

# PERFORMANCE AUDIT REPORT

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## Merakey Pennsylvania

Costs reimbursed by the  
Pennsylvania Department of Human  
Services

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October 2020



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General

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**Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen  
www.PaAuditor.gov**

**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

October 8, 2020

Robert N.C. Nix, III, Esquire  
Chairman of the Board for Merakey USA  
620 E. Germantown Pike  
Lafayette Hill, PA 19444

Dear Mr. Nix:

This report contains the results of the Department of the Auditor General's performance audit of Merakey Pennsylvania (Merakey) with regard to costs that were reimbursed by the Pennsylvania Department of Human Services (DHS). This audit was conducted under the authority of Sections 402 and 403 of The Fiscal Code (Code), 72 P.S. §§ 402 and 403, and in accordance with the 2019-2020 Budget Implementation provision of Article XVII-J, Subarticle B, Section 1715-J of the Code, 72 P.S. § 1715-J. This audit was not conducted, nor was it required to be conducted, in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The performance audit covered the period July 1, 2017 through June 30, 2018, with updates through the report date. Our audit objective was to determine whether services for which the costs were reimbursed by DHS were rendered. We planned and performed audit procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objective. We believe that the evidence obtained provides a reasonable basis to support our results, finding, and conclusions.

We selected and reviewed 60 claims that were reimbursed by DHS and found that documentation maintained by Merakey supported that services were rendered in accordance with applicable laws and policies. We did identify one claim that Merakey submitted to DHS for the wrong individual. Documentation showed that services were provided, but for a different individual. Consequently, we reviewed all the claims approved during the audit period for both individuals and discovered seven other claims incorrectly submitted, involving the same individuals. Due to these errors, Merakey received reimbursements totaling \$1,551 based on incorrect claims, and therefore, those funds had to be returned to DHS.

Additionally, we identified certain weaknesses in management controls that Merakey should strengthen related to the review of service documentation prior to claim submission. These weaknesses allowed a behavioral support specialist to falsify service documents during the audit period, as determined by an internal Merakey investigation conducted prior to our audit. Merakey returned \$9,349 of MA reimbursements previously received from DHS as calculated by its investigators.

Our audit report presents one finding and offers nine recommendations for Merakey to strengthen its management controls over its process for reviewing service documents and submitting claims to DHS for reimbursement in order to reduce the risk of error and potential for fraud related to public funds.

In closing, I want to thank Merakey for its cooperation and assistance during this audit. Merakey is in general agreement with our finding and our recommendations, and its response, along with our auditor's conclusion, are included in this audit report. We may follow up at an appropriate time to determine to what extent all recommendations have been implemented.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale", with a long horizontal flourish extending to the right.

Eugene A. DePasquale  
Auditor General

# A Performance Audit

## Merakey Pennsylvania

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### Merakey Pennsylvania

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#### Background

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Merakey Pennsylvania (Merakey), formerly NHS Pennsylvania, is a non-profit 501(c)(3), tax-exempt organization incorporated in the Commonwealth of Pennsylvania and governed by a board of directors.<sup>1</sup> Merakey was founded in Northwest Philadelphia in 1969 when a group of professionals received a grant from the Philadelphia Office of Mental Health and Mental Retardation to open the Northwest Center and provide services to citizens with intellectual disabilities.<sup>2</sup>

Merakey initially offered five types of services: inpatient, outpatient, partial hospitalization, information and referral, and community organization and outreach. Over the years, Merakey has grown into a multi-state, multi-service human services provider, offering developmental, behavioral health, and special education services.<sup>3</sup> Merakey Pennsylvania is a member of the Merakey family of companies that employs approximately 10,000 people and serves roughly 50,000 individuals and families at more than 700 locations in 12 states.<sup>4</sup>

Merakey's website describes the company's vision as:

*Creating communities where everyone is empowered to take meaningful steps toward reaching their fullest potential.*

To achieve its vision, Merakey developed its mission:

*Enriching lives by providing exceptional services through an individualized approach.*<sup>5</sup>

Today, Merakey provides services for Behavioral Health, Education and Autism, Intellectual and Developmental Disabilities (IDD), Foster Care Services, Pharmacy, and Fresh Start.<sup>6</sup> Our audit focused only on Merakey's IDD services, further described below, provided through its location in Ebensburg, Pennsylvania, which serves individuals in both Blair and Cambria Counties. Descriptions of Merakey's other services can be found on its website.

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<sup>1</sup> Merakey Pennsylvania Consolidated Financial Statements, June 30, 2018; <https://www.merakey.org/leadership-team.html> (accessed February 11, 2020).

<sup>2</sup> [www.merakey.org/about.html](https://www.merakey.org/about.html) (accessed February 11, 2020).

<sup>3</sup> Ibid.

<sup>4</sup> <https://annualreport.merakey.org/2019/> (accessed February 18, 2020).

<sup>5</sup> <https://www.merakey.org/about.html> (accessed February 11, 2020).

<sup>6</sup> <https://www.merakey.org/services.html> (accessed February 11, 2020).

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#### **IDD Services**

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According to Merakey, it supports individuals with IDD in order to enhance their abilities while promoting their interests. Services are aimed at partnering with individuals as they become self-sufficient and live everyday lives. Merakey focuses on helping individuals find meaningful roles in their community and to feel valued as community members. Individuals are always at the core of the planning and implementing the desired IDD services described below.<sup>7</sup>

#### **Companion Services**

Merakey's Companion Services are direct services provided to participants age 18 and older who live in private homes. The services entail supervising the individuals to ensure their health, safety, and welfare and assisting them perform daily activities. The services are intended to help the individuals participate in meaningful activities within their home and community lives. Services may therefore be provided in the home or in a community setting, including the participant's work place.

#### **Community Participant Support**

Community Participation Support provides opportunities and support to develop the individual's skills and interest in various community activities, including successful employment. These services are intended to result in active, valued participation in a range of integrated activities that build on the participant's interests, preferences, gifts, and strengths while reflecting their desired outcomes related to employment and community involvement.

To achieve this, each participant is offered opportunities and needed support to participate in community activities that are consistent with their preferences, choices, and interests. This service is intended to support community life secondary to employment as a primary goal. It involves participation in integrated community settings experiencing activities that involve persons without disabilities who are caregivers. The expectation is that the participant will develop and sustain a range of valued social roles and relationships, build resources and experiences in the family and community, increase independence, increase the potential for employment, and experience meaningful community participation and inclusion.<sup>8</sup>

#### **Behavioral Support**

Merakey's Behavioral Support professionals conduct functional behavior assessments in order to develop behavioral support plans for individuals needing these services. The individual, family, and support team members are involved with the plans' development to ensure they are

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<sup>7</sup> <https://www.merakey.org/services-idd.html> (accessed February 11, 2020).

<sup>8</sup> ODP Bulletin 00-17-03, Attachment 1, revised March 23, 2018.

