



June 3, 2104

Mr. David Kilmer, Executive Director  
Red Rose Transit Authority  
45 Erick Road  
Lancaster, Pennsylvania 17601

Dear Mr. Kilmer:

Enclosed for your review is the final audit report of Red Rose Transit Authority's (Red Rose's) Medical Assistance Transportation Program (MATP) recently completed by this office.

The final report will be forwarded to the Department's Office of Medical Assistance Programs (OMAP) and the Office of Developmental Programs (ODP) to begin the Department's resolution process concerning the report contents. The staff from the OMAP and the ODP may be in contact with you to follow up on the corrective actions taken to comply with the report's recommendations.

I would like to extend my appreciation for the courtesy and cooperation extended to my staff during the course of the fieldwork.

If you have any questions please contact Mr. David Bryan, Audit Resolution Section at [REDACTED].

Sincerely,

A handwritten signature in black ink that reads "Tina L Long". The signature is written in a cursive, flowing style.

Tina L. Long, CPA  
Director

Enclosure

c: Mr. Brendan Harris  
Mr. Vincent Gordon  
Ms. Dolores Frantz  
Ms. Deborah Donahue  
Ms. Patricia McCool  
Mr. James Pennypacker

bc: Mr. Alexander Matolyak  
Ms. Olayemi Gbadamosi  
Mr. David Bryan  
Mr. Lane Klobucar  
Mr. Michael A. Sprow  
Ms. Shelly Lawrence  
CFO Audit File (C3001)

Some information has been redacted from this audit report. The redaction is indicated by magic marker highlight. If you want to request an unredacted copy of this audit report, you should submit a written Right to Know Law (RTKL) request to DHS's RTKL Office. The request should identify the audit report and ask for an unredacted copy. The RTKL Office will consider your request and respond in accordance with the RTKL (65P.S. §§ 67.101 et seq.) The DHS RTKL Office can be contacted by email at: [rapwrtkl@pa.gov](mailto:rapwrtkl@pa.gov).

June 3, 2014

Mr. Brendan Harris, Executive Deputy Secretary  
Department of Public Welfare  
Health & Welfare Building, Room [REDACTED]  
Harrisburg, Pennsylvania 17120

Dear Deputy Secretary Harris:

The Bureau of Financial Operations (BFO) conducted a performance audit of the Red Rose Transit Authority (Red Rose) Medical Assistance Transportation Program (MATP) at the request of the Office of Medical Assistance Programs (OMAP) and the Office of Developmental Programs (ODP). The audit was designed to determine Red Rose's compliance with the 55 PA Code, Chapter 2070 regulations and the MATP Instructions and Requirements (I & R). Additionally, the BFO analyzed documentation that supports expense and trip amounts on the MATP Cost Reports and payments from the Provider Reimbursement and Operations Management Information System (PROMISe). The audit covered the period from July 1, 2011 through June 30, 2013 (Audit Period).

This report is currently in final form. Red Rose elected not to submit a formal response to the audit report as management is in agreement with the audit findings.

### Executive Summary

FINDING	SUMMARY
<p><b>Issue No. 1 – Review Procedures Should Be Enhanced</b></p>	<p>Numerous errors resulted in:</p> <ul style="list-style-type: none"> <li>• Under-reporting of \$1,777 in salary expense.</li> <li>• Net under-reporting of \$112 for MATP trips.</li> <li>• Net under-billing to PROMISe of \$74.</li> <li>• Various trips for one individual were not billed to PROMISe.</li> </ul>
HIGHLIGHTS OF RECOMMENDATIONS	
<p>Red Rose should develop review procedures to:</p> <ul style="list-style-type: none"> <li>• Ensure that costs reported on the MATP cost report are supported by expenses recorded in the General Ledger.</li> <li>• Ensure there is no overlapping of time billed and, at least periodically compare with the invoices to drivers' manifests prior to paying their carriers and billing the MATP.</li> <li>• Confirm attendance periodically with service centers where the individuals are transported.</li> </ul>	

FINDING	SUMMARY
<p><b>Issue No. 2 – Cost Allocation Bases Need To Be Revised</b></p>	<ul style="list-style-type: none"> <li>• The allocation of administrative staff salaries and wages was based on a one week time study performed in December 2009.</li> <li>• Red Rose was unable to provide documentation to support its cost allocation methodology for other expenses.</li> </ul>

