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June 7, 2019

Ms. Rebecca Boss  
Director  
BHDDH  
14 Harrington Rd.  
Cranston, RI 02920

Dear Director Boss:

The Office of Internal Audit has completed its audit of Rhode Island Community Living and Supports (RICLAS) division within the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH). The audit was conducted in conformance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing and by the authority given to the unit as stated in accordance with Rhode Island General Laws (RIGL) § 35-7.1-2(a) – Establishment of office of internal audit. The recommendations included herein have been discussed with members of management, and we considered their comments in the preparation of this report.

RIGL § 35-7.1-10(d), entitled Annual and interim reports, states that, “Within twenty (20) calendar days following the date of the issuance of the management-response copy of the draft audit report, the head of the department, agency, public body, or private entity audited shall respond, in writing, to each recommendation made in the audit report.” Accordingly, management submitted its response to the audit findings and recommendations on June 7, 2019, and such response is included in this report. Pursuant to this statute, the OIA may follow up regarding recommendations included in this report within one year following the date of issuance.

We would like to express our sincere appreciation to the RICLAS staff for the cooperation and courtesy extended to the members of our team during this audit.

Respectfully yours,

Dorothy Z. Pascale, CPA  
Chief

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Honorable William J. Conley Jr., Chairperson, Senate Committee on Finance  
Honorable Marvin Abney, Chairperson, House Finance Committee  
Internal Audit Advisory Group  
Steven Whitney, Senate Fiscal Office  
David Trembly, Senate Fiscal Office

# Audit Executive Summary

## Why the Office of Internal Audit Did This Review

The Office of Internal Audit conducted an audit of the Rhode Island Community Living and Supports Division within the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals for the period of July 2018 through February 2019 based upon its risk assessment of the entity. The purpose of this audit was to determine if the operations of the RICLAS group homes are being administered efficiently and effectively in accordance with applicable laws, rules, and regulations and if adequate controls are in place to ensure safeguarding of assets and accurate reporting.

## Background Information

Rhode Island Community Living and Supports is a division within the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals that is licensed by the State as a provider of residential and day program services to individuals with developmental disabilities. RICLAS supports adult men and women in a variety of homes, apartments, and with day support services throughout the State. Their trained and experienced staff advocate for individual rights, promote opportunities, and help people develop competencies in both residential and work activity settings.

## To Strengthen Controls, the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals should:

- Increase control over distribution of funds
- Dissolve one of the two imprest checking accounts.
- Implement reconciliation procedures.
- Allocate funds in accordance with Social Security Guidelines and State Regulations.
- Utilize appropriate fund source for purchases.
- Assess process for requesting and distributing personal need funds.
- Establish and adhere to policy regarding closing accounts and remit conserved funds.
- Allocate interest income to participant accounts
- Complete annual individualized service plans in accordance with federal regulation.
- Adhere to contract terms for overtime.
- Comply with licensing regulation by performing safety inspections.
- Maintain adequate insurance coverage.
- Comply with program eligibility requirements.
- Enhance oversight of property management.
- Finalize and issue updated, formal policies and procedures.

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## Introduction

The Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) licenses and oversees the Rhode Island Community Living & Supports (RICLAS). RICLAS is the State-operated day service provider for individuals with developmental disabilities. In addition to its capacity as a state agency, RICLAS functions as a developmentally disabled organization (DDO) providing 24-hour residential support services around the State. As a DDO, RICLAS provides direct support, nursing, psychological, social, nutrition and therapeutic services in three distinct residential settings:

- **Special Care Facilities:** One site provides 24-hour nursing care along with dietary, housekeeping, and other program services.
- **HUD Apartment Programs:** Individuals supported by RICLAS lease apartments in HUD housing complexes north and east of Providence.
- **Group Homes:** RICLAS operates group homes in various locations throughout the State; each is designed to meet the specific needs of individuals.

RICLAS operates 21 group homes, all of which are state-owned and state run. RICLAS management has assigned these 21 group homes into two regions based on location. There are currently 127 RICLAS participants, the majority being former Ladd School patients.<sup>1</sup>

When operating as a licensed developmental disability provider, RICLAS is subject to licensing requirements related to individual service plans, compliance reviews and mandatory staffing. RICLAS's dual functionality both as a DDO and as a division of a state agency provides a challenging dynamic between the program and its governing Department.

## Recommendations and Management's Responses

### Control Summary

The control environment of an entity sets the tone of the organization and influences the effectiveness of internal controls within the agency. It affects many process activities and includes elements such as: management integrity and ethical values, operating philosophy, and commitment to organizational competence. The weak control environment noted during this audit, is a prime reason for the numerous control deficiencies and instances of noncompliance with regulations. However, in November 2018, RICLAS management changed, and the Division began to implement corrective actions to address internal weaknesses; management's response was immediate and steadfast. Details about the weaknesses identified and proposed recommendations for improvement are included in this audit report.

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<sup>1</sup> The Ladd School closed during 1994 to deinstitutionalize psychiatric hospitals.

## Financial Management Background

The Social Security Administration (SSA) pays benefits through a representative payee<sup>2</sup> for any adult judged legally incompetent by a State court. In addition, if SSA determines that a legally competent adult is unable to manage the use of his or her own benefits, they will appoint a representative payee. SSA will first consider the beneficiary's family and friends for this role, however, if family and friends are unwilling to take on that responsibility, SSA will rely on State, local, or community services to fill the role of representative payee.

