



March 4, 2014

Ms. Melissa Gemelli
Lehigh and Northampton Transportation Authority (LANta)
1060 Lehigh Street
Allentown, Pennsylvania 18103

Dear Ms. Gemelli:

I am enclosing the final audit report of the Lehigh and Northampton Transportation Authority (LANta) that was recently completed by this office. Your response has been incorporated into the final report and labeled as an Appendix.

I would like to extend my appreciation for all the courtesy extended to my staff during the course of fieldwork. I understand you were especially helpful to Andrea Tirpak in expediting the audit process.

The final report will be forwarded to the Office of Medical Assistance Transportation Program (MATP) and the Office of Developmental Programs (ODP) to begin the Department's audit resolution process. The staff from the MATP and the ODP may be in contact with you to follow-up on the action taken to comply with the report's recommendations.

If you have questions concerning this matter, please contact David Bryan, Audit Resolution Section at (717) 783-7127.

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: Ms. Karen Deklinski
Mr. Fred Lokuta
Mr. Vincent D. Gordon
Mr. James Pennypacker
Mr. Robert Conklin
Ms. Patricia McCool
Ms. Deborah Donahue

bc: Mr. Alexander Matolyak
Mr. Brian Pusateri
Mr. David Bryan
Mr. Michael A. Sprow
Ms. Shelley Lawrence
NEFO Audit File (N1202)

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.



March 4, 2014

Mr. Brendan Harris, Executive Deputy Secretary
 Department of Public Welfare
 Health & Welfare Building, Room 334
 Harrisburg, Pennsylvania 17120

Dear Deputy Secretary Harris:

In response to requests from the Office of Medical Assistance Programs (OMAP) Bureau of Managed Care Operations/Medical Assistance Transportation Program (MATP) and the Office of Developmental Programs (ODP), the Bureau of Financial Operations (BFO) initiated a performance audit of the Lehigh and Northampton Transportation Authority (LANta). The audit was designed to determine LANta's compliance with applicable regulations and the MATP Instructions and Requirements as well as its management of transportation programs funded by MATP and ODP. The audit period was July 1, 2011 through September 30, 2012.

The auditors identified that MATP was overcharged \$877,776 for Live Time payments; \$146,250 for excess administrative costs; \$250,128 for miscalculation of cost allocation percentages; and \$2,149 for excess pass-through vendor costs. The auditors also identified that ODP was overcharged \$2,544 in transportation costs due to units billed with a \$0.05 per trip surcharge. Finally, the auditors noted that LANta did not comply with the dates of service requirements in its ODP PROMISE billings. The total questioned costs are \$1,278,847.

The report is currently in final form and therefore does contain LANta's views on the findings and recommendations. LANta's response to the draft is included as Appendix B. The data used to prepare the report findings were discussed with LANta's management at a closing conference held on May 1, 2013. An exit conference was held on January 15, 2014. The report format was the only change incorporated into the final report.

Executive Summary

The report findings and recommendations for corrective action are summarized below:

FINDING NO. 1	SUMMARY
<p><u>LANta charged MATP for Live Time payments made to [REDACTED] totaling \$877,776 for Lehigh, Northampton, and Carbon County trips.</u></p>	<ul style="list-style-type: none"> • LANta retains [REDACTED] as an independent contractor for paratransit services. • LANta's contract with [REDACTED] contains a fixed cost component which includes drivers' salaries, fuel, insurance, etc. and a variable cost component, which is charged per trip. • In addition LANta has been paying an hourly Live Time rate for out of county trips in the amount of \$44.68 per hour. Live Time is the actual driving time logged by paratransit drivers during the day's trips. • Live Time charged to MATP has resulted in \$877,776 of additional cost above and beyond the fixed and variable cost components of the contract.

**Lehigh and Northampton Transportation Authority
July 1, 2011 through September 30, 2012**

HIGHLIGHTS OF RECOMMENDATIONS

LANta should:

- Discontinue charging MATP for the Live Time hourly rate as LANta has been reimbursed for [REDACTED] fixed and variable cost components per their contract.

