



May 30, 2013

Dr. Edward Heffron
President/Chief Executive Officer
Scranton Counseling Center
326 Adams Avenue
Scranton, Pennsylvania 18503

Dear Dr. Heffron:

I am enclosing for your review the final audit report of Scranton Counseling Center, Inc. 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 Rich Kerpovich in expediting the audit process.

The final report will be forwarded to the Office of Developmental Programs (ODP) and the Office of Mental Health and Substance Abuse Services (OMHSAS) to begin the Department's audit resolution process. The staff from the ODP and the OMHSAS may be in contact with you to follow-up on the action taken to comply with the report's recommendations.

If you have any 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. Beverly Mackereth
Mr. Dennis Marion
Mr. Fred Lokuta
Ms. Barbara Minzenberg
Ms. Leigh Ann Ksiazek
Mr. Robert Conklin
Mr. Stephen Arnone

bc: Mr. Alexander Matolyak
Ms. Shelley Lawrence
Mr. Michael A. Sprow
Mr. David Bryan
NEFO Audit File (N1105-U99)

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.



May 30, 2013

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

Dear Secretary Mackereth:

The Bureau of Financial Operations (BFO) completed a performance audit of Scranton Counseling Center (SCC). The audit was primarily focused on determining SCC's compliance with applicable service documentation regulations and cost reporting requirements for program funded activities. The audit was also focused on determining if SCC Care, an SCC controlled entity, is in compliance with the Office of Developmental Programs' (ODP) Cost Report Instructions. The audit covered the period July 1, 2010 through December 31, 2011.

The auditors identified that the Office of Mental Health and Substance Abuse Services (OMHSAS) and ODP were overcharged \$246,160 and \$20,038, respectively, for unsubstantiated Partial Hospitalization, Case Management, and Wrap-Around billings. In addition, the auditors identified that OMHSAS was overcharged \$252,451 for SCC program funded activities administered by the Lackawanna-Susquehanna Mental Health/Intellectual Disabilities Program (County). Furthermore, SCC underreported \$69,299 of indirect costs on the SCC Care cost report submitted to ODP.

The report is currently in final form and therefore contains SCC's views on the report findings, conclusions, or recommendations. SCC's response to the draft is included as Appendix A. The data used to prepare the report findings was discussed with SCC's management at a closing conference held on October 3, 2012. Revisions made to the data and findings as a result of the closing conference were discussed with SCC's management at a separate meeting held on December 4, 2012. SCC's management declined the opportunity to hold an exit conference.

Executive Summary

SCC is a not-for-profit organization that provides outpatient mental health and intellectual disabilities services primarily to residents of Lackawanna County. SCC is located at 326 Adams Avenue in Scranton, Pennsylvania and controls three entities: SCC Care, Harrison House, and Advanced Community Service Associates (ACSA). SCC Care provides residential services to individuals diagnosed with intellectual disabilities. Harrison House provides personal care services to physically and emotionally challenged individuals including the elderly. Similar to SCC, ACSA provides outpatient mental health services, but in a more private setting.

SCC generates a significant portion of its revenues from County contracts to provide various mental health and intellectual disabilities services to the community. SCC also receives payments from patients, Medicare, Medical Assistance, and various other third party payers for services rendered.

**Scranton Counseling Center
July 1, 2010 through December 31, 2011**

FINDING NO. 1	SUMMARY
<p align="center">SCC's internal controls over cost reporting, procurement, and documentation for mental health and intellectual disability services need to be improved.</p>	<ul style="list-style-type: none"> • SCC did not post all adjusting entries to its accounting system and some entries were not directly charged to appropriate cost centers as required by Chapter 4300.146 • SCC did not conduct time studies or maintain time records to support its salary reclassifications as required by Chapter 4300.94. • SCC did not have an internal bidding policy and did not obtain bids for purchases as required by Chapter 4300.145. • Although SCC did not obtain the required fair market rental appraisal for SCC Care's former [REDACTED] location, the BFO determined the cost to be within the range of comparable properties. • SCC sometimes reimbursed personnel for travel expenses when the purposes of the trips were not documented on travel expense reports. • SCC did not consistently verify that service units recorded on daily logs are justified by service notes. • SCC did not consistently monitor billable activity logs to ensure SCC is meeting contact frequency requirements.