RICLAS has been designated as an organizational representative payee for program participants who are receiving benefits from the Social Security Administration. As an organizational representative payee RICLAS becomes the fiduciary for the participant. As such it must:

- Receive and manage funds on behalf of program participants under its care.
- Maintain proper accounting of all funds spent and received; including any interest earned.
- Assist participants to properly budget and expend their personal need allowances.
- Notify SSA upon participant's death; return any overpayments promptly and turn over any conserved funds to the legal representative of the beneficiary's estate for disposition in accordance with state law.

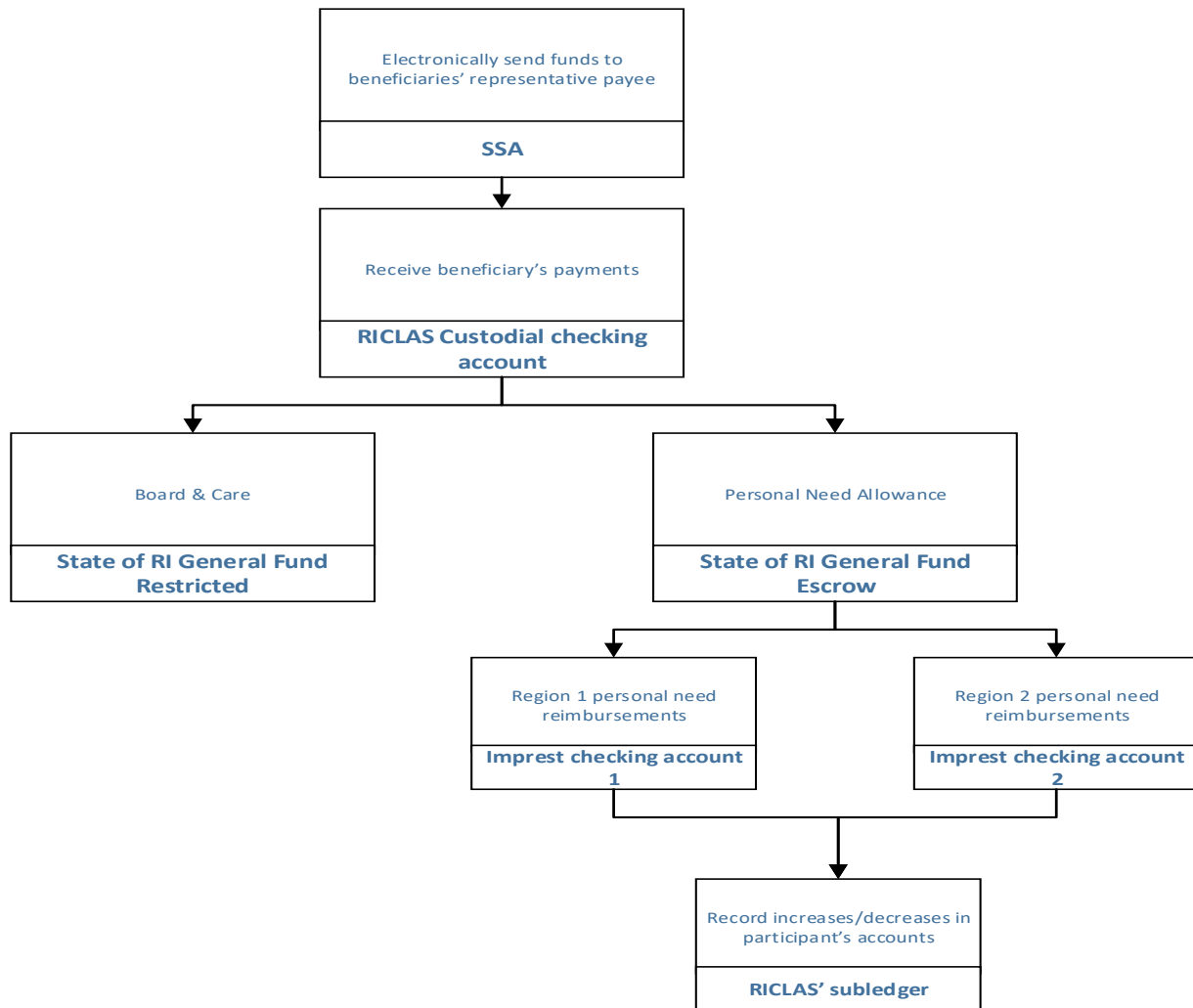
As the organizational representative payee, RICLAS collects the participants' benefit payments and allocates the funds to the State general fund for board and care expenses<sup>3</sup> and to the imprest accounts for participant personal need expenses.

RICLAS utilizes three checking accounts to receive and distribute participants' funds. The custodial checking account is a collective account that receives all participants' monthly SSA benefit payments. The two imprest checking accounts are divided by the region of the State that each group home is located. The imprest checking accounts are used to distribute personal need funds to each group home manager for the participant's use. The chart below summarizes the flow of payments.

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<sup>2</sup> A representative payee, or substitute payee, is a person who acts as the receiver of United States Social Security Disability or Supplemental Security Income for a person who is not fully capable of managing their own benefits, i.e. cannot be their own payee.

<sup>3</sup> Board and care payments include expenses such as shelter, clothing, medical expenses not covered by Medicare and Medicaid or provided by a residential institution.



The review of the financial management processes at RICALS brought forth the below suggested management corrective actions.

