



DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF AUDIT SERVICES  
233 NORTH MICHIGAN AVENUE  
CHICAGO, ILLINOIS 60601

REGION V  
OFFICE OF  
INSPECTOR GENERAL

June 24, 2008

Report Number: A-05-08-00018

Mr. Barry Maram  
Director  
Illinois Department of Healthcare and Family Services  
201 South Grand Avenue East  
Springfield, Illinois 62763

Dear Mr. Maram:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Social Security Act Section 1915(c) Waiver Payments for Home and Community-Based Services at Seguin Services, Inc., July 1, 2004, Through June 30, 2005." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Steve Slamar, Audit Manager, at (312) 353-7905 or through e-mail at [Stephen.Slamar@oig.hhs.gov](mailto:Stephen.Slamar@oig.hhs.gov). Please refer to report number A-05-08-00018 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Marc Gustafson".

Marc Gustafson  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Jackie Garner, Consortium Administrator  
Consortium for Medicaid and Children's Health Operations  
Centers for Medicare & Medicaid Services  
233 North Michigan Avenue, Suite 600  
Chicago, Illinois 60601

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF SOCIAL SECURITY  
ACT SECTION 1915(C) WAIVER  
PAYMENTS FOR HOME AND  
COMMUNITY-BASED SERVICES  
AT SEGUIN SERVICES, INC.,  
JULY 1, 2004, THROUGH  
JUNE 30, 2005**



Daniel R. Levinson  
Inspector General

June 2008  
A-05-08-00018

# ***Office of Inspector General***

<http://oig.hhs.gov>

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**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
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Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5).

## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with Federal requirements.

Section 1915(c) of the Act authorizes the Medicaid Home and Community-Based Services (HCBS) waiver program. A State's HCBS waiver program must be approved by CMS and allows the State to claim Federal reimbursement for services not usually covered by Medicaid. HCBS are generally provided to Medicaid-eligible beneficiaries in a community rather than an institutional setting.

The Illinois Department of Healthcare and Family Services (the State agency) administers the State's HCBS waiver program, which includes a waiver to provide services to adults with developmental disabilities (DD). The State agency contracts with the Illinois Department of Human Services (DHS) to manage the DD waiver program. DHS contracts with providers who offer HCBS to Medicaid-eligible beneficiaries in a community setting. The State agency claimed Federal reimbursement of about \$182 million for HCBS provided under the DD waiver program during State fiscal year (SFY) 2005 (July 1, 2004, through June 30, 2005).

Seguin Services, Inc. (Seguin) was the third largest provider of HCBS under the Illinois DD waiver during SFY 2005. DHS reimbursed Seguin about \$9.8 million (\$4.9 million Federal share) for HCBS provided under the DD waiver program during SFY 2005.

### **OBJECTIVE**

Our objective was to determine whether the State agency's claim for Medicaid reimbursement for HCBS provided by Seguin during SFY 2005 complied with Federal and State requirements.

### **SUMMARY OF FINDINGS**

During SFY 2005, we estimate the State agency claimed \$77,316 (\$38,658 Federal share) for Medicaid reimbursement paid to Seguin for HCBS that did not comply with Federal and State requirements. For 3,760 services claimed in 65 of 100 sampled beneficiary-months, the State agency accurately claimed Medicaid reimbursement for allowable HCBS. However, the State agency claimed Medicaid reimbursement for 189 services in 35 beneficiary-months that were unallowable because Seguin did not provide the services or meet documentation requirements, or the services were unallowable. Specifically, the State agency claimed Medicaid reimbursement for:

- 96 services that were provided to 2 beneficiaries without an individual service plan,
- 48 services for 23 beneficiaries who were not present and did not receive developmental training at Seguin due to their attendance at other medical and dental facilities,
- 3 services for 1 beneficiary who was not present and did not receive residential HCBS at Seguin,
- 9 services that were not adequately documented by Seguin to show the HCBS that were actually provided to 7 beneficiaries,
- 21 services for 1 beneficiary for unallowable transportation to and from developmental training,
- 2 services for 1 beneficiary who was not present and did not receive residential HCBS at Seguin because she was an inpatient at a hospital, and
- 10 services for 1 beneficiary who did not receive developmental training services during scheduled lunch periods.