MATP should:

- Recover the \$877,776 of overcharges for Live Time.
- Ensure LANta discontinues invoicing the MATP for its Live Time payments to [REDACTED]

FINDING NO. 2	SUMMARY
<p><u>LANta overcharged MATP \$250,128 due to miscalculation of their cost allocation percentages.</u></p>	<ul style="list-style-type: none"> • LANta accumulates [REDACTED] paratransit contract cost and allocates a percentage of this cost to each particular funding stream based upon the number of trips provided during the year. • LANta incorrectly included MATP's mileage reimbursements and pass-through vendor trips when determining the allocation percentage. • The use of non-[REDACTED] trips in the cost allocation inflated the charges to MATP by \$250,128.

HIGHLIGHTS OF RECOMMENDATIONS

LANta should:

- Not include non-[REDACTED] trips in the allocation percentage calculations used to distribute [REDACTED] costs.

MATP should:

- Recover \$250,128 in overcharges resulting from LANta's miscalculation of the percentage of trips attributed to the MATP.

FINDING NO. 3	SUMMARY
<p><u>LANta charged the MATP \$146,250 for excess administrative costs.</u></p>	<ul style="list-style-type: none"> • LANta executed a contract with the Carbon County Commissioners to provide the administrative components of the County's public transportation system. • Per their contract, LANta gets reimbursed \$120,000 per year for their services. • MATP is charged an allocated portion of the contract on the MATP quarterly report. • In addition, LANta charges an additional \$146,250 to the Carbon County MATP for administrative salaries and benefits.

**Lehigh and Northampton Transportation Authority
July 1, 2011 through September 30, 2012**

HIGHLIGHTS OF RECOMMENDATIONS

LANta should:

- Discontinue invoicing the ██████ County MATP for administrative salaries and benefits during the course of their contract with ██████ County. If additional costs are being incurred, LANta should pursue modifications to the executed contract with ██████ County.

MATP should:

- Recover the \$146,250 for unallowable administrative costs.
- Ensure that LANta discontinues invoicing the MATP for administrative salaries and benefits during the course of their contract with ██████ County.

FINDING NO. 4	SUMMARY
<p><u>LANta overcharged the MATP \$2,149 in pass-through vendor expenses.</u></p>	<ul style="list-style-type: none"> • The BFO analyzed LANta's general ledger to determine whether all costs attributed to the MATP grant had been captured. • LANta reduced its pass-through vendor expense amount by \$2,149. • The reduction was not captured on the allocation worksheet used to prepare the MATP quarterly report.

HIGHLIGHTS OF RECOMMENDATIONS

LANta should:

- Ensure all accounting adjustments are reflected in the MATP quarterly invoice.

MATP should:

- Recover \$2,149 resulting from LANta's overreporting of pass-through vendor expenses on the MATP quarterly invoice.

FINDING NO. 5	SUMMARY
<p><u>LANta overcharged ODP \$2,544 due to a \$0.05 per trip surcharge.</u></p>	<ul style="list-style-type: none"> • Transportation Zone 1 fares (0 to 20 miles) were billed at \$3.40 instead of \$3.35. • Transportation Zone 2 fares (20 to 40 miles) were billed at \$22.20 instead of \$22.15. • Both fares billed with the surcharge caused trip costs to exceed the published costs charged to the general public, which is unallowable under 55 Pennsylvania Code Chapter 1150.51(f). The result is a disallowance of \$2,544 for ODP funded ██████ Consumers.

**Lehigh and Northampton Transportation Authority
July 1, 2011 through September 30, 2012**

HIGHLIGHTS OF RECOMMENDATIONS

LANta should:

- Discontinue billing the \$0.05 per trip surcharge for ODP funded consumer trips.

ODP should:

- Recover \$2,544 in surcharges paid for ██████ County consumer trips.
- Reduce the rates in PROMISe for LANta's ██████ County consumers so that the rates paid are the same as those charged to the general public.
- Ensure LANta discontinues the practice of seeking payment above the rates published for the general public.

FINDING NO. 6

SUMMARY

LANta's Billing Procedures Did Not Accurately Reflect Dates of Service.

- The dates of service entered into the PROMISe billing system do not accurately reflect the actual dates the services were provided.

HIGHLIGHTS OF RECOMMENDATIONS

LANta should:

- Submit separate claim lines for PROMISe billings for non-consecutive dates of service.