### Increase Control Over the Distribution of Funds

The State of Rhode Island Office of Accounts and Controls (A&C) best practices over the distribution of funds include:

- Policies and procedures should clearly identify which individuals have authority to initiate, submit, reconcile, view, or approve different types of transactions.
- Employees should be trained and informed of departmental procedures related to internal controls.
- Individuals approving transactions should have firsthand knowledge of the transactions, or they should review supporting documentation to verify the validity and appropriateness of transactions.

Further guidance is provided by A&C for best practices over petty/imprest accounts<sup>4</sup> as well to include:

- One employee should be assigned responsibility as custodian of the fund with a designated back-up. Access to and location of petty cash should be limited and restricted to only designated custodians.
- The designated custodian should be responsible for knowing which expenditures are allowable prior to authorizing disbursement of funds.
- Petty cash should only be used for small dollar expenditures consistent with the intended use of the fund.
- Petty cash should be maintained in a secure location (i.e. locking file cabinet or safe) under the control of the custodian.
- A supervisor or manager should approve each account reconciliation, and the replenishment request.
- Agency management should perform unannounced petty cash reviews and/or reconciliations.

Each group home's request for funds from the imprest account requires a purchase request form and a detailed check request. In a sample of 69 of the 622 checks written from the imprest checking accounts during July 1, 2018 through February 15, 2019, the following exceptions<sup>5</sup> were identified:

- 31 of the 69 checks lacked the proper authorization signatures required on purchase request forms
- 2 of the 69 checks did not have supporting documentation on file
- 4 of the 69 checks did not have a detailed check request submitted and
- 13 of the 69 checks did not have the required signatures on the request

Additionally, we observed endorsed disbursement checks from participant funds are held in unsecured file folders within the fiscal office.

Controls over the processes for requesting funds are not operating as designed, supervisors are not validating the authenticity of fund requests before authorization and approval, and security over check stock is weak. Without effective controls over the personal need fund disbursements, participant funds could be mismanaged resulting in RICLAS having increased liability.

*Recommendation:*

1. Increase control over the distribution of funds.
2. Secure checks in a safe.

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<sup>4</sup> Per the Office of Accounts and Controls Imprest Checking Accounts and Related Control Policy effective March 15, 2019, all checks drawn on imprest checking accounts require two authorized signatures. RICLAS must destroy any unused check stock and order checks containing two signature lines and the verbiage 'Two signatures required.'

<sup>5</sup> All of the exceptions were prior to January 1, 2019 apart from one missing authorization.

*Management's Response:* As of December, the Department increased internal controls over the personal disbursement of funds by requiring program coordinators, finance and supervisors authorize all withdrawals of cash. All requests must be approved by a coordinator and financial staff. All checks must have two signatures, one from fiscal and one from program. Clear separation of duty measures have been established when handling cash and reconciliation of accounts, for example, signatories cannot conduct group home cash out and employees handling cash cannot conduct account reconciliations. Disbursement officer oversees account reconciler. There are also now three layers of review: The new cash out procedure for group homes now includes an audit which will now be done at the time of cash out; the cash out is audited to ensure accuracy and compliance prior to posting; a final review is conducted again after posting. The Department is continuing to examine practices to identify additional areas for improvement.

The observed event of noticing unsecured endorsed checks was due to the need to have them easily available during the cash out process. Otherwise, all checks signed and unsigned are stored in the safe.

*Responsible Party:* Mary Dupuis, Supervising Accountant; Felicia Mather, RICLAS Fiscal Clerk

*Anticipated Completion Date:* 05/01/2019

#### Adhere to Policy to Reconcile Funds and Dissolve Excess Imprest Account

The Accounts and Control Policy A-15a states in pertinent part:

*The book balance in an imprest checking account must be reconciled monthly to its associated bank balance by an individual other than the authorized signers of the account. The bank shall send all bank statements for the account directly to this independent account reconciler and not to anyone with authorized access to that imprest checking account. Completed bank account reconciliations shall be reviewed by the agency CFO, unless the CFO is one of the authorized signers of the account... Each year, all agency imprest checking account reconcilers shall complete and submit to the Supervising Accountant within Accounts and Control a reconciliation of the book balance to the bank balance of each of their agency's imprest checking accounts as of June 30. Said reconciliations are due at Accounts and Control by no later than July 31, with a corresponding Imprest Checking Account Form A-15R for each separate imprest checking account.*

The two imprest accounts that RICLAS utilizes have historically not been reconciled to the subledger or the State accounting system. With the change of management as noted in the Control Summary section above, reconciliations of the imprest and representative payee accounts started to be performed. However, review of a reconciliation prepared by RICLAS staff in February 2019 showed a variance between the subledger and the State accounting system of \$360,229. If accounts are not



properly reconciled, there is an increased risk that funds could be misappropriated.<sup>6</sup> Additionally, the use of two imprest checking accounts is inefficient as it ultimately leads to additional work by the RICLAS fiscal staff.

*Recommendations:*

3. Adhere to policy to reconcile funds monthly.
4. Dissolve the second imprest checking account.

*Management's Response:* As of November 2018, the Department instituted a full reconciliation of all imprest accounts and representative payee accounts. The Department has been maintaining a reconciliation of the Client Accounting System to RIFANS (the State accounting system) monthly, submitting the reconciliations to the Office of Accounts and Control at the end of each quarter. The Department continues to reconcile all imprest checking accounts and representative payee accounts until they have been fully and properly reconciled. The Department plans to completely close one of the imprest checking accounts by the end of the fiscal year. The Department is currently working on the reimbursement of past items before the account can be properly closed. The Department is also submitting reconciliations to the Controller's Office thereby complying with the new A64 Escrow Liability reconciliation process. Policies have also now been updated to require each imprest account have a RIFANS account and a new account payable site with the designated custodial bank to allow for periodic replenishment of the imprest checking account, thereby eliminating check writing. A RIFANS entry will serve as authorization for the Treasurer to wire the funds from the State General Fund to the imprest checking account. The Department is continuing to examine practices to identify additional areas for improvement.

