

Secretary Phyllis Gilmore
House Appropriations Committee Opening Remarks
April 25, 2012

Chairman Rhoades, Vice Chair Kelley and Ranking member Feuerborn:

Thank you for this opportunity to discuss SRS' processes and procedures for the audits that were recently conducted on the Centers for Independent Living, CILs, in Kansas

This audit process began in 2007 as the result of a review by the federal Rehabilitation Services Administration. That review found that we needed to improve accountability and monitoring of funds being provided to the State of Kansas and to service providers.

SRS' own examination of the CILs' practices raised the same concerns that the federal review process raised. These audits were begun due to concerns regarding the financial management of certain CILs.

SRS became aware of issues regarding the internal monitoring of independent CPA audit reports and program monitoring.

The first audit began in September, 2009 and looked at the prior fiscal year, which is general accepted practice.

That same month, SRS staff held a training session in which the CILs were trained on documentation requirements, along with proper recording and reporting procedures.

A decision was made to audit all the CILs in September, 2010 after an audit of grants to the CIL of Southwest Kansas. It was decided to include audits of the HCBS waiver services as well.

That round of audits resulted in the closure of the CIL of Southwest Kansas amid allegations of Medicaid fraud and inappropriate practices.

Today, SRS' Office of Audit has audited all 13 CILs and the State Independent Living Center of Kansas, SILCK. Four of those audits have been finalized; nine are in draft and the remaining CIL audit will be issued in draft this week. SRS has granted several of the CILs extensions to complete their responses to the draft audit.

Our Office of Audit is spending a great deal of time reviewing information submitted by the CILs in hopes that additional documentation will reduce the findings, which have identified significant control and compliance issues.

Office of Audit has not labeled its findings as fraud because the documentation and recording keeping of some CILs is so poor that it is difficult to establish intent.

But the Office of Audit has reported to me that the CILs accountability for funding and other controls and record keeping is some of the weakest ever witnessed by that staff in their history of doing audits.

The total audit findings for potential recoupments for the State of Kansas include \$2.5 million in Rehabilitation Services grants and \$6.5 million in Medicaid waiver services. One provider did appeal the audit outcome, but the audit determination has been upheld by the Office of Administrative Hearings.

Now, I would like to introduce Michael Donnelly, Director of Rehabilitation Services for SRS, who will discuss these audit processes and findings in detail.

I look forward to answering your questions on these issues.

AdR