HIGHLIGHTS OF RECOMMENDATIONS
<p>Red Rose should:</p> <ul style="list-style-type: none"> <li>• Develop and maintain a written cost allocation plan.</li> <li>• Prepare personnel activity reports at least monthly to coincide with one or more pay periods if Red Rose wants to continue using that methodology for allocating salaries and wages; or develop and implement a statistical or other system that allocates expenses in a manner that reasonably approximates the benefits received by the users.</li> </ul> <p>OMAP should:</p> <ul style="list-style-type: none"> <li>• Ensure that Red Rose uses allocation bases that are appropriate.</li> </ul>

OBSERVATION
<p>Red Rose should clearly define in writing the unique terms used in its Shared Ride program, such as “Reverse Direct Line”, “Drive Time” and “Wait Time”, so that staff and all parties that use the terms know what they mean and when they should apply.</p>

**See Appendix A for the Background, Objective, Scope and Methodology, and Conclusion on the Objectives.**

**Results of Fieldwork**

**Issue No. 1 – Review Procedures Should Be Enhanced**

The BFO analyzed documentation supporting the reported expenses and trips on the MATP Cost Report and for PROMISe reimbursements for the Audit Period. Numerous errors were identified which could have been caught and corrected if certain review procedures were used.

- Under-reporting of \$1,777 in salary/wage expense

The salary/wage expense on the MATP Cost Report was under-reported for each quarter in the fiscal years ended June 30, 2012 and June 30, 2013 by amounts ranging from \$14 to \$486 and affecting one to nine staff. This was the result of the accountant not using the most current expense data from the general ledger when preparing the MATP Cost Report.

Red Rose Transit Authority  
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- Net under-reporting of \$112 for MATP trips

The two carriers to whom Red Rose subcontracts the transportation service separately invoice Red Rose for Out of County and Premium trips (trips outside of the normal operating times of the other shared rides). The accountant uses these invoices to bill the MATP without confirming the amounts on the invoices with the drivers' manifests. Errors identified by the auditors resulted in both over-billing and under-billing. The errors included: billing the higher cost "Drive" time when there was obviously "Wait" time that should have been included, billing twice for the same time period, incorrectly billing trips, and not billing trips.

- Net under-billing to PROMISE of \$74

Red Rose provides transportation service for individuals authorized under various Intellectual Disability (ID) waiver programs. By confirming attendance with the service centers to which the individuals were transported, the auditors identified one day when PROMISE was billed for an individual who was not in attendance on that day, and three days when PROMISE was not billed for three people that were in attendance. The result is a net under-billing of \$74.

One person was authorized to receive the round-trip transportation service for three days per week funded by an ID waiver, and two days per week funded through the MATP. For the month of trips that were sampled, one of the MATP-funded days was billed to PROMISE for each week. However, there were no billings to the MATP for this person. Due to the immaterial amounts involved, we did not verify whether or not the charges that should have been billed to the MATP were billed to another funding source; therefore the effect of this is not included in the under-billing shown above.

### **Recommendations**

The BFO recommends that Red Rose:

Develop review procedures to ensure that costs reported on the MATP Cost Report are supported by expenses recorded in the general ledger.

Develop procedures to review invoices to ensure that there is no overlapping of time billed and, at least periodically, compare the invoices to drivers' manifests for verification prior to paying the carriers and billing the MATP.

Establish a procedure to confirm attendance with the service centers periodically for the days when the carriers claim to have provided rides.

### **Issue No. 2 – Cost Allocation Bases Need To Be Revised**

Red Rose receives reimbursement for expenses applicable to the MATP by reporting them on the MATP Cost Report. For those expenses that are not 100% attributable to a particular user group, Red Rose uses different allocation bases to assign expenses to its different Shared Ride users, its Fixed Route service, and its parking garage.

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When verifying the reported MATP expenses for the Audit Period the BFO identified the following weaknesses:

1. The allocation of administrative staff salaries and wages was based on a one week time study performed in December 2009.

Additionally, the week selected for the time study did not include the preparation of the MATP Cost Report or the billing of services to PROMISE.

The Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local and Indian Tribal Governments (A-87), is applicable to Medical Assistance funding. OMB Circular A-87, Attachment B, Section 8h (Support of salaries and wages), subsections 4 and 5 require that when employees work on multiple cost objectives, a distribution of their salaries will be supported by personnel activity reports or equivalent documentation unless a statistical or other approved system is used. The activity report must account for the total activity for which each employee is compensated, must be signed by each employee, must be prepared at least monthly, and must coincide with one or more pay periods.

Red Rose was unable to provide documentation to support its cost allocation methodology for other expenses.

2. Red Rose developed methodologies to allocate indirect and shared expenses among its operations and programs based on rates that have been historically used by Red Rose. However, management was unable to provide a cost allocation plan or other supporting documentation to verify those rates.

