



August 12, 2013

Ms. Ruth E. Siegfried
Founder and President/CEO
InVision Human Services
12450 Perry Highway
Wexford, Pennsylvania 15090

Dear Ms. Siegfried:

Enclosed is the final audit report of InVision Human Services recently completed by this office. Your Agency's and your counsel's responses have been incorporated into the final report and labeled Appendices B and C.

The final report will be forwarded to the Department's Office of Developmental Programs to begin the Department's resolution process concerning the report contents. The staff from the Office of Developmental Programs may be in contact with you to follow up on the corrective action actually taken to comply with the report's recommendations.

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

If you have any questions concerning this matter, please contact Mr. Michael J. Kiely, Audit Manager of the Western Field Office, at (412) 565-2187.

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. Fred Lokuta
Ms. Michelle O'Toole
Mr. Timothy O'Leary
Mr. John Cox
Ms. Deborah Donahue
Ms. Patricia McCool

bc: Ms. Karen Deklinski
Mr. Alexander Matolyak
Mr. David Bryan
Mr. Michael A. Sprow
Ms. Shelly Lawrence
WFO File (#W2002)

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 DPW'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 (65 P.S. §§ 67.101 et seq.) The DPW RTKL Office can be contacted by email at: ra-dpwtkl@pa.gov.



August 12, 2013

The Honorable Beverly Mackereth
 Secretary for Public Welfare
 Health & Welfare Building, Room 333
 Harrisburg, Pennsylvania 17120

Dear Ms. Mackereth:

The Bureau of Financial Operations conducted an audit of InVision Customized Services, Inc. ("InVision"). The audit was a follow-up to an examination performed of InVision by an independent certified public accountant.

The contents of this report were discussed with InVision management at an exit conference on June 18, 2013. InVision subsequently provided an additional response to the report from its legal counsel. InVision's responses to the report are attached as Appendices B and C. The BFO has also attached an Auditor's Commentary (Appendix A) to address the content of the InVision responses.

Executive Summary

FINDINGS	SUMMARY
<p>Issue No. 1- Cost Report "Eligible Expenses for Waiver Participants" Included \$135,149 of Occupancy Costs for a New Administrative Office Not Yet Occupied During Fiscal Year (FY) 2011-12</p>	<p>Costs for the new office allocated to Eligible Expenses for Waiver Participants included:</p> <ul style="list-style-type: none"> • Rent of \$109,029 • Real Estate Taxes of \$16,157 • Lawn Maintenance of \$9,963
HIGHLIGHTS OF RECOMMENDATIONS	
<p>ODP should reduce Other Occupancy Expense reported in the Eligible Expenses for Waiver Participants column on the InVision FY 2011-12 cost report by \$135,149 to reflect unallowable rent and other occupancy costs related to the new administrative building.</p>	

Background

InVision is a 501 (c) (3) non-profit corporation, with administrative offices located in Wexford, Pennsylvania. Prior to a legal name change effective February 16, 2011, InVision was formerly known as Sharp Visions. InVision provides residential and vocational supports to individuals with intellectual disabilities.

InVision Customized Services
July 1, 2011 to June 30, 2012

The majority of InVision's funding comes from Waiver programs administered through the Pennsylvania Department of Public Welfare. On its FY 2011-12 cost report for the Consolidated and Person/Family Directed Support ("P/FDS") Waiver Programs, InVision reported total revenues of \$20,697,476 and total expenses of \$20,465,717. Costs reported as "Eligible Expenses for Waiver Participants" for FY 2011-12 will be used by ODP to develop provider specific cost-based rates for FY 2013-14.

Objectives, Scope and Methodology

Our audit objective was:

- To determine if InVision Customized Services' fiscal year 2011/12 cost report accurately reflects allowable costs in accordance with applicable regulations, policies and guidelines.

Government auditing standards require that we obtain an understanding of management controls that are relevant to the audit objective 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 material deficiencies came to our attention. Areas where we noted material deficiencies or an opportunity for improvement in management controls are addressed in the findings of this report.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

Our fieldwork was performed between January 1, 2013 and February 12, 2013. A closing conference was held with InVision management on February 12, 2013 to discuss the results of the audit. This report, when presented in final form, will be available for public inspection.

Results of Fieldwork

Issue No. 1 – Cost Report “Eligible Expenses for Waiver Participants” Included \$135,149 of Occupancy Costs for a New Administrative Office Not Yet Occupied During Fiscal Year 2011-12

In August 2011, InVision entered into a lease agreement for office space for a new administrative office with the lease commencing [REDACTED] InVision, however, continued to occupy its existing administrative office space until [REDACTED]

**InVision Customized Services
July 1, 2011 to June 30, 2012**

Our audit of office rent expense found that on its FY 2011-12 cost report InVision reported \$128,200 of rent expense for the new office, while continuing to report rent for the existing office. InVision also reported lawn maintenance expense of \$11,715 and real estate taxes of \$18,999 related to the new office, for total expense of \$158,914. InVision allocated 85.04 percent or \$135,149 to "Eligible Expenses for Waiver Participants." Because the new office space was not used in the program during FY 2011-12, it should not have been included as an expense in the cost report.