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appropriate and everyone is aware of the strategies to be used.<sup>9</sup> After the initial plan is developed, Merakey staff provide ongoing behavioral support services in accordance with the plan.<sup>10</sup> Services may include interventions and trainings for the individual, other Merakey staff, parents, and caregivers. The services are required to meet the current needs of the individual, as documented and authorized by the Pennsylvania Department of Human Services (DHS) in the Individual Support Plan (ISP).<sup>11</sup>

#### **In-Home and Community Support**

In-Home and Community Support is a direct service provided in the home or in community settings to assist individuals in acquiring, maintaining, and improving the skills necessary to live in the community, to live more independently, and to participate meaningfully in community life. Services consist of assistance and guidance (physical assistance, instruction, prompting, modeling, and reinforcement) in the general areas of self-care, health maintenance, decision making, home and personal resources management, communication, mobility and transportation, relationship development and socialization, personal adjustment, participation in community functions and activities, and use of community resources. The type and amount of assistance, support, and guidance are determined during the assessed need for physical, psychological, and emotional assistance performed as part of the person-centered planning processes. The plan addresses the type and amount of assistance needed to enhance the autonomy of the individual consistent with their personal preferences and to achieve their desired outcomes.<sup>12</sup>

#### **Respite Care**

Respite Care services involve the supervision and support of individuals living in private homes. Services are provided on a short-term basis for planned or emergency situations to give the individual's normal caretaker(s) a period of relief. Respite Care services do not include care for a minor child when the primary caregiver or legally responsible individual is absent due to work.<sup>13</sup>

#### **Funding**

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Merakey receives most of the funding for these IDD services through the Center for Medicare & Medicaid Services within the U.S. Department of Health and Human Services and DHS' Office

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<sup>9</sup> <https://www.merakey.org/services-idd.html> (accessed June 17, 2020).

<sup>10</sup> ODP Bulletin 00-17-03, Attachment 1, revised March 23, 2018.

<sup>11</sup> The ISP is developed for individuals with developmental disabilities to document their personal preferences, dreams and wishes, medical history, and other information meant to be used by everyone involved in the individuals' network of support so services can be structured to meet the individuals' needs based on their own choices. The ISP is updated annually or sooner, if the individuals' circumstances/preferences change.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.



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of Developmental Programs.<sup>14</sup> Through the Medicaid Home and Community-Based Services (HCBS) waiver program authorized by the Social Security Act, a state may offer a multitude of HCBS that allow Medical Assistance (MA) recipients to remain in the community and avoid becoming institutionalized.<sup>15</sup> A state may design its waiver program to meet the needs of its targeted population.<sup>16</sup> Merakey participates in the Commonwealth's waiver program and in so doing, submits claims for reimbursement on a fee-for-service basis through the DHS PROMIS<sup>e</sup>™ system pursuant to federal and state regulations.<sup>17</sup>

For the fiscal year ended June 30, 2018, Merakey's Ebensburg location received approximately \$1.25 million for services provided to MA-enrolled individuals. Merakey receives additional funding through the Cambria County Behavioral Health/Intellectual Disabilities/Early Intervention Program and the Blair County Department of Social Services.

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<sup>14</sup> <https://www.dhs.pa.gov/providers/Providers/Pages/Developmental-Programs.aspx> (accessed January 8, 2020).

<sup>15</sup> Social Security Act of 1935, 42 U.S.C. § 1915(c) which was transferred to and re-codified at 42 U.S.C. § 1396n(c).

<sup>16</sup> [http://www.dhs.pa.gov/Services/Disabilities-Aging/Documents/Alternatives\\_to\\_Nursing%20Homes/PFDS%20Waiver%20Amendment%20July%201%202017.pdf](http://www.dhs.pa.gov/Services/Disabilities-Aging/Documents/Alternatives_to_Nursing%20Homes/PFDS%20Waiver%20Amendment%20July%201%202017.pdf) (accessed November 20, 2019).

<sup>17</sup> PROMIS<sup>e</sup>™ is the Provider Reimbursement and Operations Management Information System in an electronic format. It is DHS' claims processing and management information system that incorporates the claims processing and information activities of the following DHS program areas: Office of Medical Assistance Programs; Office of Developmental Programs; Office of Mental Health and Substance Abuse Services; Office of Long-Term Living; Special Pharmaceutical Benefits Program; and Healthy Beginnings Plus.

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#### **Audit Procedures and Results – Determine whether services for which the costs were reimbursed by the Department of Human Services were rendered.**

Merakey Pennsylvania (Merakey) is a registered Medical Assistance (MA) services provider with the Pennsylvania Department of Human Services (DHS). In order to perform our testing, we obtained a file from DHS listing the individual reimbursement claims approved for Merakey during the fiscal year ended June 30, 2018. The table below shows that Merakey received roughly 98 percent of its MA reimbursements through the DHS Home and Community-Based Services (HCBS) Waiver programs for individuals with Intellectual Disabilities (ID) for the fiscal year ended June 30, 2018.<sup>18</sup>

<b>Merakey MA Reimbursements by Program</b> (For the Fiscal Year Ended June 30, 2018)		
<b>Program</b>	<b>Amount</b>	<b>Percent of Total</b>
HCBS-ID Waiver programs <sup>a/</sup>	\$36,678,224	98.1%
All Others <sup>b/</sup>	\$ 701,692	1.9%
<b>Total</b>	<b>\$37,379,916</b>	<b>100.0%</b>
<sup>a/</sup> HCBS-ID Waiver programs provide an array of services to MA-enrolled individuals with ID to live in their own homes and communities.		
<sup>b/</sup> Adult Autism Waiver program for individuals age 21 or older with autism spectrum disorder, and Base Funding, which is a small amount of state funds that DHS allocates to County mental health services offices that can be used at the Counties' discretion.		
<i>Source: Produced by Department of the Auditor General staff from information provided by DHS.</i>		

Of the HCBS-ID Waiver program reimbursements, we limited our population to all DHS-approved reimbursements for services provided through Merakey's location in Ebensburg, which included 8,457 claims, totaling approximately \$1.25 million.<sup>19</sup>

In order to determine whether the services were rendered for which Merakey Ebensburg submitted claims and DHS approved for reimbursement during the fiscal year ended June 30, 2018, we developed audit procedures based on our review of applicable laws, DHS regulations and policies, as well as Merakey policies, inquiries of management, evaluation of management controls, and observation of Merakey operations. From the population of individual claims, we analyzed the claims according to the types of services provided to ensure the claims selected for

<sup>18</sup> Waivers under this program include the consolidated, person/family directed support, and community living waivers.

<sup>19</sup> To satisfy our audit requirements pursuant to The Fiscal Code, 72 P.S. § 1715-J (2019-2020 Budget Implementation provision), we selected Merakey and other MA providers from the DHS listing of active MA providers. For Merakey, we specifically focused on services provided by the Ebensburg location.

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our review proportionately represented the types of service provided to individuals.<sup>20</sup> We judgmentally selected 60 claims, totaling \$8,478, and ensured an individual was only selected once within each service type.<sup>21</sup>

Our review of the 60 claims found that while 59 were properly supported with required documentation as evidence of the services provided, one claim for \$194 lacked documentation. We found the service provided for this claim was recorded for the wrong individual. We conducted additional procedures and discovered the same error impacted seven other claims. Due to these errors, Merakey received payments totaling \$1,551 for services not rendered for that individual. Additionally, we identified certain weaknesses in management controls that Merakey should strengthen related to the review of service documentation prior to claim submission. These weaknesses allowed a behavioral support specialist to falsify service documents during the audit period, as determined by an internal Merakey investigation conducted prior to our audit. Merakey returned \$9,349 of MA reimbursements previously received from DHS as calculated by its investigators. Our results are described within the finding presented in this audit report.