### **Recommendations**

The BFO recommends that Red Rose:

Develop and maintain a written cost allocation plan.

Prepare personnel activity reports at least monthly to coincide with one or more pay periods if Red Rose wants to continue using that methodology to allocate salaries and wages; or develop and implement a statistical or other system that allocates expenses in a manner that reasonably approximates the benefits received by the users.

The BFO recommends that OMAP ensures that Red Rose is using allocation bases that are appropriate.

### **Observation**

Red Rose uses unique terms in its Shared Ride Program that can be confusing and are subject to interpretation. In its contracts with their two carriers, Red Rose defines "Reverse Direct Line" in two ways. When questioned, the Red Rose Customer Service Manager stated that a

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Reverse Direct Line trip was the same thing as a Premium trip, but did not know that the cost of each was different.

Red Rose also uses the terms "Drive Time" and "Wait Time" for Out of County and Premium trips, but neither term is defined. From the invoices and drivers' manifests that the BFO reviewed, each carrier appears to have their own definition of the terms and also when they are to be applied, which differ from Red Rose's management's interpretation.

Red Rose's management should clearly define those terms in writing so that all parties who use the terms will know exactly what they mean and when they should apply.

In accordance with our established procedures, an audit response matrix will be provided to the OMAP. Once received, OMAP staff should complete the matrix within 60 days and email the Excel file to the DPW Audit Resolution Section at:



The response to each recommendation should indicate the OMAP's concurrence or non-concurrence, the corrective action to be taken, the staff responsible for the corrective action, the expected date that the corrective action will be completed, and any related comments.

Sincerely,

A handwritten signature in black ink that reads "Tina L Long".

Tina L. Long, CPA  
Director

Enclosure

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CFO Audit File (C3001)

**RED ROSE TRANSIT AUTHORITY**

**APPENDIX A**

## **Appendix A**

### **Background**

Red Rose is a municipal authority that operates fixed route public transportation in Lancaster County, Pennsylvania and also operates a parking garage in the City of [REDACTED], Pennsylvania. It operates a shared-ride (paratransit) program for senior citizens and persons with disabilities in Lancaster County and uses contracted carriers to perform the service. Red Rose contracts with two carriers. [REDACTED] serves the [REDACTED] areas and [REDACTED] serves the [REDACTED] areas

Lancaster County has been divided into six sectors to determine the fares that are charged for rides for both fixed route and shared ride services. Sector 6 is the urban sector, encompassing the City of Lancaster and surrounding areas. The rest of the county is divided into the remaining five sectors. [REDACTED] serves the lower part of the county in Sector 5, while [REDACTED] serves the remaining sectors, including Sector 6.

Payments made to Red Rose for the MATP totaled \$2,737,556 and \$2,492,523 for fiscal years 2011-2012 and 2012-2013, respectively. Red Rose also received payments through PROMISE totaling \$1,282,393 and \$1,213,972 for the fiscal years 2011-2012 and 2012-2013, respectively. Total revenues for Red Rose for fiscal years 2011-2012 and 2012-2013 are \$9,385,338 and \$9,371,063, respectively.

### **Objective, Scope and Methodology**

Our audit objectives were:

- To verify the expenditures reported on the Medical Assistance Transportation Program (MATP) Cost Report are documented, reasonable and in compliance with regulations.
- To verify that the transportation trips and reimbursements reported on the MATP Cost Report are documented, eligible, and properly categorized by trip type.
- To verify PROMISE claims paid are authorized, accurate and the trips are documented.

In pursuing these objectives, the BFO interviewed ODP and OMAP personnel and Red Rose's management and staff. The BFO also analyzed trip data, driver manifests, client applications, PROMISE billing data; confirmed attendance with service centers; and reviewed other pertinent documentation necessary to pursue the audit objectives.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Government auditing standards also require that we obtain an understanding of management controls that are relevant to the audit objectives described above. The applicable controls were examined to the extent necessary to provide reasonable assurance of their effectiveness. Based on our understanding of the controls, certain deficiencies came to our attention. Areas where we noted deficiencies or an opportunity for improvement in management controls are addressed in the findings of this report.

Our fieldwork was performed intermittently between December 16, 2013 and February 5, 2014. A closing conference was held with Red Rose management on March 20, 2014 to discuss the results of the audit. This report, when presented in final form, will be available for public inspection.

### **Conclusion on the Objectives**

In conclusion, except as noted in the report:

- Expenses reported on the MATP Cost Report were documented, reasonable, and in compliance with regulations.
- The trips reported on the MATP Cost Report were documented, eligible and properly categorized.
- Claims paid through PROMISe were authorized and documented.