HIGHLIGHTS OF RECOMMENDATIONS

SCC should:

- Post all adjusting entries to appropriate accounts and cost centers on the general ledger to comply with Chapter 4300.146.
- Conduct random time studies or review time records to reclassify salaries to comply with Chapter 4300.94.
- Implement an internal bidding policy that meets or exceeds the requirements in Chapter 4300.145 and the County Code's minimum bidding requirements to ensure SCC is obtaining the best value.
- Comply with ODP's Cost Report Instructions in regards to rents in excess of fair market value. SCC should negotiate lower rates or change locations if rates are found to be excessive.
- Require staff to document the reason for travel on expense reports in order to receive reimbursement.
- Implement and enforce an internal policy that requires SCC management to consistently monitor service notes to ensure staff fully documents their services to support the claims reported on SCC's daily activity logs, which are eventually billed in PROMISE.
- Maintain and monitor service billing activity reports to verify compliance with contact frequency requirements.

OMHSAS should:

- Ensure SCC is obtaining bids when required.

ODP should:

- Ensure SCC Care is obtaining bids when required.
- Verify that SCC Care has recent fair market values on file and that all rental costs in excess of fair market value are reported as unallowable on the cost reports.

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FINDING NO. 2	SUMMARY
<p>Service documentation did not substantiate the units billed to PROMISE.</p>	<ul style="list-style-type: none"> • For all OMHSAS and ODP services tested, 159 of 2,676 (6%) service units randomly sampled for testing were not substantiated by adequate service documentation. • When the BFO extrapolates the unsubstantiated units over the entire population of billings, it results in a disallowance of \$265,151. • We identified an additional 62 unbillable units totaling \$1,047. • The Electronic Resource Guide for Supports Coordinators and SC Supervisors conflicts with PA Code, Title 55, Chapter 1247.

HIGHLIGHTS OF RECOMMENDATIONS	
<p>SCC should:</p> <ul style="list-style-type: none"> • Monitor service notes to ensure that staff fully documents their services to support the claims billed to PROMISE. <p>OMHSAS should:</p> <ul style="list-style-type: none"> • Recover the \$246,160 that relates to unsubstantiated service claims funded by OMHSAS. <p>ODP should:</p> <ul style="list-style-type: none"> • Recover the \$20,038 that relates to unsubstantiated service claims funded by ODP. • Review The Electronic Resource Guide for Supports Coordinators and SC Supervisors and make any necessary revisions to ensure it is consistent with PA Code, Title 55, Chapter 1247. 	

FINDING NO. 3	SUMMARY
<p>SCC overcharged the County \$251,651 for SCC's program funded costs.</p>	<ul style="list-style-type: none"> • SCC over reported program funded direct wages by \$250,000. This includes \$273,500 of salary reclassifications not posted to the general ledger. • SCC under reported program funded direct payroll taxes by \$14,935. • SCC failed to report \$17,602 of unrestricted revenues to the County, which would have reduced the total eligible program funded expenditures. However, only \$5,723 relates to programs for which SCC was overfunded by the County. • SCC over reported indirect costs by \$187,774, which includes unallowable indirect salaries and taxes, uncollectible bad debt, depreciation, and other unallowable costs. • The County program over reported \$800 of costs to DPW. • BFO's cost adjustments and final audited cost calculations are summarized in Exhibits A, B and C.

