



**Testimony of the Connecticut Association of Not-for-profit Providers For the Aging  
To the Human Services Committee**

**March 6, 2007**

**In support of**

**House Bill 7289, An Act Concerning Audits Conducted by the Department of Social Services**

CANPFA members serve thousands of people every day through mission-driven, not-for-profit organizations dedicated to providing the services people need, when they need them, in the place they call home. Our members offer the continuum of aging services: assisted living residences, continuing care retirement communities, residential care homes, nursing homes, home and community based services, and senior housing.

Good morning Senator Harris, Representative Villano, and members of the Human Services Committee. My name is Mag Morelli and I am the President of the Connecticut Association of Not-for-profit Providers and I am here today to speak in favor of House Bill 7289, *An Act Concerning Audits Conducted by the Department of Social Services*.

I would like to thank the Committee for raising this bill which would move up the timelines for conducting audits of Medicaid cost reports. While this bill proposes to require the Department of Social Services to perform the audits in a timely fashion, it would in no way remove or reduce the auditing oversight of these providers. Creating a more timely auditing process would have a positive impact on both skilled nursing facilities and residential care homes.

Currently the Department has up to seven years to perform an audit of the cost report. The providers, and particularly the smaller providers, are at a disadvantage when their cost reports are audited after such a long period of time. The documentation requirements for such an audit are very strict and a late audit may require hard copy financial documentation of invoices and cancelled checks from over ten years ago. The hours of staff time spent researching and retrieving documentation for an overdue audit can be very costly for a facility. As you can imagine, the changes in staffing, software and bookkeeping systems over the years can exacerbate this problem. And most upsetting, when a bookkeeping error is found after ten or so years, the extrapolation of that error can mean thousands of dollars in penalties – not because the error was intentional or egregious, **but just because it happened so long ago**. In fact, there have been cases where the auditor approved a nursing facility's bookkeeping method– but several years later the next auditor did not agree. The facility was then penalized for utilizing that previously approved method for the several years that ensued between audits.

We propose that many of these concerns can be alleviated by requiring the Department of Social Services to perform the cost report audits **sooner rather than later**. We suggest that the current statute be amended to require the following when the Department is conducting cost report audits:

- That the cost report audit be completed no later than two years from the date the cost report is filed with the Department.

- That the Department use statistically valid random sampling methodology.
- That the Department not require financial documentation for more than two years prior to the cost year being audited.

We believe that this proposed statute would bring overdue improvement to the cost report audit process by saving time and money for both the state and the providers.

Thank you for your consideration of this testimony.

*Mag Morelli, President*

*1340 Worthington Ridge, Berlin (860) 828-2903 [mmorelli@canpfa.org](mailto:mmorelli@canpfa.org)*