tx.us)
- Mail: Texas Health and Human Services Commission  
Inspector General  
P.O. Box 85200  
Austin, Texas 78708-5200
- Phone: 512-491-2000