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<sup>20</sup> See descriptions of the services provided by the Merakey Ebensburg location in the Background section of this report.

<sup>21</sup> Each claim on the DHS data file included a service code that identified the type of service provided. We found seven different service codes used for the claims submitted by Merakey's Ebensburg location, which ranged from less than 1% of the total to more than 42%. We grouped the claims with smaller percentages and prorated our sample of 60 claims using these percentages to ensure appropriate coverage of the different service codes and ensured that individuals were not duplicated within service codes.

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#### **Finding – Deficiencies in Merakey’s system of management controls led to potential fraudulent activity and the return of \$10,900 to the Pennsylvania Department of Human Services for services not rendered.**

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The Pennsylvania Department of Human Services (DHS) reimburses registered Medical Assistance (MA) providers for eligible services provided to MA-enrolled individuals. MA providers submit claims for reimbursement to DHS for services rendered. Our audit focused on DHS-approved reimbursements for services provided through Merakey Pennsylvania’s Ebensburg location (Merakey), which provides several types of services to individuals with intellectual and developmental disabilities (IDD).

According to DHS regulations and policies, MA providers must maintain services-related documentation for each service included on the claim submitted to DHS for reimbursement. This documentation must be true, accurate, and complete.<sup>22</sup> The accuracy of Merakey’s MA claims for reimbursement depends on: (1) adequately documenting the DHS-authorized services provided for the individuals in accordance with the Individual Support Plans (ISP), and (2) properly recording the service duration times.<sup>23</sup> Merakey’s staff may provide direct care services in the individuals’ homes, at local facilities, throughout the community, or at their jobs. They document the service activities and individuals’ participation during each activity. Merakey’s service documentation includes a *Daily Documentation Form* (service note) for its home and community services and a *Summary Encounter Form* (encounter form) to document its behavioral support services. The service notes and encounter forms, which include the service duration, must be maintained to support each claim and be readily available for audit purposes.<sup>24</sup>

During the audit period, direct care staff submitted manually-completed service documents and their employee time cards to the Merakey program office each week. Program office staff reviewed the service documents for accuracy and compliance with DHS policies and regulations, and manually entered the reported number of service units into an electronic spreadsheet by individual and the service documents were filed.<sup>25</sup> DHS reimburses Merakey on a fee-for-service

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<sup>22</sup> 55 Pa. Code §§ 6100.226 and 6100.227 (relating to Documentation of Claims and Progress Notes). Note: These sections of 55 Pa. Code, Chapter 6100, *Services for Individuals with an Intellectual Disability or Autism* became effective on October 5, 2019 and replaced 55 Pa. Code § 51.15(a), which was in effect during the audit period.; DHS Office of Developmental Programs Bulletin 00-17-02, issued July 21, 2017.

<sup>23</sup> The ISP is developed for individuals with developmental disabilities to document their personal preferences, dreams and wishes, medical history, and other information meant to be used by everyone involved in the individuals’ network of support so services can be structured to meet the individuals’ needs based on their own choices. The ISP is updated annually or sooner, if the individuals’ circumstances/preferences change.

<sup>24</sup> DHS Office of Developmental Programs Bulletin 00-17-02, issued July 21, 2017.

<sup>25</sup> A service unit is equal to 15 minutes of services provided for an individual. MA providers may only include a unit on a claim for each completed 15-minute period. When calculating units for a claim, the service duration may not be rounded up to the next 15-minute period. For example, services provided for 44 minutes equates to two service units eligible for reimbursement.

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basis for the number of service units provided to MA-enrolled individuals. The direct care staff time cards were forwarded to another employee for payroll processing.

At the beginning of each month, after the program office finished its review and data entry procedures for the services provided during the final week of the previous month, it notified Merakey's Central Business Office (CBO) in Harrisburg, Pennsylvania, that the electronic spreadsheet was completed. The CBO electronically accessed the spreadsheet and manually entered the service information into its electronic health records (EHR) system. Once completed, the CBO created an electronic file of the previous month's claims grouped by individual. When the monthly file was uploaded into the DHS PROMIS<sup>TM</sup> system, each group of claims was entered under the individual's MA recipient identification number.<sup>26</sup> PROMIS<sup>TM</sup> assigns one claim number to the group of claims but lists each individual claim as a line item by service date.<sup>27</sup>

Merakey management informed us that in March 2018, they discovered that an employee had been falsifying service documents (potential fraudulent activity) between June 2017 and February 2018. As a result of this information, we developed our audit approach as follows:

1. We performed procedures to determine if the services were rendered for a selection of claims.
2. We evaluated the results of Merakey's investigation surrounding the potential fraudulent activity and the actions management took to correct any related management control weaknesses.

As part of our audit procedures, we also identified additional management control deficiencies that need to be addressed. We address these in the last section of this finding.

Below describes the audit procedures and results for these areas.

### **Results of our procedures performed to determine if services were rendered for a selection of claims.**

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DHS approved reimbursements for 8,457 claims totaling approximately \$1.25 million between July 1, 2017 and June 30, 2018 for Merakey's IDD program services. We judgmentally selected

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<sup>26</sup> The Provider Reimbursement and Operations Management Information System (PROMIS<sup>TM</sup>) is DHS' claims processing and management information system that incorporates the claims processing and information activities of the following DHS program areas: Office of Medical Assistance Programs; Office of Developmental Programs; Office of Mental Health and Substance Abuse Services; Office of Long-Term Living; Special Pharmaceutical Benefits Program; and Healthy Beginnings Plus.

<sup>27</sup> The group of claims for an individual is considered to be one claim in PROMIS<sup>TM</sup>. For consistency and simplicity, we use the term *claim* in this report to refer to each individual service provided to an individual, which is consistent with the way Merakey defines *claim*.

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60 claims for review, totaling \$8,478.<sup>28</sup> Our audit procedures included interviewing management about Merakey's service activities and associated MA claims approved during the audit period, evaluating and analyzing the claims population, and reviewing the service documents maintained in support of its MA claims. Additionally, we evaluated Merakey's management controls in place during the audit period designed to provide assurance that services provided through its Ebensburg location are valid, properly documented, and appropriately supported the MA claims reimbursed by DHS. See the last section of this finding where we address the adequacy of management controls.

Our review of 60 Merakey MA claims found that while 59 were properly supported with required documentation as evidence of the services provided, one claim for \$194 representing 24 service units provided on February 13, 2018 lacked any documentation. After researching the claim, management determined that the service was provided, but the related claim was mistakenly entered in PROMISe™ under an incorrect MA-enrolled individual. After reviewing service documents that Merakey provided in support of its explanation, we agreed with Merakey's explanation. We also verified that Merakey had not double-billed DHS by submitting another claim for the same services rendered to the correct MA-enrolled individual.

As a result of this exception, using the claims data file, we compared the number of services each of these two individuals received during each month of the audit period and found that they were generally consistent with the exception of February 2018. The data for that month showed an excessive amount of services for the one individual and no services for the other individual. We presented our analysis to Merakey management, who researched this additional information. Management concluded that an additional seven claims totaling \$1,357 were mistakenly entered in PROMISe™ under the same incorrect MA-enrolled individual. As a result, Merakey returned \$1,551 to DHS in June 2020.<sup>29</sup> Additionally, because DHS requires claims to be submitted within a year of service delivery, Merakey could not resubmit the claims for the February 2018 services for the correct MA-enrolled individual.

