
OLR Bill Analysis

HB 7105

AN ACT CONCERNING FORENSIC AUDITS CONDUCTED BY THE DEPARTMENT OF SOCIAL SERVICES.

SUMMARY

This bill explicitly allows the Department of Social Services (DSS) commissioner to conduct forensic audits of certain facilities and outlines procedures for doing so. The bill requires facilities to assist with forensic audits and subjects them to a civil monetary penalty for failing to do so. In certain situations, the bill holds facilities liable for the costs of forensic audits and allows DSS to withhold Medicaid funds to recoup these costs along with the civil penalties. Under the bill, “forensic audit” means an examination of financial records for information or evidence used to determine compliance with applicable law.

The bill also makes a technical and conforming change.

EFFECTIVE DATE: Upon passage

AUTHORIZATION TO CONDUCT FORENSIC AUDITS

Under the bill, the DSS commissioner may conduct a forensic audit of licensed chronic and convalescent nursing homes and their associated chronic disease hospitals, rest homes with nursing supervision, licensed residential care homes, and Medicaid-certified intermediate care residential facilities for people with intellectual disabilities. The bill requires the commissioner, before conducting a forensic audit of any facility, to (1) give the facility an opportunity to meet with DSS representatives and respond to any of the commissioner’s financial concerns and (2) make a good faith determination that a forensic audit is necessary to evaluate these financial concerns.

FACILITIES’ REQUIRED COOPERATION

The bill requires a facility that receives a written request from DSS to

cooperate with a forensic audit and give the department any assistance it requests within 10 business days. A facility generally must ensure that all personnel, financial consultants, and accountants fully cooperate and assist with the forensic audit, but is not required to divert personnel from residential care duties and responsibilities to do so.

Penalties

The bill subjects any facility that fails to cooperate with a forensic audit to a civil penalty of up to \$1,000 per business day that it does not give DSS the assistance it requested in writing. The bill allows DSS to withhold Medicaid funds from a facility to recoup these penalties. Under the bill, a facility may request a fair hearing on any penalty assessed.

FORENSIC AUDIT COSTS

Under the bill, a facility DSS identifies as experiencing a serious financial loss may be liable to the department for the costs of a forensic audit, including any reports or related testimony, of up to \$100,000. These costs may be assessed against any single facility or in the aggregate if more than one facility is subject to a single forensic audit.

The bill allows DSS to recover costs of a forensic audit if, through the forensic audit, DSS identifies material issues with the (1) facility's internal financial management or (2) integrity of the facility's financial statements. It lets DSS withhold a facility's Medicaid funds to recoup these costs.

COMMITTEE ACTION

Human Services Committee

Joint Favorable

Yea 15 Nay 7 (03/18/2025)