*Responsible Party:* Mary Dupuis, Supervising Accountant

*Anticipated Completion Date:* 06/30/2019

## Implement Reconciliation Procedures

Reconciliation is the process of comparing transactions and activity to supporting documentation. The process ensures the accuracy and validity of financial information and that unauthorized transactional changes have not occurred during processing. Reconciliation also facilitates resolving discrepancies.

Best practices for reconciliations include the following:

- Ensure information is reconciled to the appropriate supporting documentation to provide assurance that transactions are valid and are correct in purpose.
- Ensure that transactions have been properly authorized.
- Establish expectations for timeliness of error correction.

Historically, monthly Social Security benefit payments have been transmitted electronically to the RICLAS custodial account and transferred to the RI General Fund via two separate paper checks. Board

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<sup>6</sup> The work flow and use of imprest accounts is discussed in the Financial Management Background section of this report.

and care payments and personal need funds are recorded in the State's accounting system. Entries are then made to the internal ledger to reflect the personal need funds. Deposits and withdrawals should be reconciled on a routine basis to ensure transactions are properly authorized and accurate.

Historically, there was no reconciliation performed of the movement of funds between the RICLAS checking account, the state accounting system, and the internal ledgers. Without a proper reconciliation, RICLAS has no assurance that the full benefit payments are received and credited to participants or that subsequent withdrawals and deposits are accurately reflected in the internal ledger.

*Recommendations:*

5. Establish and implement a detailed policy and supporting procedures for reconciliations.
6. Implement routine management review of reconciliations to ensure they are timely and accurate.
7. Establish a process to escalate, research and resolve inaccuracies found during the reconciliation.

*Management's Response:* The Department instituted a reconciliation process beginning in February and currently follows a monthly reconciliation process for the movement of funds between the RICLAS checking account, the state accounting system, and the internal ledgers and we are working on the written policies and procedures for this process. The written processes and procedures will include a process for escalating, researching and resolving all inaccuracies that could be found. The Department has also strengthened internal controls by hiring an investigative auditor who will be continuously monitoring reconciliation, cash out processes, and testing our control policies to ensure they are adequate for compliance. The Department also continues to examine practices to identify additional areas for improvement.

*Responsible Party:* Brenda Chamberlain, Assistant Business Management Officer; Mary Dupuis, Supervising Accountant

*Anticipated Completion Date:* 06/30/2019

### [Allocate Funds in Accordance with Social Security Guidelines and State Regulations](#)

SSA Guidelines state that participants are to receive \$30 per month of their benefit payment to be used towards personal needs. In addition, RI Regulation 218-RICR-20-00-5 states that individuals living in a Title XIX facility, such as RICLAS facilities, are to receive \$20 per month in state supplemental benefit payment. Therefore, each participant in RICLAS is to receive \$50 of their monthly SSA benefit amount for personal needs to purchase items not provided by the residential institution. Personal needs are to be solely used for the need of the participant, not to maintain the facility.

RICLAS administrative staff utilize and maintain benefit allocation worksheets to track the allocation of funds to the respective categories. However, there is no segregation of duties over the fund allocation process. The allocation worksheet is prepared by a fiscal employee; however, one fiscal supervisor entered and approved the allocation amount for the participant's account, and no reconciliation was performed. In a review of all spreadsheets prepared during the period of July 1, 2018 through January 31, 2019,

- 16 of the 127 participants were allocated personal needs funds more than the allowed \$50.

As a result, the State lost \$21,637 in revenue for the board and care of participants during this period.

*Recommendation:*

8. Enhance segregation of duties over fund allocation to ensure compliance with social security guidelines and State regulations.

*Management's Response:* Beginning in January, the Department segregated the duties over fund allocation by implementing the control of posting all monies to each participant. The Department is continuing to examine practices to identify additional areas for improvement.

*Responsible Party:* Brenda Chamberlain, Assistant Business Management Officer; Mary Dupuis, Supervising Accountant

*Anticipated Completion Date:* 03/31/2019

### Utilize Appropriate Fund Source for Purchases

Social Security guidelines state that personal need funds should not be used toward items that the institution ordinarily provides or for items that are paid for by a State or Federal program. As stated previously, personal need funds are to be solely used for the need of the participant, not related to the maintenance of the participant's respective dwelling.

In a sample of 14 participants' account ledger detail for July 1, 2018 through February 21, 2019,

- 5 purchases, equating to \$7,564, did not comply with the guidelines for personal needs.

Management was not effectively overseeing that the correct source of funds was used for purchases prior to January 2019. During testing, the OIA did not note any exceptions for January or February 2019. By utilizing the incorrect source of funds, participants are not receiving all the personal need funds they are entitled to according to the SSA guidelines.

*Recommendation:*

9. Validate personal need funds are for the participant's individualized needs prior to authorizing disbursement.
10. Reimburse the personal need accounts \$7,564 for purchases made which did not comply with the SSA guidelines.
11. Review other participants' account ledger detail and ensure appropriate fund source was used in compliance with SSA guidelines.