With regard to the exceptions noted above, management indicated that it could not definitively determine how the errors occurred, but speculated that they must have happened either when program office staff manually entered service information into the electronic spreadsheet or when CBO staff manually entered the service information from the electronic spreadsheet into Merakey's EHR system. These errors went undetected despite Merakey having review procedures in place. Management stated that a review of the EHR system entries at the CBO was

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<sup>28</sup> Using auditor judgment, we prorated our selection of 60 claims based on the number of claims for each service code throughout the entire population. We also ensured the selected claims did not include multiple claims related to the same individual within each service type. Finally, we also replaced any claims determined invalid during Merakey's investigation of an employee who falsified service documents between June 2017 and February 2018, as discussed in the next section of this finding.

<sup>29</sup> In addition to the \$1,551, Merakey also had to return an additional \$324 to DHS because providers cannot void single items in PROMISe™, rather the whole group of claims had to be voided. The \$324 represented legitimate single items.

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conducted; however, it is done at a higher level (e.g. confirming the total number of units being claimed for the month) that would not have detected these entry errors. Without performing a more detailed review of at least a sample of claims, the risk remains that Merakey could submit claims to DHS for the wrong MA-enrolled individual.

Management indicated that subsequent to the audit period, the process of manually entering information from the spreadsheet to the EHR was replaced with an electronic transfer of data. This change would eliminate the risk of manual entry errors by the CBO, but not by the program office. Merakey management also indicated that solutions to mitigate the risk of manual entries at the program office are being considered.

### **Results of our evaluation of Merakey's investigation surrounding the potential fraudulent activity and the actions management took to correct any management control weaknesses.**

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In response to our routine audit inquiries, Merakey disclosed that its corporate Quality and Compliance Organization (QCO) discovered that a Merakey Behavior Support Specialist (specialist) submitted falsified service documentation related to 77 claims between June 2017 and February 2018. According to Merakey, this potential fraudulent activity was reported to the QCO by the program office on March 1, 2018 after an employee saw the specialist driving during a time period for which the specialist reported providing services to an individual.

Management provided a *QCO Self-Report* (report) that described the facts and presented the results of a two-year long investigation.<sup>30</sup> According to the report, the QCO investigators reviewed every encounter form the specialist completed during employment at Merakey that began on May 1, 2017 through termination on March 19, 2018. They discovered that the specialist falsified documents for 77 out of 610 service activities the specialist submitted to the Ebensburg program office. The investigation identified multiple instances when the specialist reported providing services for different individuals at the same time. In other instances, investigators confirmed that the individuals who purportedly received the services from the specialist were not present during the reported time of service delivery at the specified locations, such as at Merakey's adult training facilities. Consequently, Merakey submitted claims to DHS and received reimbursements totaling \$9,349 for the related services that were not rendered.<sup>31</sup>

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<sup>30</sup> Merakey Quality and Compliance Organization Self-Report, February 26, 2020. Note we did not evaluate the accuracy of the information contained in this report.

<sup>31</sup> Ibid. Merakey returned \$9,349 to DHS for 63 of the 77 claims identified during its investigation. Merakey never received reimbursement from DHS during the audit period for the remaining 14 claims.

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We verified that Merakey returned the \$9,349 to DHS in March 2020.<sup>32</sup> The report also identified a weakness in Merakey's service documentation and employee time card review process that permitted some of the falsified documents to go undetected by the program office. Specifically, the program office was not comparing the information on the specialist-prepared encounter forms with the specialist's completed time cards because each of these documents were reviewed and processed by separate individuals within the program office. This discovery compelled management to suggest that the regional director compare the encounter forms and time cards related to every behavioral supports service provided to identify possible falsified service documents. Management stated that this change was implemented in the spring of 2018 to address the weakness. Our review of 60 claims, however, did not include any behavioral support services provided after the review process was changed and, therefore, we did not assess the effectiveness of this new control.

Merakey's new review procedure, however, does not fully address the control weaknesses identified in the report. Specifically, the report described how investigators confirmed that certain services were not rendered using external documentation, such as participant attendance logs from adult training facilities. However, the new procedure does not require this type of documentation to be submitted or obtained for the service documents review, even though it is available from the service location.<sup>33</sup> As a result, the risk still exists that an employee could falsify service notes to indicate services were provided at an adult training facility when the individual was not at the facility.

Merakey noted that it uses an internal self-audit program to uphold the company's mission and monitor compliance and the quality of services. QCO staff or staff from other Merakey locations review a sample of service documents each quarter. We reviewed the audit procedures conducted for the four quarters of the 2017-18 fiscal year for the Ebensburg location and the related results. Although no significant issues were found, it appears that the audit procedures conducted were not designed to identify the type of potential fraudulent activity that occurred during the audit period. Therefore, this internal auditing did not identify the potential fraudulent activity that was accidentally discovered as described above.

### **Management control deficiencies that need to be addressed.**

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Based on our audit procedures, we identified certain deficiencies in Merakey's management controls that need to be addressed. Merakey management is responsible for the adequate design, implementation, and effective operation of management controls to ensure compliance with

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<sup>32</sup> DHS PROMIS<sup>e</sup>™ Provider Remittance Advice Report, March 16, 2020. In addition to the \$9,349, Merakey also had to return an additional \$27,167 to DHS because providers cannot void single items in PROMIS<sup>e</sup>™, rather whole groups of claims had to be voided. Overall, \$36,516 was returned to DHS. Merakey attempted to re-submit the legitimate service claims totaling \$27,167, but PROMIS<sup>e</sup>™ denied the claims because DHS requires services to be submitted within a year of service delivery. 55 Pa. Code § 1101.68(b)(3).

<sup>33</sup> Some services are not performed at locations that would have an attendance log, such as the individual's home.



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applicable laws and regulations, which include ensuring that accurate service documentation is maintained to support each submitted claim.<sup>34</sup> The major underlying deficiency is a lack of written procedures for the entire process from documenting services to submitting claims to DHS for reimbursement through PROMIS<sup>e</sup>™.

It is vitally important for providers, such as Merakey, to create and document its processes as well as conduct staff training in order to ensure that management's goals and expectations have been properly communicated to staff. It also assists with ensuring consistency when staff turnover occurs.

Our discussions with management indicated that management at the program office had not recognized a need to create written procedures and was satisfied using its more experienced staff to train someone whenever necessary. In addition, in a meeting at the CBO to discuss its MA claims processing, Merakey executive management explained that the staff are very busy so management must prioritize their duties. Consequently, time constraints impact these priorities. Typically, those activities that generate or protect revenue are given priority, and because developing written procedures for processing the claims is not a revenue-generating activity, it is not as much of a priority to complete.

The lack of written procedures and formal training, however, increases the risk that procedures are inconsistently applied or potentially omitted, which could allow invalid service documents or human errors to be overlooked that would result in submission of improper claims to DHS for reimbursement. Additionally, we emphasize that a lack of documented procedures significantly weakens management's control over its processes, which are designed to ensure compliance with program requirements included in the DHS regulations and policies. Failing to comply with program requirements could jeopardize DHS reimbursements for services provided to MA-enrolled individuals.