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HIGHLIGHTS OF RECOMMENDATIONS

SCC should:

- Comply with applicable regulations.
- Withhold taxes on amounts paid to supports coordinators for additional auto insurance coverage.
- Report amounts paid to supports coordinators for additional auto insurance coverage as wages to the Internal Revenue Service.

OMHSAS should:

- Adjust the County's carryover by a total of \$252,451 as calculated in Exhibit A.

FINDING NO. 4

SUMMARY

SCC understated \$69,299 of indirect cost on SCC Care's cost report.

- SCC understated indirect costs by \$69,299.
- Overall, depreciation costs and revenues were accurately reported.

HIGHLIGHTS OF RECOMMENDATIONS

SCC should:

- Revise its cost allocation plan to ensure an equitable distribution of costs.

ODP should:

- Increase indirect costs reported on the fiscal year 2010-11 cost report by \$69,299 in accordance with Exhibit C.

FINDING NO. 5

SUMMARY

SCC inequitably allocated indirect costs.

- SCC did not assign any indirect costs to the Family Driven and Respite programs, which benefited from administrative and other shared costs.
- The BFO calculated that 2.961% of indirect costs should be assigned to the Family Driven program and .119% to the Respite program.
- Overall, the BFO calculated 93.28% of indirect costs should be assigned to SCC and 6.72% to SCC Care.
- SCC's allocation only changed 0.27% due to the BFO adjustments

HIGHLIGHTS OF RECOMMENDATIONS

SCC should:

- Include the Family Driven and Respite programs in its cost allocation methodology to ensure an equitable distribution of costs.
- Revise its cost allocation policy described in the County contract to be consistent with the allocation methodology described in SCC Care's cost report.

ODP should:

- Verify SCC's indirect costs are allocated to the Family Driven and Respite programs.

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OBSERVATION NO. 1	SUMMARY
<p>The bulk of some OMHSAS Targeted Case Management (TCM) claims were for travel time.</p>	<ul style="list-style-type: none"> • Travel time is billable to Managed Care Organizations and was therefore not disallowed by the BFO. • However, the BFO observed that three of the ten sampled OMHSAS TCM claims “over 32 units” included a substantial amount of travel time. • 65 of 102 units (64%) billed in the three claims were for travel time to and from the consumer.
OBSERVATION NO. 2	SUMMARY
<p>Payroll Cost Incurred by SCC Care May be Excessive</p>	<ul style="list-style-type: none"> • The BFO estimates that a total of 4,491 hours amounting to \$58,164 of direct care wages were paid for staffing that was above the minimum requirements for the 2010-11 fiscal year.

Background

SCC is a not-for-profit organization that provides outpatient mental health and intellectual disabilities services primarily to residents of Lackawanna County. SCC is located at 326 Adams Avenue, Scranton, Pennsylvania and controls three entities: SCC Care, Harrison House, and Advanced Community Service Associates (ACSA). SCC Care provides residential services to individuals diagnosed with intellectual disabilities. Harrison House provides personal care services to physically and emotionally challenged individuals including the elderly. Similar to SCC, ACSA provides outpatient mental health services, but in a more private setting. Although the BFO reallocated indirect costs to SCC Care based on SCC’s cost allocation methodology, indirect costs were assigned to Harrison House and ACSA based on a management fee. The BFO reduced SCC’s indirect costs by the management fee income received.

SCC generates a significant portion of its revenues from County contracts to provide various mental health and intellectual disabilities services to the community. The services include, but are not limited to the following: administrative and fiscal, case management, community, emergency, crisis intervention, research and evaluation, family support, outpatient, partial hospitalization, family based in-home, forensic, and student assistance. SCC also receives payments from patients, Medicare, Medical Assistance, and others for services rendered.

SCC services are funded under two payment models, fee-for-service and program funded. The fee-for-service model pays providers a set rate per unit regardless of its costs; the program funded model reimburses providers for the actual costs incurred to run a program. The BFO’s cost testing focused on SCC’s program funded costs since the costs incurred under this model directly affect the amount of DPW reimbursement SCC receives.