ODP should:

- Ensure that LANta submits separate claim lines for PROMISe billings for non-consecutive dates of service.

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

Results of Fieldwork

Finding No. 1 – LANta charged MATP for Live Time payments made to ██████ totaling \$877,776 for Lehigh, Northampton, and Carbon County trips.

LANta retains ██████ as an independent contractor to provide paratransit transportation services for the counties of Lehigh, Northampton, and Carbon. Per its contract with ██████, LANta incurs a fixed cost component which includes driver salaries, insurance and fuel costs and a variable cost component based on the number of trips completed by ██████ during the month.

Additionally, LANta has paid ██████ an hourly rate for Wait Time and Live Time for out of county trips at a cost of \$34.00 and \$44.68, respectively. Wait Time is the time logged by the paratransit drivers who wait for consumers to complete their appointment, while Live Time is the actual driving time logged by paratransit drivers during the day's trips.

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The MATP Instructions & Requirements, page 23 states, "The Grantee shall be responsible for the management of overall day-to-day operations necessary for the delivery of cost-efficient, appropriate medical transportation services...." The I&R also states, "The Grantee shall, on a case-by-case basis, carefully review an individual recipient's situation, and may only authorize the least costly form of transportation that will meet that individual recipient's needs." Thus, Wait Time charged to the MATP is allowable in situations where it is more cost effective to wait for the consumer during his or her appointment.

However, Live Time cannot be charged to the grant because the MATP has already compensated LANta for [REDACTED] fixed and variable cost components. LANta has been reimbursed by the MATP for their contract costs with [REDACTED] (actual costs to LANta); however, the driver salaries, insurance and fuel costs are already included in the fixed cost component so there should not be additional charges for out of county trips since the costs are covered. In addition, the MATP has reimbursed LANta the total cost of the vans that were purchased to provide the out of county trips. The total cost of Live Time charged to the MATP grant during the audit period was \$877,776.

Recommendations

The BFO recommends that LANta discontinue charging the MATP for the Live Time hourly rate as LANta has been reimbursed for [REDACTED] fixed and variable cost components as outlined in their agreement.

The BFO also recommends that MATP recover \$877,776 of overcharges for Live Time.

The BFO further recommends the MATP ensures LANta discontinues invoicing under the MATP grant agreement for its Live Time payments to [REDACTED].

Finding No. 2 – LANta overcharged MATP \$250,128 due to miscalculation of their cost allocation percentages.

[REDACTED] is the exclusive provider of paratransit trips for LANta. In addition, LANta provides mileage reimbursement to consumers and has various pass-through vendors that provide trips exclusively for the MATP. LANta accumulates [REDACTED] total paratransit contract costs and allocates a percentage to each applicable funding stream based upon the number of trips provided during the year. This process is an acceptable method as the MATP allows providers to elect to charge actual transportation costs or the individual zone rates per trip developed by the PENNDOT rate structure.

However, when completing its cost allocation process to distribute [REDACTED] contract cost to the various funding streams, LANta incorrectly included MATP's mileage reimbursements and pass-through vendor trips to determine the allocation percentage. LANta's mileage reimbursements and pass-through vendor trips have no direct relationship to [REDACTED] trips as LANta reimburses those trips directly. By including them, LANta inflated the MATP percentage used to allocate [REDACTED] cost, which caused the paratransit costs invoiced to the MATP grant to be overstated. The total overstatement of cost for the audit period is \$250,128.

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Recommendations

The BFO recommends that LANta does not include non-█ trips in the allocation percentage calculations used to distribute █ costs.

The BFO recommends the MATP recovers \$250,128 in overcharges resulting from LANta's miscalculation of the percentage of trips attributed to the MATP.

Finding No. 3 – LANta charged the MATP \$146,250 for excess administrative costs.

The Carbon County Commissioners have executed a contract with LANta to provide public transportation within the County. The current contract is for five-years, effective July 1, 2011 through June 30, 2015. Under the terms of the contract, LANta is paid \$120,000 per year for the performance of its management and administrative services. One of LANta's commitments under the agreement is to "oversee all of the administrative components of the Carbon County's public transportation system, including: staffing, application, preparation, budgeting, accounting, bidding preparation (but not award), project design and construction, report preparation, program modifications and grant closeouts, subject to County review and approval."