We also noted that although Merakey's program office management explained how its staff review the service documents for accuracy and its supervisors review the staff's entries on the electronic spreadsheet, neither was required to document their review and approval of the service notes, encounter forms, and monthly electronic spreadsheet. We did observe the staff's initials next to any manual corrections added to the service documents; however, documents without any corrections had no evidence that they were reviewed. Similarly, supervisors did not electronically approve the spreadsheet of compiled services, which the CBO uses to submit the MA claims each month. Without this documentation, an external party (and perhaps management) cannot independently evaluate if these review activities were actually and timely performed.

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<sup>34</sup> DHS Office of Developmental Programs Bulletin 00-17-02, issued July 21, 2017.

## A Performance Audit

### Merakey Pennsylvania

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## Recommendations

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We recommend that Merakey:

1. Develop management controls to prevent or detect manual data entry errors, especially errors related to incorrectly entering the service for the wrong MA-enrolled individual. Consideration should be given to selecting a sample of claims to compare the data entry information to the source documents to ensure the accuracy of the data. Alternatively, analytical procedures could be developed to identify inconsistencies in the number of service units each MA-enrolled individual receives.
2. Perform any new controls/procedures developed pursuant to Recommendation 1 on a routine and timely basis to allow any errors to be corrected, and if necessary, to be resubmitted to DHS within 12 months of service delivery.
3. Ensure that the new process of electronically transferring data from the electronic spreadsheet to the Electronic Health Records system is operating effectively.
4. Ensure that the process of comparing the service documentation to the time cards is sufficiently performed in a timely manner to detect potential errors or falsified service documents.
5. Require its day program facilities to submit daily sign-in sheets to the Ebensburg program office so staff can validate on at least a sample basis the service details reported on service notes and encounter forms submitted by its employees.
6. Consider revising the internal self-audit program to include procedures to detect the type of potential fraudulent activity that occurred and was identified by Merakey in March of 2018.
7. Require all program and CBO staff to include evidence of their approval on all manual documents and electronic records reviewed.
8. Develop written procedures to cover the entire process from documenting services to submitting claims to DHS for reimbursement through PROMISE™. Written procedures should include, but not be limited to, the following:
  - Duties to be performed and how to perform them.
  - Person responsible for performing the duties.
  - Timeframe to perform the duties.
  - Documentation showing who performed the duties and when they were completed.

## **A Performance Audit**

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- Person responsible to review and approve (supervisory review) the products of those duties.
  - Timeframe for conducting the supervisory review.
  - Documentation showing who performed the supervisory review and approval of the products and when it was completed.
9. Develop and timely implement training on the process.

## **A Performance Audit**

### **Merakey Pennsylvania**

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#### **Merakey Pennsylvania's Response and Auditor's Conclusion**

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We provided our draft audit procedures and results, and finding and related recommendations to Merakey Pennsylvania (Merakey) for its review. On the pages that follow, we included Merakey's response in its entirety. Following Merakey's response is our auditor's conclusion.

## A Performance Audit

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#### Audit Response from Merakey Pennsylvania

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October 1, 2020

Scott D. King, CPA  
Assistant Director  
Bureau of Performance Audits  
302 Finance Building  
Harrisburg, PA 17120-0018

Via Electronic Mail: [SKing@paauditor.gov](mailto:SKing@paauditor.gov)

Dear Mr. King:

Thank you for the opportunity to respond to the findings and recommendations of the Performance Audit conducted at our Ebensburg site. We appreciate your staff's professionalism and flexibility as we gathered the requested information through the trying times of a public health emergency.

Merakey Pennsylvania is a member of the Merakey family of companies, which comprise a leading developmental, behavioral health, and education non-profit provider offering a breadth of integrated services to individuals and communities across the country. We leverage our size and expertise to develop innovative solutions and new models of care to meet the needs of individuals, their families, public and private healthcare funders and community partner organizations. We recognize that complex needs require a holistic approach. With our experience, expertise and compassion, we empower everyone within our communities to reach their fullest potential.

At Merakey, we do not have to refer individuals out of our system for additional services, but rather we can design a system around that person. Merakey continues to be the safety net for people who otherwise could not afford care. In spite of financial challenges and dwindling resources, we continue to pursue excellence in all aspects of care and treatment. The work of Merakey is anchored in the firm belief that it is every individual's right to achieve growth, dignity, and fulfillment in their lives. Surrounding professional staff with the best in technology and supports, Merakey is a leader in the industry and remains committed to helping people...one individual at a time.

Our name, Merakey, is inspired by a modern Greek word, meaning to put something of yourself into your work, or to do something with soul, creativity or love. This concept illustrates the compassion and integrity that underscores everything we do. The inclusion of the word "key" in the name also positions the organization as a key to helping individuals and communities open doors to their future. At Merakey, we put our heart and soul into exceptional care and services.

Merakey is committed to providing the highest quality of services through commitment to compliance with laws, regulations, and best practices. We have

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established several levels of review to ensure that our services and documentation exceed the standards set by our stakeholders to ensure that we are stewards of the resources entrusted to us.

Throughout the audit, a multidisciplinary team met to discuss the status of the review and action steps needed to supplement our practices. The instant audit examined services and practices that were in place more than two years ago (July 1, 2017 – June 30, 2018). Since that time, Merakey identified several of the risks discussed in the report and implemented mitigation activities.

The report's finding states that "Deficiencies in Merakey's system of management controls led to potential fraudulent activity and the return of \$10,900 to the Pennsylvania Department of Human Services for services not rendered." This represents two instances: 1) an inadvertent manual data entry error that caused a bill to be submitted for the wrong individual, and 2) the fraudulent activity of a Merakey employee, who was immediately suspended and later terminated in 2018 upon the discovery by Merakey of the activity.

**Data Entry Error** – The first instance noted in the report involved the finding that one of the sixty (60) claims reviewed lacked the proper documentation. Upon investigation, Merakey determined that the services had been provided, but had been entered on the billing report on a line adjacent to the recipient's line. Because the services for the entire month were entered at the same time, this manual entry error affected all the services provided to the individual during the month of February 2018. Upon review, all the services had been properly rendered and documented but had been processed under the incorrect individual due to the error.

Merakey further confirmed that billing had not occurred for the proper recipient; therefore, the Commonwealth had not paid any amounts over what was properly due for the services that had been rendered. Merakey returned the entire amount of the services (plus other amounts that had been billed concurrently) to the Commonwealth to rectify the data entry error.

Merakey has undertaken multiple measures to avoid this type of error since the claims reviewed were processed over two years ago. Upon a review of its processes in 2018, Merakey noted that the manual entry of data was occurring at two points in the process; once at the program to record the hours of service rendered, and once at the Central Business Office ("CBO") to process the bill. The CBO instituted a process that electronically transferred the data to ensure that no manual errors occurred during their portion of the claims process.

At the program level, Merakey has begun the implementation of an electronic health record ("EHR") that would eliminate the potential for this type of entry entirely. By processing the claim directly from the documentation created as a



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### Merakey Pennsylvania

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result of the service, no manual entry would be required, removing the opportunity for the mistake to occur. Merakey expects that the implementation of the EHR for these services will be completed in 2021. Until that time, Merakey will continue to audit a sample of claims and will review reports of service patterns to safeguard against similar data entry errors.