Objective, Scope and Methodology

The audit objectives developed in concurrence with the OMHSAS and ODP were:

- To determine if SCC maintains adequate service documentation that supports its claims to PROMISe.
- To determine if SCC Care reported costs in accordance with applicable regulations.

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- To determine if SCC reported program funded costs to the Lackawanna-Susquehanna Mental Health/Mental Retardation/Early Intervention Program (County) in accordance with applicable regulations.

In pursuing our objectives, the BFO interviewed management and staff members from SCC. We also reviewed client case records, financial reports, vendor invoices, 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 between May 31, 2012 and September 12, 2012. The report, when presented in its final form, is available for public inspection.

Results of Fieldwork

Finding No. 1 – SCC's internal controls over cost reporting, procurement, and documentation for mental health and intellectual disability services need to be improved.

Best practices dictate that controls are in place to ensure compliance with laws and regulations, minimize errors, prevent and detect fraud, waste and abuse, and maximize operating efficiency. When adequate internal controls are not in place, there is an increased risk of noncompliance, errors, fraud, waste, and abuse.

Cost Reporting

PA Code, Title 55, chapter 4300.146(a) states, "Generally accepted accounting principles shall be followed by contracted agencies in reporting for the county program." However, SCC did not post all adjusting entries to its accounting system, and some entries were not directly charged to appropriate cost centers. SCC's salary reclassifications, as discussed in Finding No. 3, make up the bulk of the entries recorded in the separate Excel workbook prepared by SCC. SCC's Chief Financial Officer (CFO) indicated that SCC does not post anything from the worksheet back to the general ledger to avoid confusion and possible circular calculations on allocations of indirect costs. The CFO further indicated that SCC doesn't bring in miscellaneous revenue items until year end so as to not cloud the picture when they do monthly management reviews of departmental operations.

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Also, SCC did not conduct time studies or maintain time records to support its salary reclassifications as discussed in Finding No. 3. The CFO indicated that the reclassifications are arbitrary and that the amounts are derived at a year-end management meeting. PA Code, Title 55, Chapter 4300.94(f) requires an allocation methodology, which results in “a fair and equitable distribution of costs, and shall be in direct relation to actual benefits accruing to the services to which they are charged.” PA Code, Title 55, Chapter 4300.135(2) states that “time records or a random time study shall be used to apportion individual staff salaries, benefits, and fixed asset expenses related to staff...”

Bids were not obtained when required.

Chapter 4300.145 requires SCC to follow the County Code, section 1801 which states, “Written or telephonic price quotations from at least three qualified and responsible contractors shall be requested for all contracts that exceed \$4,000... or, in lieu of price quotations, a memorandum shall be kept on file showing that fewer than three qualified contractors exist in the market area within which it is practicable to obtain quotations. All contracts for services and personal property where the amount thereof exceeds the sum of \$10,000 shall be written and...be made by advertising for bids.” SCC did not have an internal bidding policy to help prevent noncompliance with the County Code, section 1801 as referenced in Lackawanna County’s Home Rule Charter and Chapter 4300.145.

SCC did not obtain bids as required for both assets purchased during fiscal year 2010-11 with a cost of \$4,000 or more. One of the two purchases was for air conditioning repairs totaling \$11,571, for which SCC should have obtained formal, advertised bids. SCC did not have documentation in the vendor file to justify not obtaining bids. Additionally, SCC did not obtain the required formal bids to support that a \$50,460 copier service contract was the best value for SCC. SCC’s CFO stated that the vendor was the sole source. However, SCC did not provide the BFO with any documentation indicating that the vendor was indeed the sole source.

SCC did not obtain a fair market rental appraisal for a SCC Care location.

Overall, SCC Care’s rental costs were accurately reported as actual costs. Although SCC did not obtain the required fair market rental appraisal for SCC Care’s former [REDACTED] location, the BFO determined the cost to be within the range of comparable properties.