According to LANta, 90% of its █ County business is paratransit and shared ride, and the remaining 10% is fixed route. Accordingly, LANta posted \$9,000 per month, for a total of \$108,000 for the fiscal year (90% of \$120,000) to a Management Services Fee account in its paratransit general ledger. MATP is charged an allocated portion of this fee on the quarterly report. In addition, LANta also accrued payments of \$9,750 each month to a salaries and benefits account, which is also charged to MATP on the quarterly report.

The MATP's Instructions & Requirements, page 45 states, "Administrative costs are actual Grantee or administering agency expenses for management of the MATP program and funds" LANta's contract with █ County provides reimbursement for their administrative staffing costs. By including additional staffing costs in excess of the contract, LANta is overcharging the MATP as the quarterly report is a representation of the cost incurred by █ County for management of the MATP program. For the audit period, this resulted in \$146,250 of excess administrative cost incurred by the MATP.

Recommendations

The BFO recommends that LANta discontinue invoicing the █ County MATP for administrative salaries and benefits costs during the course of their contract with █ County. If additional costs are being incurred, LANta should pursue modifications to the executed contract with █ County.

The BFO also recommends that MATP recover the \$146,250 of excess administrative costs charged by LANta.

The BFO further recommends that MATP ensures that LANta discontinues invoicing the MATP for administrative salaries and benefits costs during the course of their contract with █ County.

Lehigh and Northampton Transportation Authority
July 1, 2011 through September 30, 2012

Finding No. 4 – LANta overcharged the MATP \$2,149 in pass-through vendor expenses.

The BFO analyzed LANta's general ledger to determine whether all costs attributed to the MATP grant had been captured. Upon examination, it was determined that LANta reduced its pass-through vendor expense account by \$2,149 through a year-end fiscal adjustment. However, LANta did not capture the reduction of the corresponding expense on the worksheet used to prepare the quarterly invoice submitted to the MATP.

The MATP's Instructions & Requirements, page 23 states, "The Grantee shall be responsible for the ... maintenance of appropriate records and systems of accountability to report to the Department. The Grantee shall establish and maintain a database or spreadsheet sufficient to meet the reporting requirements of the program." The I&R further states on page 53, "These records shall properly reflect all costs of labor, materials, equipment, supplies and services and other costs and expenses of any nature for which reimbursement is claimed or payment is made under the MATP."

The adjustment resulted in the reported cost of the MATP to be \$2,149 higher than the actual cost reflected in LANta's general ledger.

Recommendations

The BFO recommends that LANta ensure all accounting adjustments are reflected in the MATP quarterly invoice.

The BFO also recommends that the MATP recover \$2,149 resulting from LANta's overreporting of pass-through vendor expenses on the MATP Quarterly invoice.

Finding No. 5 – LANta overcharged ODP \$2,544 due to a \$0.05 per trip surcharge.

The BFO stratified the universe of transportation services provided by LANta into two separate populations based upon the zones. For Zone 1 transportation services (0 to 20 Miles), 70 claims were tested which represented 2,289 trips; all were supported by documentation and were consistent with the consumers' Individual Service Plans (ISPs). Likewise, all 30 of the Zone 2 transportation services (20 to 40 Miles) claims which represented 939 trips were supported by documentation and were consistent with the ISPs.

During our testing of the claims, the BFO noted that LANta submitted a proposal to both Lehigh County and Northampton County that outlined "A billing surcharge of 5 cents per trip will be added for all consumers who need to be billed rather than pay tickets at the time service is delivered." Pursuant to 55 Pennsylvania Code, Section 1150.51(f) MA Program Payment Policies (General Payment Policies) states, "Maximum payment made to a provider will be the lowest of the usual charge to the general public for the same service."

Northampton County absorbed the \$0.05 per trip surcharge, and paid the amount directly to LANta during fiscal year 2008-09. Lehigh County authorized a \$0.05 per trip increase above the general public rate for the two zone rates billed in PROMISE (Zone 1 rate went from \$3.35 to \$3.40 per trip and Zone 2 rate went from \$22.15 to \$22.20 per trip).