In addition to the EHR, Merakey is working to integrate Electronic Visit Verification ("EVV") into the billing process. EVV is being required across the Commonwealth and the country to ensure that the services billed are confirmed through tracking the location of the rendering provider. Merakey is already working to integrate the EVV confirmation into the billing process, which will add an additional safeguard to prevent the errors identified in the audit.

**Improper Employee Activity** – Upon notification that the Auditor General had selected the Ebensburg site for a performance audit, Merakey communicated to the audit team that the company had discovered that an employee submitted unsubstantiated documentation for services attributed to the site. Merakey had been alerted to the potential discrepancies in 2018, when another employee reported a behavior support professional at another location during a time that was included on claims. Merakey asserts that its commitment to compliance and training has fostered a culture that encourages and requires employees to report these questionable practices, ensuring the discovery of the discrepancies.

In response to the allegation in 2018, the employee was immediately suspended and Merakey's Quality and Compliance Organization ("QCO") instituted an investigation that reviewed every claim submitted by the employee during his employment with the company. The investigation reviewed service and payroll documentation along with video evidence and conducted interviews of staff and service recipients. The investigation found that seventy-seven (77) activities could not be confirmed, and the employee was terminated without returning to work.

As noted in the audit footnotes, the claims that could not be substantiated were returned to the payer, along with an additional Twenty-six Thousand, One Hundred Sixty-Seven Dollars (\$26,167.00) from legitimate claims that had been billed concurrently with the suspect claims, ensuring that the Commonwealth was made whole for the employee's activities.

Several processes that were in place during the audit period of 2017-2018 have been strengthened, and additional practices to detect questionable activity have been put in place.

- Quarterly audits that review the existence and sufficiency of the service documentation remain in place

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- Comparison of staff timecards to service hours by managerial employees has been expanded to include comparison of both total hours of service and in/out times of employees providing those services
- Quality Call-backs confirm the provision of services by contacting the recipient or other independent party to confirm the time, place, and effectiveness of the service

Beyond these process improvements, Merakey's implementation of the EVV will be central to the elimination of the concerns identified in the audits. The 21<sup>st</sup> Century Cures Act requires the implementation of EVV in response to the industry-wide concern of ensuring that providers are fully meeting the requirements of service provision. The Act requires implementation first for personal care services, then home health care services. The system "reduces the likelihood for error or fraud by identifying the participant, recording the individual caregiver's location and clock-in and clock-out times, and services provided."<sup>1</sup> Merakey is working to develop a process that utilizes EVV to monitor community- and home-based services to ensure compliance.

The audit report asserts that Merakey's procedures do not fully address the identified control weaknesses and suggests the integration of the use of sign-in sheets as an additional safeguard to mitigate the risk. Merakey reviewed this option and feels that the comparison of clock-in and clock-out times combined with the use of Quality Call-backs provide more robust oversight due to the nature of the services and of sign-in sheets themselves. First, because the services are often performed at a recipient's home or in the community, sign-in sheets are not available to for comparison. Second, an employee who falsifies service documentation would have the opportunity to manipulate the sign-in sheet as well. By comparing exact times with service documents and contacting a portion of the service recipients directly through Quality Call-backs, we receive independent verification that the services occurred as billed and reduce the likelihood of falsification of times.

As noted in the report, Merakey engages in a self-audit process that is designed to discover false claims. Ensuring that the documentation substantiates the services billed is a key element of those quarterly reviews. Again, Merakey believes that the deficiencies identified in the report will be resolved through the implementation of the EVV and will engage in additional review of documentation and time tracking samples to minimize the risk prior to implementation. Merakey welcomes any suggestions related to additional audit processes to expand the functionality of the audits.

We would also like to address the concerns noted in the report that Merakey was "satisfied" with using training and supervision activities in place of written procedures and that documentation of procedures was a lower priority because

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<sup>1</sup> See "EVV Frequently Asked Questions" at <https://www.dhs.pa.gov/providers/Billing-Info/Pages/EVV-FAQ.aspx>.



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those activities do not generate any revenue. We do not believe that this characterization reflects the priorities or values of Merakey. Our organization is driven to provide quality services through effective stewardship of its funding resources. We devote significant resources to preventing and detecting false claims at every level of the organization, including obtaining certification of our compliance program by the Health Ethics Trust, a division of the Council of Ethical Organizations. We emphasize hands-on training and close supervision of employees to ensure adherence to procedure. We would further note that the findings related to the manual data entry error and employee malfeasance were not a result of a misunderstanding or miscommunication of procedure that would be cured by documentation. Rather, the root causes of the adverse outcomes were simple human error and employee deception. However, we do acknowledge the value and clarity provided by documented procedures and have undertaken the task of formal documentation.

**Response to Specific Recommendations** – Merakey is constantly engaged in improvement processes that enhance both its quality of services and business process. We appreciate the opportunity to improve our practices and **agree with all of the recommendations of the audit team**. Specific responses to the recommendations are provided below.

1. Merakey **agrees** with the recommendation that controls to prevent or detect manual data entry errors are appropriate. In response, Merakey has converted a portion of the process to electronic transfer to eliminate the possibility of manual error. The implementation of an EHR in 2021 will eliminate the possibility of such errors. In the meantime, sample audits and claim reports will be reviewed for evidence of error.
2. Merakey **agrees** with the recommendation that control procedures should be performed on a regular basis and will continue reviews at least quarterly.
3. Merakey **agrees** with the recommendation that all processes should be regularly reviewed to ensure that they are operating effectively and will continue to do so.
4. Merakey **agrees** with the recommendation that all processes should be regularly reviewed to ensure that they are operating effectively and will continue to do so.
5. Merakey **agrees** that validating the service details contained in service notes and encounter forms is an essential management control. In addition to more specifically tracking an employee's time, we instituted additional management review of the documents. Merakey also studied the potential use of sign-in sheets to validate the provision of services; however, we identified multiple issues, including the fact that services are rendered in the community and recipient homes, which are places where sign-in sheets are not maintained. Additionally, since sign-out sheets are subject to manipulation, Merakey has instituted a Quality Callback system that verifies the presence of the employee and the duration of the service with a sample

## A Performance Audit

### Merakey Pennsylvania

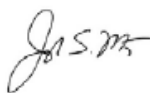
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of the services provided. We are also currently implementing electronic visit verification to confirm the presence of our providers at all sites and times of service

6. Merakey **agrees** that any audit programs should be designed to detect potential fraud, and we believe that ours continues to meet that standard. Our audits select a sample of claims and review the documentation to ensure that it is present and substantiates the service billed. These audits will detect problems that affect individual services in the sample and identify systemic issues affecting the program. Any additional suggestions related to process improvement are welcome.
7. Merakey **agrees** that documentation of review and approval is appropriate and will document manual review until the implementation of an electronic solution that tracks the review.
8. Merakey **agrees** that committing procedures to writing is appropriate and has begun the process of documenting the items listed in the recommendation.
9. Merakey **agrees** that training is an integral part of ensuring fidelity to the process. Though the procedure was not fully documented, employees have been and will continue to be trained on the proper processing of claim and service documentation.

We appreciate your team's time and attention to the process and their willingness to work collaboratively toward solutions that will benefit our service recipients and the Commonwealth. Should you have any questions or wish to discuss any matters further, please do not hesitate to contact me.