The ODP Cost Report Instructions for Fiscal Year 2010/11, Version 7.0, page 52, list rents in excess of fair market value as being unallowable. Also, OMB Circular No. A-122, page 44 states “rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and, the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.”

The purpose of travel was not always documented on travel expense reports.

Although the BFO did not disallow any staff travel costs, SCC sometimes reimbursed personnel for travel expenses when the purpose of the trips was not documented on travel expense reports. When the purpose of travel is not documented by the employees, SCC may not be able to determine that travel costs were for a legitimate business purpose.

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Documentation for Mental Health and Intellectual Disability Services

Although SCC's Chief Operating Officer (COO) informed the BFO that all daily activity logs and corresponding service notes are reviewed by supervisors, the BFO discovered several instances in which more units were billed than were supported by service notes, as discussed in Finding Number 2. In many of these instances, actual times spent with the consumers were included in the service notes. The unsubstantiated units indicate that supervisors are not consistently verifying that the units recorded on daily logs match the units shown in the service notes. Finding Number 2 also indicates that billable activity logs are not consistently monitored to ensure SCC is meeting contact frequency requirements.

Recommendations

The BFO recommends that SCC post all adjusting entries to appropriate accounts and cost centers on the general ledger to comply with PA Code, Title 55, Chapter 4300.146. The BFO further recommends SCC conduct random time studies or maintain time records before reclassifying any salaries in order to comply with Chapter 4300.94 and 4300.135.

In addition, the BFO recommends that SCC comply with PA Code, Title 55, Chapter 4300.145 and the County Code, section 1801 as referenced in Lackawanna County's Home Rule Charter. Furthermore, the BFO recommends that SCC implement an internal bidding policy that meets or exceeds the County Code's minimum bidding requirements to ensure SCC is obtaining the best value.

The BFO also recommends SCC comply with ODP's Cost Report Instructions in regards to rents in excess of fair market value. SCC should negotiate lower rates or change locations if rates are found to be excessive.

Additionally, the BFO recommends that SCC require staff to document the reason for travel on expense reports in order to receive reimbursement.

Furthermore, the BFO recommends that SCC management monitor service notes to ensure staff fully document their services to support the claims reported on SCC's daily activity logs and billed in PROMISE. Additionally, the BFO recommends that SCC consistently maintain and monitor service billing activity reports to verify compliance with contact frequency requirements.

The BFO recommends that OMHSAS ensure SCC is obtaining bids when required.

The BFO also recommends that ODP ensure SCC Care is obtaining bids when required. In addition, the BFO recommends that ODP verify that SCC Care has recent fair market values on file. The BFO finally recommends that ODP ensure all rental costs in excess of fair market values are reported as unallowable on cost reports.

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Finding No. 2 – Service documentation did not substantiate the units billed to PROMISE.

For all services tested, 159 of 2,676 (6%) service units randomly sampled for testing were not substantiated by adequate service documentation in HCSIS or SCC consumer files. When the BFO extrapolates the unsubstantiated units over the entire population of billings, it results in a disallowance of \$265,151.

In addition, when case notes are not adequate and consumers are not periodically assessed as required, ODP, OMHSAS, OCDEL and SCC cannot be reasonably assured that billed services have been performed and consumers are working toward and achieving their goals.

The detailed results are reported below by funding source and service.

OMHSAS Funded Services

Partial Hospitalization (PH)

PA Code, Title 55, Chapter 5210.26 requires that the patient record include treatment progress notes for each contact that are signed and dated by the staff member writing the record. Furthermore, Chapter 1153.42 specifies, "As part of the progress notes, the frequency and duration of each service provided shall be included."