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The surcharges added to the Lehigh and Northampton County consumers' trips caused LANta's trip rates to exceed the published rates charged to the general public, which is a violation of 55 Pa. Code, Section 1150.51(f). The BFO calculated the total of LANta's overcharges attributed to the increased rates entered into PROMISE. From the beginning of our audit period (July 1, 2011) through January 31, 2013, ODP was billed \$2,544 in surcharges for Lehigh County consumers. The BFO verified that there were no surcharge payments made by Northampton County to LANta during the audit period through the end of fieldwork.

Recommendations

The BFO recommends that LANta discontinue billing the \$0.05 surcharge for its ODP funded consumers' trips.

The BFO also recommends that ODP recover the \$2,544 that was overcharged by LANta for Lehigh County consumer trips.

The BFO further recommends that ODP reduce the rates in PROMISE for LANta's Lehigh County consumers so that the rates paid are the same as those charged to the general public.

The BFO finally recommends that ODP ensure that LANta discontinues the practice of seeking payment above the rates published for the general public.

Finding No. 6 – LANta's Billing Procedures Did Not Accurately Reflect Dates of Service.

The dates on supporting documentation provided by LANta did not always match the beginning and ending dates entered into PROMISE as required by the PROMISE billing procedures. The majority of LANta's ODP claims were billed on a monthly basis.

The CMS-1500 Billing Guide for PROMISE Vendors, page 9 states, "If the same service was provided on consecutive days, enter the first day of the service in the From column and the last day of service in the To column.... If the dates are not consecutive, separate claim lines must be used."

As a result, the BFO could not find a direct correlation between the dates shown in PROMISE and the actual dates transportation services were provided, as the majority of the claims were considered non-consecutive services.

Recommendations

The BFO recommends that LANta submit separate claim lines for PROMISE billings for non-consecutive dates of service.

The BFO also recommends that ODP ensures that LANta submits separate claim lines for PROMISE billings for non-consecutive dates of service.

Lehigh and Northampton Transportation Authority
July 1, 2011 through September 30, 2012

Auditor's Commentary

Representatives from OMAP and BFO met with LANta's management to discuss the items of disagreement stated within LANta's response to the draft report. Additionally, the BFO allowed LANta to provide any documentation after the exit conference to support their positions included in their response. LANta's management stated that they planned to provide the documentation within 2 weeks but as of February 20, 2014, the BFO did not receive any documentation from LANta.

One of the major disagreements is in regards to the live time rate charged to the MATP grant by LANta as discussed in Finding No. 1. The BFO's position is that the costs have been included as part of the allocation of [REDACTED] overall cost based on the percentage of trips provided during the audit period. Any reimbursement above the allocated amount would be pure profit to LANta.

Another area of dispute in LANta's response is the disallowance of the Carbon County administrative costs. LANta's position is that the costs have increased due to out-of-county trips being provided to the consumers in Carbon County. Although cost may have increased, the contract as written provided the maximum amount that Carbon County is responsible to pay LANta for administration of the transit program. As such, the grant could only be charged its' portion of the contract that is in effect.

With respect to Finding No. 5, it is the BFO's position that while LANta considers the \$0.05 per trip surcharge allowable for ODP consumers, it is a violation of Medical Assistance regulations and a violation of the provider agreement that LANta signed for participation in the PROMISE billing system.

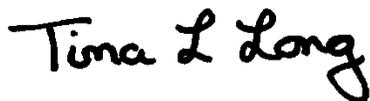
In accordance with our established procedures, an audit response matrix will be provided to OMAP and ODP. OMAP and ODP are responsible for separately completing the matrix within 60 days and emailing the Excel file to the DPW Audit Resolution Section at:

RA-pwauditresolution@state.pa.us

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

Please contact David Bryan, Audit Resolution Section, at (717)783-7217 if you have any questions concerning this audit or if we can be of any further assistance in this matter.