The claims for unallowable services were made because Seguin did not implement adequate internal controls to ensure it documented and claimed reimbursement only for allowable services actually provided.

#### **RECOMMENDATIONS:**

We recommend that the State agency:

- refund to the Federal Government the \$38,658 paid to Seguin for unallowable HCBS claimed in SFY 2005, and
- require Seguin to implement internal controls to ensure it documents and claims reimbursement only for allowable HCBS actually provided.

#### **STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, the State agency did not address our first recommendation. The State agency indicated that Seguin revised its daily day program attendance record and stated that Seguin no longer bills for time during the regular day program hours when day program staff take participants to a doctor's appointment.

We continue to recommend that the State agency refund \$38,658 to the Federal Government.

The State agency's comments are included in their entirety as Appendix B.

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## **INTRODUCTION**

### **BACKGROUND**

#### **Medicaid Program**

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. The Illinois Department of Healthcare and Family Services (the State agency) administers the State's Medicaid program in Illinois.

#### **Section 1915(c) Waivers**

Section 1915(c) of the Act authorizes the Medicaid Home and Community-Based Services (HCBS) waiver program. A State's HCBS waiver program must be approved by CMS and allows the State to claim Federal reimbursement for services not usually covered by Medicaid. HCBS are generally provided to Medicaid-eligible beneficiaries in a community rather than an institutional setting. With CMS approval and pursuant to section 1915(c)(4)(B), States determine the services that may be provided under the waiver program including:

. . . case management services, homemaker/home health aide services and personal care services, adult day health services, habilitation services, respite care, and such other services requested by the State as the Secretary may approve and for day treatment or other partial hospitalization services, psychosocial rehabilitation services, and clinic services (whether or not furnished in a facility) for individuals with chronic mental illness.

#### **Illinois Adults With Developmental Disabilities Waiver**

The Illinois adults with developmental disabilities (DD) waiver program is one of several section 1915(c) waivers approved by CMS. The DD waiver allows the State agency to provide HCBS to Medicaid-eligible beneficiaries in a community setting as opposed to an institutional setting. The State agency contracts with the Illinois Department of Human Services (DHS) to operate the waiver program on a day-to-day basis. DHS reimbursed providers for claimed HCBS, and subsequently, submitted claims for reimbursement to the State agency. Under the DD waiver program, the State agency claimed Federal reimbursement of about \$182 million during the State fiscal year (SFY) 2005 (July 1, 2004, through June 30, 2005).

## **Seguin Services, Inc.**

Seguin Services, Inc. (Seguin) was the third largest provider of HCBS under the Illinois DD waiver during SFY 2005. DHS reimbursed Seguin about \$9.8 million (\$4.9 million Federal share) for HCBS provided under the DD waiver program during SFY 2005.

This review of the State agency's claim for reimbursement for HCBS at Seguin is one in a series of reports regarding Illinois' claims for HCBS.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine whether the State agency's claim for Medicaid reimbursement for HCBS provided by Seguin during SFY 2005 complied with Federal and State requirements.

### **Scope**

Our review covered the State agency's claims for Medicaid reimbursement of HCBS provided by Seguin under the DD waiver program for SFY 2005. The State agency claimed \$9.8 million (\$4.9 million Federal share) for 116,597 HCBS provided by Seguin under the DD waiver program during 2,939 beneficiary-months<sup>1</sup> for this period. The scope of our audit did not include a medical review or an evaluation of the medical necessity for the services that Seguin provided and claimed reimbursement.

We did not assess the State agency's overall internal controls. We limited our review to gaining an understanding of the State agency's and DHS's controls related to Medicaid claims and payments and to the operation of the DD waiver program. We reviewed Seguin's internal controls for providing, documenting, and claiming reimbursement for HCBS. We did not review the propriety of HCBS payment rates.

We performed fieldwork at the State agency and DHS offices located in Springfield, Illinois, and at Seguin located in Cicero, Illinois, from December 2007 through March 2008.