*Management's Response:* As of January, the Department changed the entire purchasing request process now requiring that the purchase request form include multiple approvals from both fiscal and program. Also, the Department requires that every purchase request form list the most recent personal needs fund balance. Once the Department has the detail from the Bureau of Internal Audit regarding the purchases totaling \$7,564 the adjustments will be posted. The Department is currently reviewing all other participants' account ledgers to ensure appropriate fund sources were used in compliance and will continue to do so through our new internal control process. The Department is continuing to examine practices to identify additional areas for improvement.

*Responsible Party:* Monica Pacheco, Administrator II; Mary Dupuis, Supervising Accountant; Brenda Chamberlain, Assistant Business Management Officer

*Anticipated Completion Date:* 06/30/2019

### Assess Process for Requesting and Distributing Personal Needs Funds

Control activities can be categorized by the nature of the objectives to which they relate. Operational control objectives include activities designed to make the most effective and efficient use of fiscal resources and other assets. Managers should consider cost-versus-benefit when implementing control activities.

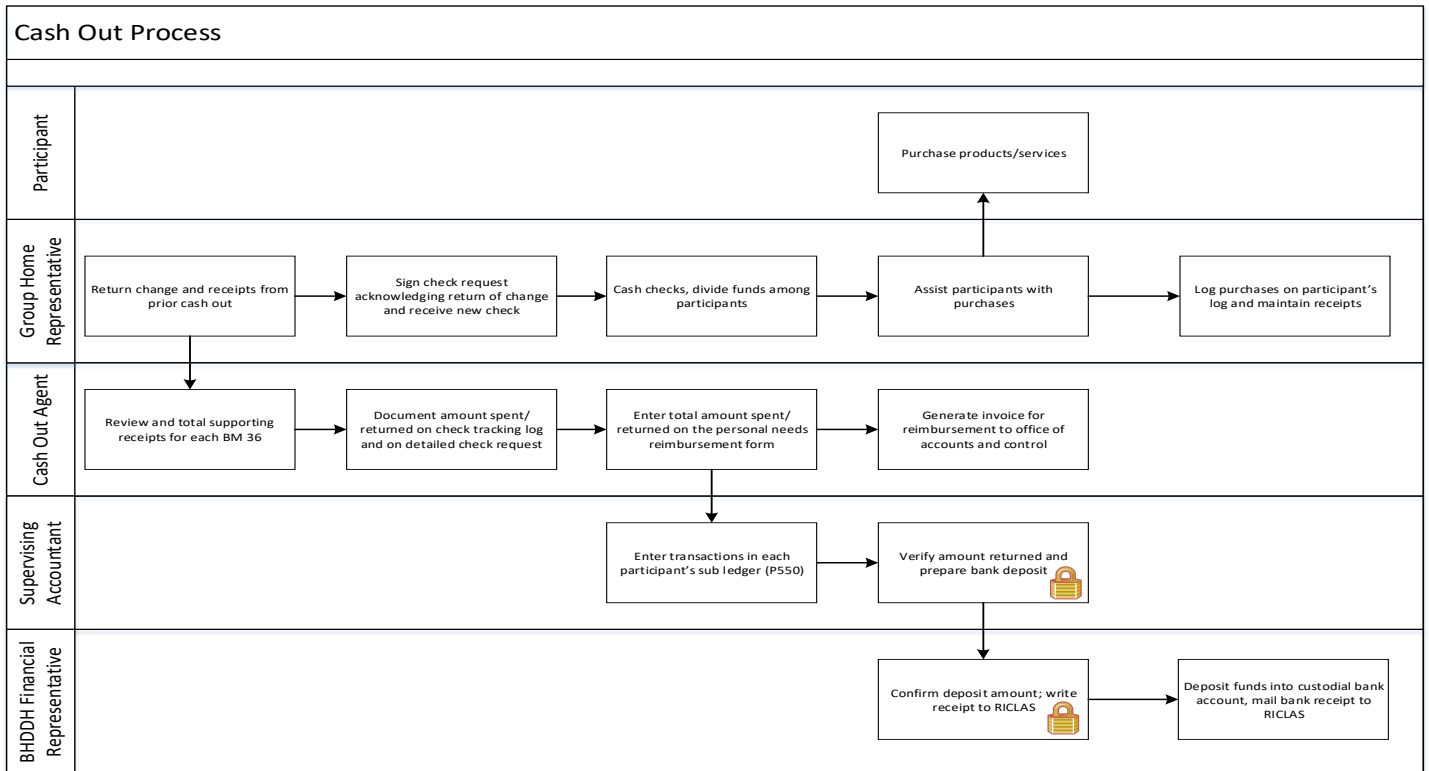
In January 2019, RICLAS management changed its process for requesting and distributing personal need funds. The current "cash out"<sup>7</sup> process is summarized and depicted in the process map below.

RICLAS participants request funds for personal needs on a bi-weekly basis. RICLAS group home employees fax requests for personal need funds to RICLAS central office for authorization and approval. The fiscal clerk prepares a check payable to the group home employee as well as a check tracking log and a detailed check request. The documents are placed in the group home's folder awaiting the cash out process. On the cash out day, the group home employee visits the central office with any remaining funds from the prior request and supporting receipts for previous purchases. The fiscal clerk totals receipts and documents the amount spent and the amount returned. The check is provided to the group home employee who cashes it and disburses it among participants. The fiscal clerk batches the completed requests and creates an invoice to send to Accounts and Control. The process map below depicts the work flow.