Sincerely,



Tina L. Long, CPA
Director

LEHIGH AND NORTHAMPTON TRANSPORTATION AUTHORITY (LANTA)

APPENDIX A

Appendix A

Background

In Lehigh, Northampton, and Carbon Counties, MATP services are provided by LANta. LANta is a bi-county, municipal authority which provides fixed route bus, shared-ride, and paratransit (no fixed route/schedule) transportation services. During the fifteen-month audit period, LANta provided 290,048 one-way MATP trips at a cost of \$6,878,967 to Medical Assistance (MA) recipients in Lehigh, Northampton, and Carbon counties.

The MATP is a federally mandated program that requires state MA agencies to assure that transportation is available for MA recipients to and from medical providers. The Pennsylvania Department of Public Welfare (DPW) carries out this mandate by providing both emergency and non-emergency medical transportation services. Non-emergency medical transportation for MA recipients is provided through the MATP. Whenever possible, medical transportation funded by the MATP is to be integrated with transportation services provided by other DPW program offices, programs funded by the Department of Aging, and Public Transit services provided by the Department of Transportation.

The county MATP operations are governed by the MATP Instructions and Requirements (I&R). The I&R describes general county responsibilities, fiscal requirements, safety and eligibility procedures, as well as program management guidelines. Counties must also comply with the requirements of 55 Pennsylvania Code Chapter 1150 regulations, which govern MA program payments.

Objectives, Scope and Methodology

The audit objectives developed in concurrence with MATP and ODP were:

- To determine if LANta reported costs on the MATP Quarterly Report in accordance with the MATP Instructions and Requirement and 55 Pa. Code, Chapter 1150
- To ensure the validity of LANta's PROMISe billings, and
- To verify that supporting documentation is maintained by the LANta.

In pursuing our objectives, the BFO interviewed management from LANta. We also analyzed financial reports, cost allocation worksheets, trip logs, and other pertinent documentation necessary to complete our objectives.

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.

Government auditing standards also require that we obtain an understanding of internal controls that are relevant to the audit objectives described above. The applicable

controls were examined to the extent necessary to provide reasonable assurance of the effectiveness of those controls. Based on our understanding of the controls, some deficiencies were identified. These deficiencies and other areas where we noted an opportunity for an improvement in management's controls are addressed in the findings of this report.

Fieldwork for this audit took place intermittently from February 20, 2013 through April 19, 2013. The report is available for public inspection.

Conclusion on the Objectives

As described in findings number 1 through 4, LANta did not complete the MATP Quarterly Report accurately. LANta inappropriately charged MATP \$877,776 for Live Time of drivers, overallocated \$250,128 of [REDACTED] costs, and charged \$146,250 in excess administrative costs and \$2,149 in unsupported pass-through vendor costs. In addition, LANta charged ODP \$2,544 in excess of the rates charged to the general public and did not accurately reflect the dates of service when entering claims into PROMISe as required by PROMISe billing procedures.

LEHIGH AND NORTHAMPTON TRANSPORTATION AUTHORITY (LANTA)

RESPONSE TO THE DRAFT REPORT

APPENDIX B



Lehigh and Northampton Transportation Authority 40th Anniversary

1060 Lehigh Street, Allentown, PA 18103

www.lantabus.com

November 25, 2013

Mr. Brian Pusateri, CPA, CFE
Audit Manager
Department of Public Welfare
Bureau of Financial Operations
Room 325
100 Lackawanna Avenue
Scranton, PA 18503

Dear Mr. Pusateri:

Enclosed is the LANta response to the audit findings identified in your letter dated September 19, 2013.

We look forward to meeting with you on December 9, 2013 to review our responses to the findings. Please contact me at (610) 435-2523 if you have any questions or require additional information.

Sincerely,

A handwritten signature in black ink that reads 'Melissa M. Gemelli'.

Melissa M. Gemelli
Assistant Executive Director – Finance/Administration

LANTA
MANAGEMENT RESPONSE TO
DRAFT REPORT OF THE DAR AUDIT
DATED SEPTEMBER 19, 2013

FINDING NO. 1 – LANTA charged MATP for Live Time payments made to [REDACTED] totaling \$ 877,776 for Lehigh, Northampton and Carbon County trips.