### **Methodology**

To accomplish our objective, we:

- reviewed Federal and State laws, Medicaid HCBS waiver regulations, the Illinois Waiver Manual, and the CMS-approved DD waiver;
- interviewed CMS, State agency, DHS, and Seguin officials regarding HCBS policies, procedures, and documentation requirements;

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<sup>1</sup>A beneficiary-month includes all HCBS for one beneficiary for 1 month. The beneficiary-month can include multiple services.

- reconciled the HCBS claimed for Federal reimbursement on the “Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program,” Form CMS-64, by the State agency to its accounting records for the quarters ended March and June of 2005;
- analyzed the State agency’s SFY 2005 HCBS payments to DD service providers and identified Seguin as the third largest provider;
- selected an unrestricted random sample of 100 beneficiary-months at Seguin from the population of all HCBS claimed and paid under the DD waiver program during SFY 2005 and:
  - reviewed the supporting documentation including individual service plans (ISP), monthly staff notes, attendance reports, clinical notes, and all other medical history notes;
  - verified services were paid accurately based on the individual payment rate sheets provided by the State agency;
  - ensured claimed services were included in the approved ISP;
  - confirmed beneficiary eligibility for services;
  - determined whether services were provided by appropriately qualified staff;
  - identified any services that were not provided or paid in accordance with applicable criteria; and
  - projected the results of our sample to the universe of beneficiary-months (see Appendix).

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

### **FINDINGS AND RECOMMENDATIONS**

During SFY 2005, we estimate the State agency claimed \$77,316 (\$38,658 Federal share) for Medicaid reimbursement paid to Seguin for HCBS that did not comply with Federal and State requirements. For 3,760 services claimed in 65 of 100 sampled beneficiary-months, the State agency accurately claimed Medicaid reimbursement for allowable HCBS. However, the State agency claimed Medicaid reimbursement for 189 services in 35 beneficiary-months that were unallowable because Seguin did not provide the services

or meet documentation requirements, or the services were unallowable. Specifically, the State agency claimed Medicaid reimbursement for:

- 96 services that were provided to 2 beneficiaries without an ISP,
- 48 services for 23 beneficiaries who were not present and did not receive HCBS at Seguin due to their attendance at other medical and dental facilities,
- 3 services for 1 beneficiary who was not present and did not receive residential HCBS at Seguin,
- 9 services that were not adequately documented by Seguin to show the HCBS were actually provided to 7 beneficiaries,
- 21 services for 1 beneficiary for unallowable transportation to and from developmental training,
- 2 services for 1 beneficiary who was not present and did not receive HCBS at Seguin because she was an inpatient at a hospital, and
- 10 services for 1 beneficiary who did not receive developmental training services during scheduled lunch periods.

The claims for unallowable services were made because Seguin did not comply with Federal regulations, the CMS-approved waiver, the Illinois Administrative Code, or the Illinois Waiver Manual. Specifically, Seguin did not implement adequate internal controls to ensure it documented and claimed reimbursement only for allowable services actually provided.

## **WAIVER REQUIREMENTS**

HCBS program requirements are contained in Federal law, a CMS program manual, the CMS-approved DD waiver, Illinois Administrative Code, and the Illinois Waiver Manual.

### **Federal Law**

Federal regulations state that costs must be adequately documented in order to be allowable under Federal awards (2 CFR § 225, Appendix A (C.1.j)).

### **Centers for Medicare & Medicaid Services Program Manual**

Section 2500.2 of the CMS “State Medicaid Manual” instructs States to:

Report only expenditures for which all supporting documentation, in readily reviewable form, has been compiled and which is immediately available when the claim is filed. Your supporting documentation includes at minimum the following: date of service, name of recipient, Medicaid identification number,

name of provider agency and person providing the service, nature, extent, or units of service, and the place of service. (Emphasis in the original.)

Section 4442.3 of the CMS “State Medicaid Manual” states, “FFP [Federal Financial Participation] is not available to facilities providing services in residential settings on days when waiver recipients are temporarily absent and are not receiving covered waived services (sometimes called reserve bed days). Medicaid payment may be made only for waiver services actually provided to an eligible recipient.”