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<sup>7</sup>The process by which personal needs funds are distributed to group home employees.

## Process Map



The group homes are located throughout the State, and the process as designed requires group home employees to visit RICLAS central office in Cranston several times each month to obtain checks and to return unused funds. Management is trying to ensure there is adequate control over participant funds, however, the process as designed is inefficient. The process detailed above leads to waste in both time and money for staff resources. With appropriate cash controls in place, such as timely reconciliations, the same objective can be achieved.

### *Recommendation:*

- Evaluate the cash out process against best practices and industry standards to develop a more efficient process.

*Management's Response:* The Department has initially discussed various options and will be researching possible options that will serve participants effectively while also ensuring efficiency.

*Responsible Party:* Jennifer White, Associate Director, I; Mary Dupuis, Supervising Accountant

*Anticipated Completion Date:* 1/1/2020

### Establish and Adhere to Policy regarding Closing Accounts and Remit Conserved funds

Social Security guidelines stipulate that upon the death of a participant or when a participant is discharged, and a new representative payee is assigned, any conserved funds that remain in the

participant's account are to be distributed immediately, either back to SSA or the respective representative payee.<sup>8</sup>

Additionally, the Social Security guide for Organizational Payees states in pertinent part that:

*... Social Security benefits are paid each month representing payment for the previous month. When a Social Security beneficiary dies, no payment is due for the month of death, even if he or she dies on the last day of the month. ...*

The OIA reviewed the sub-ledger used to track participants' conserved balances and noted the following:

- Balances totaling \$148,835<sup>9</sup> are conserved for 128 participants no longer in RICLAS care
- 23 participants no longer in RICLAS care have accounts overspent by \$14,608.

Upon the death of a beneficiary, benefit entitlement ends. RICLAS doesn't consistently notify the Social Security Administration of a beneficiary's death and will continue to receive the monthly benefit payment.

RICLAS does not have a documented policy<sup>10</sup> for notifying SSA, for distributing balances accrued before death, or for returning funds of discharged participants. Maintaining balances for discharged and deceased participants increases financial exposure due to risk of funds being misappropriated or allocated inappropriately. Additionally, as a result of noncompliance with SSA guidelines, RICLAS could lose its status as a representative payee.

*Recommendations:*

13. Establish and adhere to a policy for identifying and remitting funds for participants no longer in RICLAS care. Include in this policy the process for notifying SSA of participant's death and returning benefit payments.
14. Identify participants with balances, determine whether they are deceased or have been discharged, and remit funds accordingly.

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<sup>8</sup> If a participant is discharged, the conserved funds are to be paid to SSA. If a participant passes, the conserved funds are paid to the beneficiary's estate and any payments from SSA after the date of death are to be returned to SSA promptly.

<sup>9</sup> Due to system limitations, the OIA had no way to verify the amount of funds needed to be remitted to SSA versus the amount due to a participant's estate.

<sup>10</sup> Refer to finding "Finalize and Issue Formal Policies and Procedures" section of this report.

*Management's Response:* Beginning in November 2018 the Department began reviewing and identifying in the subledger participants who have been discharged or deceased. The Department is currently in the process of writing policies and procedures on all funding associated with the operations of the RICLAS including notifying SSA of a participant's death and returning benefit payments. The Department is continuing to examine practices to identify additional areas for improvement.

*Responsible Party:* Mary Dupuis, Supervising Accountant

*Anticipated Completion Date:* 6/30/2019 for final written policies and 09/30/2019 for final remittance of funds

### Allocate Interest Income to Participant Accounts

Social Security guidelines state that

*Any interest earned by the collective account belongs to the beneficiaries. The payee should prorate and credit interest to each individual beneficiary, based on his or her share of funds in the account.*

Social Security benefits for all participants are remitted into RICLAS' custodial account. From there, RICLAS transfers the full benefit amount from the custodial account into the general fund, which is an interest-bearing checking account. Board and care payments are recorded in the restricted fund general ledger account and personal needs funds are recorded in the escrow general ledger account. Interest earned on the funds held in escrow is not being allocated to the participants as required.

Personal need funds held in the escrow account are the pooled resources of all participants. RICLAS does not have an efficient method to identify how much interest each participant earned on their respective personal need balance. Interest on personal need balances has not been allocated to individual participants in more than two years.

#### *Recommendations:*

15. Determine amount owed to participants and adjust accounts accordingly.
16. Maintain interest income calculation on a timely basis.

*Management's Response:* The Department is currently working on the determining what is owed to participants and is adjusting accounts accordingly with the goal of completing a full review of all accounts. Once the Escrow account is accurate in RIFANS the interest income for the participants will be posted on a monthly basis. The Department is continuing to examine practices to identify additional areas for improvement.

*Responsible Party:* Mary Dupuis, Supervising Accountant

*Anticipated Completion Date:* 09/30/2019

## Programmatic Improvements

The following operational efficiency improvements identified during the RICLAS audit are presented for management corrective action.

### Complete Annual Individualized Service Plans in Accordance with Federal Regulations

Individualized Service Plans (ISP) document participants' needs, goals, and necessary home and community-based services. It is the responsibility of RICLAS staff to conduct the ISP meetings with the participant, family members, and other agency representatives that provide day services, and to update the ISP based on the participant's needs and wants. Each RICLAS participant's individualized support plan must be reassessed on an annual basis to ensure compliance with Federal regulations.