Sincerely,



Joseph S. Martz  
Chief Executive Officer

## **A Performance Audit**

### **Merakey Pennsylvania**

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#### **Auditor's Conclusion to the Merakey Pennsylvania Response**

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Merakey Pennsylvania (Merakey) management agrees with our finding and recommendations, but identified alternate procedures for one recommendation that are already in place. Management believes its procedures better address the control weaknesses described in the finding, and therefore will continue utilizing its procedures rather than implement the particular recommendation in the finding. Specifically, Merakey states that the combination of comparing employees' time cards with the service documents and performing call-backs to a percentage of individuals or their representatives to confirm the quality of the services provides better oversight than reviews of sign-in sheets from other facilities.

We agree that Merakey's alternate procedures, as described in its response, may provide more comprehensive oversight of the services delivered; however, we only evaluated and concluded on the effectiveness of its procedures being performed during the audit period. The Quality Call Back program for example, was not established until after the audit period, and thus, was not part of our review. We recognize Merakey's commitment to improving its controls in order to mitigate fraud risks, which it demonstrates by developing and implementing new procedures that address identified operational weaknesses, such as the Electronic Visit Verification system that it intends to employ in the near future.

The Department of the Auditor General appreciates Merakey's cooperation throughout the audit process along with its agreement to implement our recommendations. We believe in doing so, Merakey's management controls will be improved to help ensure that Medical Assistance claims submitted to the Pennsylvania Department of Human Services (DHS) for reimbursement are valid, accurate, and properly documented in compliance with DHS regulations.

## A Performance Audit

### Merakey Pennsylvania

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#### Appendix A

#### Objective, Scope, and Methodology

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The Department of the Auditor General conducted this performance audit of Merakey Pennsylvania (Merakey) under the authority of Sections 402 and 403 of The Fiscal Code (Code) of the Commonwealth of Pennsylvania, and in accordance with the 2019-2020 Budget Implementation provision of Article XVII-J, Subarticle B, Section 1715-J of the Code.<sup>35</sup> This audit was limited to the objective identified below and was not conducted, nor was it required to be conducted, in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We planned and performed this audit to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objective. We believe that the evidence obtained provides a reasonable basis to support our results, finding, and conclusions.

#### Objective

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Our audit objective was to determine whether services for which the costs were reimbursed by the Pennsylvania Department of Human Services (DHS) were rendered. [See *Finding*.]

#### Scope

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The audit objective covered the period July 1, 2017 through June 30, 2018, with updates through the report date.

#### Methodology

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Claims selected for testing within this audit were based on auditor's professional judgment. The results of our testing, therefore, cannot be projected to, and are not representative of, the corresponding population.

To address the audit objective, we performed the following procedures:

- Obtained a data file from the Department of the Auditor General's Bureau of Information Technology Audits (BITA) summarizing Medical Assistance (MA) claims that received DHS approval by MA provider and federal account code for the period July 1, 2017, through June 30, 2018. This data file was created by BITA utilizing monthly data files obtained from DHS and evaluated as part of the Commonwealth's annual Single Audit performed by the Department of the Auditor General. See further details in the *Data Reliability* section below. We utilized this file to judgmentally select MA providers to

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<sup>35</sup> 72 P.S. §§ 402-403, and 1715-J.

## A Performance Audit

### Merakey Pennsylvania

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audit, including Merakey, pursuant to Article XVII-J, Subarticle B, Section 1715-J of the Code to ensure coverage of MA programs and geographic location throughout the Commonwealth.

- Reviewed the following laws, regulations, policies, and procedures applicable to Merakey operations related to services provided for MA-enrolled individuals to determine legislative, regulatory, and policy requirements related to our audit objective:
  - *Grants to States for Medical Assistance Programs*, Title XIX of the Social Security Act of 1935, as amended (42 U.S.C. § 1396 *et seq.*).<sup>36</sup>
  - *Medical Assistance Manual*, Part III, Title 55 of the Pennsylvania Code (55 Pa. Code § 1101 *et seq.*).<sup>37</sup>
  - *Office of Developmental Programs (ODP) Home and Community-based Services*, Part I, Title 55 of the Pennsylvania Code (55 Pa. Code § 51.1 *et seq.*).<sup>38</sup>
  - *Long-Term Living Home and Community-Based Services*, Part I, Title 55 of the Pennsylvania Code (55 Pa. Code § 52.1 *et seq.*).<sup>39</sup>
  - *Home and Community-based Services: Waiver Requirements*, Subpart G, Part 441, Title 42 of the U.S. Code of Federal Regulations (42 CFR § 441.300 *et seq.*).<sup>40</sup>
  - *ODP Bulletin 00-17-02*, Claim and Service Documentation Requirements for Providers of Consolidated and Person/Family Directed Support Waiver Services and Targeted Services Management.<sup>41</sup>
  - *Emergency Training*, Part I, Title 55 of the Pennsylvania Code (55 Pa. Code § 2380).
  - *Vocational Facilities*, Part I, Title 55 of the Pennsylvania Code (55 Pa. Code § 2390.40 Training Records).

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<sup>36</sup> [https://www.ssa.gov/OP\\_Home/ssact/title19/1900.htm](https://www.ssa.gov/OP_Home/ssact/title19/1900.htm) (accessed February 26, 2020).

<sup>37</sup> <http://www.pacodeandbulletin.gov/Display/pacode?file=/secure/pacode/data/055/partIIItoc.html&d=> (accessed February 26, 2020).

<sup>38</sup> <http://www.pacodeandbulletin.gov/Display/pacode?file=/secure/pacode/data/055/chapter51/chap51toc.html&d=> (accessed March 3, 2020).

<sup>39</sup> <http://www.pacodeandbulletin.gov/Display/pacode?file=/secure/pacode/data/055/chapter52/subchapAtoc.html&d=reduce> (accessed March 3, 2020).

<sup>40</sup> <https://www.govinfo.gov/content/pkg/CFR-2000-title42-vol3/pdf/CFR-2000-title42-vol3-part441.pdf> (accessed March 3, 2020).

<sup>41</sup> DHS Office of Developmental Programs Bulletin 00-17-02, issued July 21, 2017.

## A Performance Audit

### Merakey Pennsylvania

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- Merakey *Unlicensed Community Services Training Requirements* policy (updated January 2017).
- Merakey *IDD Annual Training Record – Annual Required Training*, (updated January 2015).
- Merakey *Behavioral Services Training Plan for Behavior Support Specialist and Clinical Specialist* (updated February 20, 2018).
- Merakey *Integrity and Suspected and Non-Compliance Policy* (updated May 2016).
- Merakey *Fraud, Waste and Abuse Compliance Policy* (updated May 2016).
- Merakey *IDD Division: Documentation Self-Audit Training Manual FY18*, (updated July 13, 2017).
- Interviewed Merakey management to gain an understanding of the organization and programs offered in order to identify which programs are associated with our population of claims that DHS approved for reimbursement to Merakey during the audit period.
- Met with DHS staff from ODP to gain an understanding of the Home and Community-based Services Intellectual Disabilities (HCBS-ID) Waiver program and the service codes that represent the eligible services. We also discussed how claims are submitted for services provided to MA-enrolled individuals using the PROMIS<sup>e</sup>™ system, which verifies the individuals' MA eligibility before a claim is approved for reimbursement.
- Obtained a data file from DHS ODP containing all Merakey HCBS-ID Waiver program claims that DHS approved for reimbursement during the period July 1, 2017 through June 30, 2018, totaling \$36.68 million, which included 8,457 claims totaling approximately \$1.25 million for services provided through Merakey's Ebensburg location.
- Judgmentally selected 60 claims from the 8,457 claims for services provided by the Ebensburg location (see prior bullet). We ensured that we selected an individual only once within each service type.<sup>42</sup>
- Developed and performed the following procedures to test the selected claims for compliance with laws and policies and to ensure management controls were operating

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<sup>42</sup> Each claim on the DHS data file included a service code that identified the type of service provided. We found seven different service codes used for the claims submitted by Merakey's Ebensburg location, which ranged from less than 1% of the total to more than 42%. We grouped the claims with smaller percentages and prorated our sample of 60 claims using these percentages to ensure appropriate coverage of the different service codes and ensured that individuals were not duplicated within service codes.