### **CMS-Approved DD Waiver Agreement**

The CMS-approved DD waiver agreement with Illinois states that all services will be furnished pursuant to a written plan of care and FFP will not be claimed for waiver services which are not included in the individual written plan of care. Waiver services will not be furnished to individuals who are inpatients of a hospital, nursing facility, or intermediate care facility for mentally retarded or persons with related conditions.

The CMS-approved DD waiver agreement with Illinois, Appendix B, states “Transportation includes service to enable individuals to gain access to waiver and other community services, activities and resources, specified by the plan of care. Excluded is transportation to and from developmental training . . . these transportation costs are included in the day program rates.”

### **Illinois Administrative Code**

Title 59 Illinois Code, section 115.320(h)3(E), requires the provider to record and update as necessary information including physical and dental examinations, and medical history in an individual’s record.

### **Illinois Waiver Manual**

The Illinois Waiver Manual, sections 850.00(c) and 1050(c), require the service provider to submit complete and accurate service reports and claims, and to maintain appropriate documentation (attendance reports, staff logs, etc.) establishing an audit trail for individuals receiving Medicaid HCBS through the waiver.

The Illinois Waiver Manual, section 1050.00(b), states that “. . . Hours when the individual is **not** participating in DT (developmental training) programmatic services are **not** billable.” (Emphasis in the original.)

## **UNALLOWABLE HOME AND COMMUNITY-BASED SERVICES**

### **Unallowable Payments**

During SFY 2005, we estimate that Seguin received at least \$77,316 (\$38,658 Federal share) for Medicaid HCBS claimed that did not meet Federal and State requirements. Of the 3,949 services included within the 100 sampled beneficiary-months, 189 services totaling \$8,973 included in 35 beneficiary-months were unallowable because Seguin did

not provide the services or meet documentation requirements, or the services were unallowable. Specifically, Seguin claimed:

- 96 services, totaling \$5,165, for 2 beneficiaries who did not have an ISP.
- 48 services, totaling \$2,676, for 23 beneficiaries on the same days that the beneficiaries traveled to other medical facilities and received other medical services. Seguin staff confirmed that the beneficiaries did not receive the claimed HCBS on those days.
- 3 services, totaling \$352, for 1 beneficiary who did not receive residential HCBS from Seguin due to temporary absences. Seguin's attendance report documented the beneficiary's absence every Saturday of the month.
- 9 services, totaling \$342, that were not adequately documented to show the services that were actually provided to 7 beneficiaries. Seguin's documentation did not support its HCBS claims submitted for Medicaid reimbursement.
- 21 services, totaling \$227, for 1 beneficiary for unallowable transportation services to and from developmental training.
- 2 services, totaling \$162, for 1 beneficiary who did not receive residential HCBS from Seguin while she was an inpatient at a hospital. Seguin attendance report and clinical notes documented the beneficiary's hospital stay while Seguin continued to claim reimbursement for the HCBS.
- 10 services, totaling \$49, for 1 beneficiary who did not receive developmental training services during scheduled lunch periods. Seguin staff confirmed that the beneficiary did not require developmental training services during these periods.

### **Seguin Internal Controls**

Seguin did not implement internal controls to ensure that it complied with Federal and State HCBS requirements. Specifically, Seguin did not implement adequate internal controls to ensure it documented and claimed reimbursement only for allowable services actually provided.

### **RECOMMENDATIONS:**

We recommend that the State agency:

- refund to the Federal Government the \$38,658 paid to Seguin for unallowable HCBS in SFY 2005, and
- require Seguin to implement internal controls to ensure it documents and claims reimbursement only for allowable HCBS actually provided.

**STATE AGENCY COMMENTS AND  
OFFICE OF INSPECTOR GENERAL RESPONSE**

In written comments on our draft report, the State agency did not address our first recommendation. The State agency indicated that Seguin revised its daily day program attendance record and stated that Seguin no longer bills for time during the regular day program hours when day program staff take participants to a doctor's appointment.

We continue to recommend that the State agency refund \$38,658 to the Federal Government.

The State agency's comments are included in their entirety as Appendix B.