The BFO stratified the universe of PH claims into two populations: "under 24 units" and "24 units and over." For the 35 sampled claims "under 24 units," 18 of 169 (11%) units were not substantiated by service notes. Three of these 35 (9%) claims totaling 14 units did not have any corresponding notes. When the BFO extrapolates the unsubstantiated units over the population of PH billings for the "under 24 units" population, it results in a disallowance of \$134,188. The notes BFO tested as part of the "under 24 units" population were signed and included the duration of service

All 5 sampled claims from the "24 units and over" population were appropriately supported by signed service notes that included the duration of service.

PH services were performed face-to-face with consumers and were not billed for the same day as Wrap-Around Services.

Targeted Case Management (TCM)

PA Code, Title 55, Chapter 5221.31(6) states "Reasonable attempts shall be made to contact the consumer at least every 2 weeks. The contact or the attempt to contact shall be documented." OMHSAS Bulletin 10-03, page 12 states, "Face-to-face contact with a child or adolescent consumer shall be made at least once a month and face-to-face contact with an adult consumer shall be made at least every two months." Page 13 further states, "If the consumer cannot be contacted face-to-face, the attempt to contact shall be documented. Page 16 states, "The case notes shall verify the necessity for the contact and reflect the goals and objectives of the blended case management plan, include the date, time and circumstance of contacts, and be dated and signed by the individual providing the service.

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The BFO stratified the universe of TCM claims into three populations: “32 units and under,” “over 32 units” and “multiple claims billed same day.” “Multiple claims billed same day” consists of separate claims billed to OMHSAS and ODP for the same individual on the same day. The BFO results for TCM claims billed to ODP are detailed later in this Finding.

For the 75 claims sampled from the “32 units and under” population, six of 318 (2%) units were not substantiated by service notes. When the BFO extrapolates the unsubstantiated units over the population of TCM “32 units and under” billings, it results in a disallowance of \$56,260. In addition, although service activity logs for all 71 consumers included in the sample were on file at SCC, service plans were not on file for two (3%) consumers. Furthermore, 31 of 71 (44%) consumers were not contacted biweekly and 25 of 71 (35%) consumers were not contacted face-to-face as frequently as required.

For the ten claims sampled from the “over 32 units” population, 101 of 366 (27%) units were not substantiated by service notes. When the BFO extrapolates the unsubstantiated units over the population of TCM “over 32 units” billings, it results in a disallowance of \$11,488. In addition, four of six (67%) consumers tested from the 10 sampled claims were not contacted as frequently as required (the remaining 4 consumers were not tested as their results were included with another sample). However, SCC did maintain service plans and activity logs for all ten consumers included in this sample.

For the 26 claims sampled from the “multiple claims billed same day” population, 11 of 139 (8%) units were not substantiated by service notes. When the BFO extrapolates the unsubstantiated units over the “multiple claims billed same day” population of TCM billings, it results in a disallowance of \$7,268. In addition, SCC did not have a service plan or activity log on file for one of 16 (6%) consumers included in the sample. Of the 15 consumers with an activity log, 8 (53%) were not contacted as frequently as required.

Wrap-Around (WA)

Medical Assistance Bulletin 1153-95-01, page 13 states, “All claims for MA covered services must be supported by documentation in the client’s record.” Furthermore, PA Code, Title 55, Chapter 1101.51(e)(1)(vi) states, “The record shall indicate the progress at each visit, change in diagnosis, change in treatment and response to treatment.”

The BFO stratified the universe of WA claims into two populations: “16 units and over” and “15 units and under.” For the 30 sampled claims from the “16 units and over” population, 13 of 690 (2%) units were not substantiated by service notes. When the BFO extrapolates the unsubstantiated units over the population of WA “16 units and over” billings, it results in a disallowance of \$36,956.

For the 30 sampled claims from the “15 units and under” population, one of 277 (.4%) units were not substantiated by service notes. Due to SCC’s overall compliance for WA “15 units and under” billings, the BFO elects not to disallow any payments with respect to this population.