Summary

- LANTA retains [REDACTED] as an independent contractor for paratransit services.
- LANTA's contract with [REDACTED] contains a fixed cost component which includes drivers' salaries, fuel, insurance, etc. and a variable cost component, which is charged per trip.
- In addition LANTA has been paying an hourly Live Time rate for out of county trips in the amount of \$ 44.68 per hour. Live Time is the actual driving time logged by paratransit drivers during the day's trips.
- Live Time charged to MATP has resulted in \$ 877,776 of additional cost above and beyond the fixed and variable cost components of the contract.

Highlights of Recommendations

- LANTA should:
 - Discontinue charging MATP for the Live Time hourly rate as LANTA has been reimbursed for [REDACTED] fixed and variable cost components per their contract.
- LANTA should:
 - Discontinue charging MATP for the Live Time hourly rate as LANTA has been reimbursed for [REDACTED] fixed and variable cost components per their contract.
- MATP should:
 - Recover the \$ 877,776 of overcharges for Live Time.
 - Ensure LANTA discontinues invoicing the MATP for its Live Time payments to [REDACTED]

Management Response

- LANta entered into an agreement with [REDACTED] for the provision of paratransit services on [REDACTED]. The agreement was for the period [REDACTED] through [REDACTED]. LANta entered into an extension of the original contract with [REDACTED] on [REDACTED]. The agreement was for the period [REDACTED] through [REDACTED].
- [REDACTED] proposal was developed using the traditional in-county paratransit service. There was no consideration given for out-of-county trips. There are three distinct charges:
 - Fixed costs: Included all costs which [REDACTED] had to pay whether they operated one trip or one million trips. Examples include rent, utilities, vehicle insurance, management salaries and fringes.
 - Per trip costs: Included all variable costs which change based on the number of trips provided. Examples include drivers' wages, drivers' fringes, and fuel.
 - Per hour cost: Rate to be charged for LYNX service and any non-shared ride paratransit service. This was the rate used when MATP allowed out-of-county trips.
- LANta entered into an agreement with [REDACTED] on [REDACTED] which called for a charge of \$ 44.68 per live time hour for all out-of-county trips. There was also a charge of \$ 34.00 per wait time hour for all out-of-county trips.
- LANta charged the MATP the hourly rates for live time and wait time for out-of-county trips. LANta did not charge MATP the per trip or fixed costs for out-of-county trips.
- The Live Time hours were appropriately billed to the MATP and should not be disallowed.

FINDING NO. 2 – LANta overcharged MATP \$ 250,128 due to miscalculation of their cost allocation percentages.

Summary

- LANta accumulates [REDACTED] paratransit contract cost and allocates a percentage of this cost to each particular funding stream based upon the number of trips provide during the year.
- LANta incorrectly included MATP's mileage reimbursements and pass-through vendor trips when determining the allocation percentage.

- The use of non- [REDACTED] trips in the cost allocation inflated the charges to MATP by \$ 250,128.

Highlights of Recommendations

- LANta should:
 - Not include non- [REDACTED] trips in the allocation percentage calculations used to distribute [REDACTED] costs.
- MATP should:
 - Recover the \$ 250,128 in overcharges resulting from LANta's miscalculation of the percentage of trips attributed to the MATP.

Management Response

- Agreed. There was a formula error that resulted in an overallocation of fuel charges and fixed costs.

FINDING NO. 3 – LANta charged the MATP \$ 146,250 for excess administrative costs.

Summary

- LANta executed a contract with the [REDACTED] County Commissioners to provide the administrative components of the County's public transportation system.
- Per their contract, LANta gets reimbursed \$ 120,000 per year for their services.
- MATP is charged an allocated portion of the contract on the MATP quarterly report.
- In addition, LANta charges an additional \$ 146,250 to the [REDACTED] County MATP for administrative salaries and benefits.

Highlights of Recommendations

- LANta should:
 - Discontinue invoicing the [REDACTED] County MATP for administrative salaries and benefits during the course of their contract with [REDACTED] County. If additional costs are being incurred, LANta should pursue modifications to the executed contract with [REDACTED] County.
- MATP should:
 - Recover the \$ 146,250 for unallowable administrative costs.

- Ensure that LANta discontinues invoicing the MATP for administrative salaries and benefits during the course of their contract with ██████████ County.