## **APPENDIXES**

## **SAMPLING METHODOLOGY AND RESULTS**

### **POPULATION**

The population consisted of 2,939 beneficiary-months of service for beneficiaries receiving home and community-based services (HCBS) with a Federal Financial Participation (FFP) component at Seguin Services, Inc. (Seguin) during State fiscal year (SFY) 2005 (July 1, 2004, through June 30, 2005). A beneficiary-month was defined as all HCBS for one beneficiary for 1 month. Seguin received about \$9.8 million (\$4.9 million Federal share) for 116,597 HCBS claimed during SFY 2005.

### **SAMPLE UNIT**

The sampling unit was a beneficiary-month for which a HCBS with a FFP component was provided by Seguin and claimed for Medicaid reimbursement during SFY 2005.

### **SAMPLE DESIGN**

From the 2,939 beneficiary-months, we selected an unrestricted random sample of 100 beneficiary-months, which included 3,949 HCBS totaling \$350,813 (Federal share \$175,406).

### **ESTIMATION METHODOLOGY**

We used the Office of Audit Services RAT-STATS variable appraisal program to project the amount the State agency claimed for HCBS that did not comply with Federal and State requirements.

### **SAMPLE RESULTS AND PROJECTION**

Of the 100 sampled beneficiary-months, 35 beneficiary-months included unallowable HCBS totaling \$8,973 (\$4,486 Federal share). Using the lower limit of the 90-percent confidence interval, we estimate that the State agency claimed \$38,658 in Federal reimbursement during our audit period for HCBS that did not comply with Federal and State requirements.

<b>Estimate of Unallowable HCBS at the 90-percent Confidence Level</b>		
	<b>Total Unallowable</b>	<b>Federal Share</b>
Point Estimate	\$263,738	\$131,869
Lower Limit	\$77,316	\$38,658
Upper Limit	\$450,160	\$225,080
Precision Amount	\$186,422	\$93,211
Precision Percent	70.68 %	70.68 %



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Rod R. Blagojevich, Governor  
Barry S. Maram, Director

Telephone: (217) 782-3953  
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June 13, 2008

Department of Health and Human Services  
Office of Audit Services

Attn: Marc Gustafson, Regional Inspector General for Audit Services  
233 North Michigan Avenue, Suite 1360  
Chicago, Illinois 60601-5502

Re: Draft Audit Report No. A-05-08-00018

Dear Mr. Gustafson:

Thank you for providing an opportunity to comment on your draft audit report entitled "Review of Social Security Act Section 1915(c) HCBS Waiver Services at Seguin Services, Inc., July 1, 2004 Through June 3, 2005." We appreciate the work performed by the Office of Inspector General auditors, especially the opportunity to meet and review with the auditors the individual findings.

We are pleased with the overall outcome of the audit, specifically the positive comments regarding documentation in the residential program—the largest program. We believe the issues identified regarding the day program documentation occur infrequently; however, we do recognize the potential concerns the audit raised.

In January of 2006, as a result of a statewide post payment review of day program billings by the agency administering the waiver - the Department of Human Services (DHS) issued "Day Program Billing and Audit Trail Guidance" to all participating waiver providers. The providers were informed about common errors and instructed how to document day program attendance properly. In light of the findings you have identified, this department and DHS plan to reissue the day program guidance to all day program providers at the conclusion of this federal waiver audit. The guidance will be updated to clarify any issues raised in this waiver audit.

\* Attached please find the daily day program attendance record implemented by Seguin Services during 2006 in response to the guidance notice referred to above. The daily attendance record replaced the monthly record previously being used. Also, as a result of this audit, Seguin Services has notified DHS that they no longer bill for time during the regular day program hours when day program staff take participants to a doctor's appointment.

Since the close of the fiscal year under review, HFS and DHS have increased the number and types of oversight activities undertaken annually. In addition, we will use your findings to reiterate and clarify required policies and strengthen our administration of this program.

Sincerely,

Barry S. Maram

cc: Carol L. Adams, Secretary of Human Services

E-mail: [hfswebmaster@illinois.gov](mailto:hfswebmaster@illinois.gov)

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\* The daily day program attendance record was not included in our final audit report.