Social Security Act §1915 states, in part:

*The State ensures that the individualized care plan for an individual... is reviewed at least annually and as needed when there is a significant change in the individual's circumstances.*

ISPs are currently outdated for 46 of the 127 active RICLAS participants. By not reviewing and updating the ISPs on an annual basis, RICLAS is providing services that may not align with the participants' current needs or goals. Further, this noncompliance may lead to a freeze of federal funding or fines.

#### *Recommendations:*

17. Complete annual ISPs in accordance with federal regulations.
18. Establish a process to escalate ISPs that are in danger of passing their due date.

*Management's Response:* The Department has established an excel tracking sheet that is now being submitted weekly to monitor completion and for oversight of upcoming ISPs. A new RICLAS purchase order was developed to separate out Agency 1 and Agency 2 to further assist in resolving delays in processing due to multiple agencies supporting individuals. With these changes, the Department has increased the number of ISP's being done on a monthly basis. In addition, the Department is continuing to aid the development of the new ISP module in the web-based case management system, Therap. This system will further increase efficiencies of ISP submissions. ***Anticipated Date of Completion: 12/19.***



*Responsible Party:* Erin Perron, Associate Director

*Anticipated Completion Date:* 12/31/2019 for ISP module completion in new electronic case management system.

### Adhere to Contract Terms for Overtime

Rhode Island Council 94, AFSCME AFL-CIO's Contract states, in part, that:

*Overtime shall be offered to employees eligible for overtime on the basis of their seniority in their classification within the division which they are employed. An employee offered overtime will be excused at their request, provided authorized personnel are available and willing to meet the need; and any employee so excused shall not be offered overtime work again, until their name comes up again in the seniority rotation.*

The RICLAS process for calling overtime does not comply with union contract terms. Group home employees are responsible to find coverage for call outs as they arise within their assigned homes. The process for offering overtime occurs in the following order:

- In-home in-class
- In-home out-of-class
- Out-of-home out-of-class
- Out-of-home out of bargaining unit

To provide continuity of care for participants, in-home employees are offered overtime opportunities in their respective homes regardless of their position in the seniority rotation. Non-compliance with union contract terms increases the risk of employee grievances or potential court action.

*Recommendation:*

19. Adhere to the union contract overtime terms or revise contract terms.

*Management's Response:* A meeting was scheduled the week of May 27th with Local 1293 to discuss the change to Centralized OT Calling which would change the existing process. The Department will also discuss signing a temporary agreement to keep the process as it stands until Centralized OT can be implemented.

*Responsible Party:* Erin Perron, Associate Director

*Anticipated Completion Date:* 6/30/2019

### Comply with Licensing Regulations by Performing Safety Inspections

According to RI Regulation 212-RICR-10-00-1,

*Documented safety reviews shall be conducted by the Organization every six months to ensure that each facility where licensed services are provided, including, but not limited to community residences, is free of hazards.*

Safety inspections<sup>11</sup> identify health, safety, and maintenance issues at each RICLAS property and consist of a checklist for the Supervisors of Care and Development to complete bi-annually. The required safety reviews have not been performed for over two years. Noncompliance with the licensing safety standards potentially exposes participants to health and safety hazards.

In addition to the required safety reviews, the properties are required to obtain Fire Marshall Inspections every two years. The most recent Fire Marshall Inspections were completed timely for all RICLAS group homes, and 23 of the 24 homes received a passing status.

*Recommendation:*

20. Comply with licensing regulations by performing safety inspections.

*Management's Response:* Safety Inspections are now up to date and ongoing. Daniel Miller, RICLAS Compliance Officer, was hired on 9/16/18 to backfill this previously vacant position for over one year. Since his hire, he has redrafted the forms, re-trained staff and has developed an effective monitoring process to ensure completion occurs on schedule.

*Responsible Party:* Erin Perron, Associate Director

*Anticipated Completion Date:* Completed

### Maintain Adequate Insurance Coverage

Liability insurance provides protection against claims resulting from injuries and damage to people and/or property.

RICLAS does not have insurance coverage to protect against possible claims arising from a State employee's abuse, neglect, mistreatment, or other human rights violations. Historically, the State has relied on the doctrine of State Sovereign Immunity which asserts that a state government employee is immune from lawsuit provided they were acting in their official capacity as a government employee. However, according to RI general law (RIGL) §9-31-1 *Tort liability of State,*

*... The state of Rhode Island and any political subdivision thereof...hereby be liable in all actions of tort in the same manner as a private individual or corporation...*

Given the nature of work performed and the duty of care owed to participants, RICLAS employees are at an increased risk of legal claims or disputes. Further, BHDDH and the State could be subject to financial penalties resulting from lawsuits.

*Recommendation:*

21. Review insurance coverage with Risk Management and maintain adequate liability insurance coverage.

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<sup>11</sup> Safety Inspections are solely to inspect the health and safety of the properties and do not include fire inspections.

*Management's Response:* BHDDH will contact DOA, Risk Management to determine whether additional liability insurance coverage is required due to potential increased legal claims and disputes related to the nature of the work performed and duty of care owed to participants in RICLAS. If additional insurance coverage is recommended, then the amount and the cost will need to be determined.