Recommendation

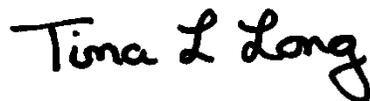
The BFO recommends that ODP reduce Other Occupancy Expense reported in the Eligible Expenses for Waiver Participants column on the InVision FY 2011-12 cost report by \$135,149 to reflect unallowable rent and other occupancy costs related to the new administrative building.

In accordance with our established procedures, an audit response matrix will be provided to ODP. Once received, ODP staff should complete the matrix within 60 days and email the file to the DPW audit resolution section at:

RA-pwauditresolution@pa.gov

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

Sincerely,



Tina L. Long, CPA
Director

**INVISION CUSTOMIZED SERVICES
AUDITOR'S COMMENTARY**

APPENDIX A

InVision Customized Services Auditor's Commentary

In its response to the draft audit report (see Attachment 2), InVision, through its legal counsel, states that the report “references no authority in support of the disallowance” of duplicate administrative office expense, and that “InVision acted prudently and responsibly in securing the lease of new office space and in its move to that space.”

55PA Code §51.92 (c), which addresses Rental of administrative, residential and nonresidential buildings states “A provider shall only include [rental] expenses related to the minimum amount of space necessary for the provision of the HCBS.” The inclusion of rental expense for both administrative offices clearly exceeds the minimum amount of space necessary for the provision of the HCBS.

55PA Code §51.81(a), which addresses Allowable costs states “The allowable costs must be the best price made by a prudent buyer.” Further, §51.81(d) (1) states the cost must “Be reasonable for the performance of the HCBS.” When InVision entered into a lease for its new administrative office, it had 14 months left on the lease for its existing administrative office. Even with renovation and construction issues referenced in InVision’s response, paying rent for both facilities for 14 months was neither prudent nor reasonable.

INVISION AUDITEE RESPONSE

APPENDIX B



INVISION

Human Services

June 5, 2013

Mr. Michael Kiely
Department of Public Welfare
Bureau of Financial Operations
Western Field Office
Room 320, 11 Stanwix Street
Pittsburgh, PA 15222

RE: Audit findings and recommendations of InVision Customized cost report for FY ended 6-30-2013

Dear Mr. Kiely,

This communication is in response to your letter dated May 1, 2013 offering a nonconurrence to your findings of your audit of InVision Customized Services cost report for the fiscal year ended June 30, 2012. Although this response is outside of the prescribed timelines requested in your letter, I believe that you will concur that we have been in touch a number of times and the delay was caused due to a clarification requested from the Office of Developmental Programs (ODP). Although we have had various email conversations with ODP they were unable to give any clear guidance because no reference to a specific citation to support your findings was identified in your letter.

The finding/recommendation of your audit was to reduce Other Occupancy Expense by \$135,149 to reflect unallowable rent and other occupancy costs related to a new administrative office building. The basis of this recommendation was that the office building was not occupied during the fiscal year in question.

Although the amount of this proposed adjustment is less than the 1% threshold for ODP to revise our cost report amounts, we believe that it is important to clarify this matter for future reference.

Although no specific citation was referenced, during our exit conference circular no A-122 was discussed briefly. Upon further research Attachment B to Circular No A-122 section 21 refers to *idle facilities and idle capacity*. This is the only area of reference that we have found that may apply to our situation. With that said, we believe that our situation falls into the exceptions to the unallowable provisions stated herein.

InVision Customized Services Western Administrative office was located at [REDACTED], [REDACTED] from July 1995 through December 31, 2012. During the Fiscal Years 1996 through 2012 our organization has experienced program revenue growth from \$1,227,518 to \$20,426,960. In December 2006 we were able to expand our administrative rental space at the Forbes Avenue location to accommodate the personnel needed to support the growth in revenue from the \$1,227,518 in 1996 to \$9,086,851 in 2007. The growth, as measured in revenue since 2007 has more than doubled to the

Corporate Office

[REDACTED]
tel: [REDACTED] fax: [REDACTED]

Eastern Office

[REDACTED]
tel: [REDACTED] fax: [REDACTED]

www.invisionhs.org



INVISION

Human Services

\$20,426,960 recorded for the fiscal year ended June 30, 2012. Based on this historical growth, the organization identified continued growth into the future (our projected revenue for the fiscal year ending June 30, 2013 is \$23,400,000 or 15% in only one year). This growth projection is supported by the severity of need of those persons that we serve and the continued desire by ODP to place those individuals. Unable to expand at the current location, an alternative location was identified in [REDACTED] PA. A lease was signed and renovations began on the new space. It is our opinion that it is virtually impossible to find a new location with "move in" conditions that would be available on the day the lease expires on the old location. Even if it were possible to do so, there would be numerous other reasons for overlap between the offices (installations of phone and data wiring, set up of cubicles, etc.). So it was obvious to us that there would be some duplication of expenses to prepare the new site to accommodate the increase in personnel necessary to serve this substantial fluctuation in workload.