## A Performance Audit

### Merakey Pennsylvania

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effectively based on our understanding of Merakey's procedures and review of example documentation:

- Reviewed service documents associated with each selected claim to verify the service was provided and properly authorized based on the Individual Support Plans. We ensured the Merakey program staff who provided the services signed and dated the service documents as required by DHS ODP policy.<sup>43</sup>
  - Where possible, reviewed additional documentation for Behavioral Support Services claims to verify that Merakey staff and individual receiving services were present at the same time and place to ensure that services had been rendered.
  - Used Merakey employee time cards to verify that its staff who provided the service and completed the service documentation was present on the service date.
  - Agreed Merakey documents for each selected claim to its claims processing documents, such as the individual's name, date of service, and number of units (duration of provided service) and recalculated the claim amount using DHS' established reimbursement rate for the specific service.<sup>44</sup>
  - Verified the data associated with each MA claim selected for testing from the DHS ODP file agreed with the claim's source documents in accordance with DHS ODP policy.
- Considered the audit impact of the results reported to DHS from an internal investigation conducted by Merakey's corporate Quality and Compliance Organization (QCO) prior to our audit involving falsified service documents submitted by a behavioral support specialist between June 2017 and February 2018.
  - Confirmed that Merakey refunded the MA reimbursements it had received from DHS based on falsified service documents, which Merakey identified during its internal investigation noted above and included in the *QCO Self-Report* submitted to DHS.<sup>45</sup>

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<sup>43</sup> Ibid.

<sup>44</sup> [https://www.dhs.pa.gov/Services/Disabilities-Aging/Documents/Historical%20Rates/Fee%20Schedule%20Rates%20for%20Community-Based%20Services%20Effective%20July%201,%202017%20\(c\\_283982\).pdf](https://www.dhs.pa.gov/Services/Disabilities-Aging/Documents/Historical%20Rates/Fee%20Schedule%20Rates%20for%20Community-Based%20Services%20Effective%20July%201,%202017%20(c_283982).pdf) (accessed September 2, 2020).

<sup>45</sup> Merakey Quality and Compliance Organization Self-Report, February 26, 2020. Note we did not evaluate the accuracy of the information contained in this report.

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- Reviewed Merakey’s personnel records for 4 program staff judgmentally selected from 32 program staff who provided the services associated with the 60 claims we tested. We ensured the personnel records indicated that the staff received the training required for direct care personnel according to regulations and Merakey’s training policy.<sup>46</sup>

### Data Reliability

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We performed an assessment of the sufficiency and appropriateness of computer-processed information that we used to support our finding, conclusions, and recommendations. The assessment includes considerations regarding the completeness and accuracy of the data for the intended purposes.

- To assess the completeness and accuracy of the data file of DHS-approved MA claims summarized by MA provider and federal account code for the period July 1, 2017 through June 30, 2018, BITA reconciled the data file to DHS data provided and evaluated as part of the Commonwealth’s Single Audit for the fiscal year ended June 30, 2018 conducted by the Department of the Auditor General jointly with a certified public accounting firm.<sup>47</sup> Based on the procedures performed, we concluded the data to be sufficiently reliable for the purposes of selecting MA providers to audit, including Merakey.
- To assess the completeness and accuracy of the data file received from DHS ODP containing individual Merakey claims approved by DHS during the period July 1, 2017 through June 30, 2018, we reconciled the total of this file to the data obtained from DHS and evaluated as part of the Commonwealth’s Single Audit for fiscal year ended June 30, 2018.<sup>48</sup> Additionally, we judgmentally selected 60 claims from the DHS ODP data file and agreed the data to source documents maintained by Merakey as described in the *Methodology* section above. We therefore concluded the DHS ODP data file was sufficiently reliable for the purposes of this engagement.

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<sup>46</sup> 55 Pa. Code §§ 2380.36 and 2390.40; Merakey *IDD Annual Training Record – Annual Required Training* (updated January 2015, Merakey *Behavioral Services Training Plan for Behavior Support Specialist and Clinical Specialist* (updated February 20, 2018).

<sup>47</sup> <https://www.budget.pa.gov/PublicationsAndReports/Documents/SingleAuditReports/june-30-2018-single-audit-report.pdf> (accessed March 3, 2020).

<sup>48</sup> As part of the Single Audit, the Department of the Auditor General obtains monthly data files of MA claims from DHS. This data is evaluated and tested for reliability as part of the Single Audit of the MA program. While the DHS PROMISE™ system is the same source for both the MA claims data evaluated during the Single Audit and the claims data provided to us for Merakey, we consider the Single Audit data to be a reliable independent source for purposes of our engagement since DHS provided the data at different times for different purposes.



## A Performance Audit

### Merakey Pennsylvania

#### Appendix B

#### Distribution List

This report was distributed to the following Commonwealth officials:

**The Honorable Tom Wolf**  
Governor

**Robert N.C. Nix, III, Esquire**  
Chairman of the Board  
Merakey USA

**Mr. Joseph Martz**  
CEO and Board President  
Merakey Pennsylvania

**Mr. Jerry Valenti**  
Regional Executive Director  
Merakey Pennsylvania

**Mr. Brandon Fisher**  
Senior Vice President for  
Quality and Compliance  
Merakey Pennsylvania

**The Honorable Teresa D. Miller**  
Secretary  
Department of Human Services

**Ms. Tina Long**  
Director, Bureau of Financial Operations  
Department of Human Services

**Mr. Alexander Matolyak, CPA**  
Director, Division of Audit and Review  
Department of Human Services

**The Honorable Tom Murt**  
Majority Chair  
House Human Services Committee

**The Honorable Angel Cruz**  
Democratic Chair  
House Human Services Committee

**The Honorable Michelle Brooks**  
Majority Chair  
Senate Health and Human Services  
Committee

**The Honorable Arthur Haywood**  
Democratic Chair  
Senate Health and Human Services  
Committee

**The Honorable Pat Browne**  
Majority Chair  
Senate Appropriations Committee

**The Honorable Jen Swails**  
Secretary of the Budget  
Office of the Budget

**The Honorable Joseph M. Torsella**  
State Treasurer  
Pennsylvania Treasury Department

**The Honorable Josh Shapiro**  
Attorney General  
Office of the Attorney General

**The Honorable Michael Newsome**  
Secretary of Administration  
Office of Administration

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**Mr. William Canfield**

Director  
Bureau of Audits  
Office of Comptroller Operations

**Ms. Mary Spila**

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