*Responsible Party:* Erin Perron, Associate Director; Gail Theriault, Chief Legal Counsel BHDDH

*Anticipated Completion Date:* 9/1/2019

### Comply with Program Eligibility Requirements

The BHDDH maintains eligibility criteria to receive department funded services within the Division of Developmental Disabilities. The eligibility conditions require individuals to:

- Have an intellectual disability since birth or before age 22, or another type of developmental disability which requires services like those needed by people with an intellectual disability
- And be found Medicaid eligible by the Department of Human Services (DHS)

According to the Federal Medicaid eligibility criteria,

*Medicaid beneficiaries generally must be residents of the state in which they are receiving Medicaid. They must be either citizens of the United States or certain qualified non-citizens, such as lawful permanent residents.*

One RICLAS participant is an undocumented individual and does not qualify for Federal or State benefits. From July 1, 2018 through January 31, 2019, purchases were paid for this participant through the RICLAS's imprest checking account, which maintains the participant's personal needs conserved funds, totaling \$3,022. The participant did not contribute to the personal need account balance, and therefore, the amount should not have been expensed from this account.

#### *Recommendation:*

22. Comply with Federal and BHDDH eligibility requirements for entrance into the program.
23. Reimburse the imprest checking account for expenses accordingly.

*Management's Response:* The Department approved this participant for the program. The Department continues to work to obtain United State citizenship for this participant, but there may be challenges with the process. The Finance Division adjusts the billing such that any costs for this participant is not eligible for federal Medicaid reimbursement. The Department is currently working on the reimbursement of the imprest checking account for all expenses related to this participant. There will be a full expense on the state accounts. Steps have been taken to ensure a minimal impact on imprest cash going forward. The large expenditures that were expensed through the imprest account are directly related to the one undocumented participant medications. The current practice is that the staff has been instructed to utilize the State issued purchase card rather than the imprest account for all pharmaceuticals for this participant.

*Responsible Party:* Erin Perron, Associate Director; Mary Dupuis, Supervising Accountant

*Anticipated Completion Date:* Completed

### Enhance Oversight of Property Management

The Developmental Disability Organization (DDO) consists of 21 group homes owned by the State and run by RICLAS. These State-owned homes are currently maintained by staff members employed by RICLAS to ensure the safety and accessibility for the participants who reside there.

RIGL 42-11 states, in part, that the Department of Capital Asset Management and Maintenance (DCAMM) shall,

*...manage and maintain state property and state-owned facilities in a manner that meets the highest standards of health, safety, security, accessibility, energy efficiency, and comfort for citizens and state employees and ensures appropriate and timely investments are made for state property and facility maintenance.*

DCAMM possesses the knowledge, experience, and expertise to handle and oversee state properties. Property management is not within the purview of BHDDH's mission, and therefore, the agency is not equipped with the necessary requisite expertise to manage facilities most effectively. The lack of experience and knowledge could lead to potential degradation of the homes if not maintained properly and possible safety and wellness hazards for the participants.

#### *Recommendation:*

24. Transfer property management responsibilities for RICLAS group homes to DCAMM.

*Management's Response:* A total of three Maintenance Staff have now been centralized under DCAMM and the Department is currently awaiting a Service Level Agreement from DCAMM.

*Responsible Party:* Erin Perron, Associate Director; Carole Cornelison, Division Director of Capital Asset Management Maintenance

*Anticipated Completion Date:* September 1, 2019

### Finalize and Issue Formal Policies and Procedures

Policies and procedures provide a roadmap for day-to-day operations. They ensure compliance with laws and regulations, provide decision-making guidance, and streamline internal processes.

Documenting and maintaining updated policies and procedures is especially important because change happens often. Rhode Island regulations require each licensed DDO to have a written policy and procedure manual. The manual should be reviewed routinely and updated as necessary.

RICLAS has a comprehensive draft policy and procedure manual for its operations however it has not been formally updated since 1997. An effort to review and revise the policy and procedure manual began in January 2018, however, it has not been finalized. Without formally documented and updated

policies and procedures, employees do not have sufficient guidance or direction to perform their required job functions leading to inconsistencies and inefficiencies throughout processes.

*Recommendation:*

25. Prioritize, update and finalize the current draft policy and procedure manual.
26. Distribute and inform staff of policy and procedure changes.

*Management's Response:* A draft policy has been reviewed by the Quality Improvement Unit within BHDDH and has been submitted for policy approval to Ruth Feder, Interdepartmental Project Manager, at BHDDH. Once reviewed and approved, it will be submitted to BHDDH Legal for review. Once final internal approved is obtained it will be distributed and in-serviced throughout RICLAS.

*Responsible Party:* Erin Perron, Associate Director

*Anticipated Completion Date:* December 1, 2019

## Objective and Scope

The Office of Internal Audit (OIA) conducted an audit of Rhode Island Community Living and Supports (RICLAS) division of BHDDH for the period of July 2018 through February 2019. The purpose of the engagement was to determine if operations are being administered efficiently and effectively in accordance with applicable laws, rules, and regulations and if adequate controls are in place to ensure safeguarding of assets and accurate reporting.

## Methodology

As part of our audit work we gained an understanding of the operations of RICLAS functions and associated operational risks. To address our audit objective, we performed the following:

- Interviewed personnel, including management and staff
- Reviewed established policies and procedures
- Reviewed Rhode Island Regulations applicable to the organization's operations
- Reviewed Social Security guidelines
- Developed flowcharts of processes and identified points of inefficiency
- Tested a sample of participant account balances
- Tested a sample of checks from imprest checking and custodial accounts