It is our opinion that this section of circular A-122 was written to stop providers from keeping unnecessary/unused locations and continuing to claim the associated occupancy expenses as allowable costs. The exceptions that are identified in section b, specifically addressing the fluctuations in workload as it has affected us with the large increase in services would apply in this circumstance.

Thank you and we look forward to meeting with you to discuss our position on this matter.

Sincerely,

Ruth E. Siegfried
Founder and President/CEO

c: Ms. Tina Long
Mr. Fred Lokuta
Ms. Patricia McCool
Ms. Deborah Donahue
Mr. Donald Stahlman

INVISION COUNSEL RESPONSE

APPENDIX C



Phone: [REDACTED] FAX: [REDACTED]



E-Mail: [REDACTED]

July 26, 2013

Mr. Michael Kiely
Bureau of Financial Operations
Department of Public Welfare
Western Field Office
Room 320, 11 Stanwix Street
Pittsburgh, PA 15222

Re: InVision Customized Services, Inc.
Fiscal Year 2011-2012 Cost Report

Dear Mr. Kiely:

I am counsel to and am writing on behalf of InVision Customized Services, Inc. (“InVision”) in response to a finding contained in a draft report prepared by the Bureau of Financial Operations (“BFO”) that relates to a performance audit of InVision conducted by BFO. According to the draft report, the “objective” of the audit was “[t]o determine if InVision Customized Services’ Fiscal Year 2011-2012 cost report accurately reflects allowable costs in accordance with applicable regulations, policies and guidelines.” Draft Report at 2.

The audit itself was conducted between January 1, 2013 and February 12, 2013 and identifies one finding that relates to “occupancy costs for a New Administrative Office Not Yet Occupied During Fiscal Year 2011-2012.” Id. As briefly described in the draft audit, InVision entered into a lease agreement for office space for a new administrative office with a lease commencing [REDACTED]. InVision, however, continued to occupy its existing administrative office space until [REDACTED].” BFO claims that because “the new office space was not used in the [Waiver] programs during Fiscal Year 2011-2012, [the rent expense] should not have been included as an expense in the [FY 2011-12] cost report.” Draft Report at 3. The BFO audit recommends that ODP reduce the occupancy expense, amounting to \$135,149.00 claimed by InVision for FY 2011-2012 for the new office.

Mr. Michael Kiely

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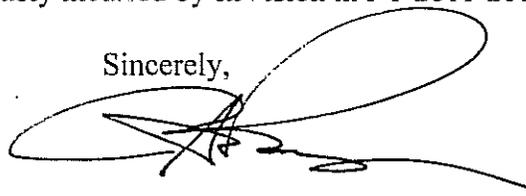
July 26, 2013

The audit references no authority in support of its recommended disallowance.¹ Also absent from BFO's narrative regarding the lease of the new office space are the facts explaining the need for the space and, likewise, any analysis and consideration of those facts.

For example, unmentioned by the report is that InVision's western administrative office was located at [REDACTED] from [REDACTED] through [REDACTED]. In [REDACTED], InVision expanded its rental space at that location having experienced an eight fold increase in revenue growth and attendant need for additional staff. As a result of its continued growth, but unable to obtain essential, additional office space at the Forbes Avenue site, InVision identified and acquired office space in [REDACTED], PA. As can happen when renovating office space, construction issues beyond the control of InVision needed to be addressed before InVision could occupy the new office space. The audit report does not dispute InVision's need for the additional space, the use of the space, and the reasonableness of the lease payments. And, as you are aware, because the proposed disallowance reflects less than 1% of InVision's reported costs for FY 11-12, under the policies and procedures adopted by the Office of Developmental Programs, there is no change to be made to InVision's approved cost report.

In sum, the relevant facts evidence that InVision acted prudently and responsibly in securing the lease of the new office space and in its move to that space. Generally accepted and sound business practices recognize the occurrence of unforeseen factors that can impact a business entity and there is no basis under the facts presented here for BFO to determine otherwise. BFO's recommendation to ODP reflects both an unfair and unjustified determination as to the allowability of lease costs that were reasonably incurred by InVision in FY 2011-2012.

Sincerely,



JOHN A. KANE

cc: Ms. Ruth Siegfried
JAK/sas

¹ Of course, the absence of specific and relevant citation to supporting authority for the proposed disallowance places InVision at an extraordinary disadvantage in preparing its response to the draft report. Regulated parties are entitled to know what is required of them so that they may act accordingly. They are not required to divine an agency's interpretation of applicable standards. [REDACTED] 132 S.Ct. 2156, 2168 (2012).