Management Response

- The changes to the management contract were made when the out-of-county trips began in ██████████ County and when the administrative requirements of the MATP began.
- The changes were to allow LANta to charge all additional salary time incurred as a result of the changes to the MATP. However, the wording was incorrect in the agreement.
- The management agreement will be amended to include the additional salaries and fringes incurred.

FINDING NO. 4 – LANta overcharged the MATP \$ 2,149 in pass-through vendor expenses.

Summary

- The BFO analyzed LANta's general ledger to determine whether all costs attributed to the MATP grant had been captured.
- LANta reduced its pass-through vendor expense amount by \$ 2,149.
- The reduction was not captured on the allocation worksheet used to prepare the MATP quarterly report.

Highlights of Recommendations

- LANta should:
 - Ensure all accounting adjustments are reflected in the MATP quarterly invoice.
- MATP should:
 - Recover \$ 2,149 resulting from LANta's overreporting of pass-through vendor expenses on the MATP quarterly invoice.

Management Response

- Agreed. The charges were submitted to LANta but were not paid because supporting documentation was not submitted by the vendor. They were later removed from the accounting records after the 4th quarter reports were submitted.

FINDING NO. 5 – LANta overcharged ODP \$ 2,544 due to a \$ 0.05 per trip surcharge.

Summary

- Transportation Zone 1 fares (0 to 20 miles) were billed at \$ 3.40 instead of \$ 3.35.
- Transportation Zone 2 fares (20 to 40 miles) were billed at \$ 22.20 instead of \$ 22.15.
- Both fares billed with the surcharge caused trip costs to exceed the published costs charged to the general public, which is unallowable under 55 Pennsylvania Code Chapter 1150.51(f). The result is a disallowance of \$ 2,544 for ODP funded ██████████ Consumers.

Highlights of Recommendations

- LANta should:
 - Discontinue billing the \$ 0.05 per trip surcharge for ODP funded consumer trips.
- ODP should:
 - Recover \$ 2,544 in surcharges paid for ██████████ County consumer trips.
 - Reduce the rates in PROMISE for LANta's ██████████ County consumers so that the rates paid are the same as those charged to the general public.
 - Ensure LANta discontinues the practice of seeking payment above the rates published for the general public.

Management Response

- LANta's published and PennDOT approved fares are developed using the PennDOT guidelines.
- LANta requires payment at the time of service. This is accomplished through the prior purchase of ticket books.
- Prior to becoming an ODP provider, LANta rarely billed human service agencies. When billings were issued, LANta merely provided a listing of names and the units of service provided.
- When LANta became an ODP provider, the billing became extremely onerous. Because of the increase in man hours required to process the billings, LANta informed both Lehigh and Northampton Counties that we would need to charge a \$ 0.05 surcharge for billing. Both Counties agreed.

- The surcharge was discussed with PennDOT Shared Ride staff who agreed that the published fare could not include costs that were not applicable to all consumers. Because a large majority of our consumers pay at the time of service, we were not to include billing costs in the development of the fare.
- LANta implemented the \$ 0.05 billing surcharge across the board. All human service agencies, and individuals who cannot handle tickets, are charged the surcharge.
- Lehigh County chose to include the surcharge in their approved rates in HCSIS and PROMISe.
- LANta management believes that if any recovery of funds is required, the ODP should recover from Lehigh County.
- LANta is in the process of requiring tickets at the time of service. LANta will not be continuing its participation in the ODP process if LANta cannot recover billing costs. This change will result in all ODP consumers needing tickets at the time of service.

FINDING NO. 6 – LANta’s Billing Procedures Did Not Accurately Reflect Dates of Service.

Summary

- The dates of service entered into the PROMISe billing system do not accurately reflect the actual dates the services were provided.

Highlights of Recommendations

- LANta should:
 - Submit separate claim lines for PROMISe billings for non-consecutive dates of service.
- ODP should:
 - Ensure that LANta submits separate claim lines for PROMISe billings for non-consecutive dates of service.

Management Response

- LANta’s management was not aware of this requirement.
- LANta requires payment at the time of service. This is accomplished through the prior purchase of ticket books.

- LANta is in the process of requiring tickets at the time of service. LANta will not be continuing its participation in the ODP process if LANta cannot recover billing costs. This change will result in all ODP consumers needing tickets at the time of service.