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Psychotherapy

The BFO examined 40 Psychotherapy claims totaling 40 units. SCC had progress notes on file to substantiate all 40 units. However, consumer signatures were not on file as required for five of the 40 (13%) claims. Psychiatric Rehabilitation Medical Necessity Criteria and Standards (Second Edition), page 21 states, "Progress notes must be legible and signed and dated by the person providing the service and the participant. If the participant's signature is not present, the reason must be documented." Obtaining participant signatures is the best verification that the services actually took place.

Service Plan Development

The BFO examined 20 Service Plan Development (SPD) claims totaling 117 units. SCC had adequate progress notes on file to substantiate all 117 units. Furthermore, SCC had corresponding service plans on file that documented consumers' goals, services received, and the providers of the services for all 19 consumers included in the 20 SPD claims sampled.

ODP Funded Services

Supports Coordination (SC)

The BFO sampled 100 SC claims totaling 183 units. SCC provided adequate progress notes to substantiate all 183 units. However, ODP Bulletin 00-07-01 states, "Progress notes are required for each calendar month, at minimum, regardless of whether services are intermittent or non-intermittent." For six of the 92 (7%) SC consumers included in our sample, SCC did not have monthly progress notes during the audit period as required. SCC did make face-to-face contact between July 1, 2010 and June 30, 2011 for all 92 consumers sampled.

Targeted Case Management (TCM)

TCM eligible services consist of locating, coordinating, and monitoring activities that assist eligible persons in gaining access to needed resources such as medical, social, educational, and other services as identified in their ISP. PA Code, Title 55, Chapter 1247.42 requires a case manager to record the time, date, place and a description of each targeted case management service and information relating to the services provided. Chapter 1247.42 further states, "Case managers shall develop a service coordination plan for each recipient that is updated monthly to document and certify the effectiveness of services included in the plan and the recipient's need for continuation of services" and shall meet with the recipient at least every six months.

The BFO stratified the universe of TCM claims into two populations: "single claims" and "multiple claims billed same day". For the 25 sampled claims from the "single claims" population, two of 40 (5%) units were unbillable: one unit was provided to a consumer living in a long-term care facility, which is prohibited per PA Code, Title 55, Chapter 1247.54(3). When the BFO extrapolates the unsubstantiated units over the population of TCM "single claims," it results in a disallowance of \$15,780. In addition, 13 of 24 (54%) consumers included in the 25 sampled claims from the "single claims" population were not contacted monthly and seven of 24 (29%) consumers were not contacted face-to-face as frequently as required. SCC's CEO responded that SCC complied with The Electronic Resource Guide for Supports Coordinators and SC Supervisors, page 36, which states,

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“An annual monitoring meeting should be conducted at a minimum.” However, the BFO based the finding on PA Code, Title 55, Chapter 1247 because it is the applicable regulation for TCM services.

For the 24 claims sampled as part of the “multiple claims billed same day” population, seven of 78 (9%) units were billed twice. When the BFO extrapolates the double billed units over the “multiple claims billed same day” population of TCM billings, it results in a disallowance of \$3,211. In addition, for eight of the 16 (50%) consumers included in the 24 sampled claims, monthly documentation requirements were not met. Also, six of the 16 (38%) consumers were not contacted face-to-face every six months as required by Chapter 1247.42.

Additionally, the BFO identified 62 unbillable units totaling \$1,047 during audit planning and preparation. 18 units totaling \$317 were provided to a resident of a nursing facility. One \$17 unit was billed for filing paperwork. Finally, 43 units were not substantiated by service notes in HCSIS. These claims were extracted from the universe of TCM claims prior to random sampling to avoid duplication of the disallowance.

OCDEL Funded Services

Case Management – Early Intervention (CM)

Pursuant to the Department of Health and Human Services’ interim final rule published in the Federal Register on December 4, 2007, Vol. 72, No. 232, if a State plan provides for case management services, “Referral and related activities do not include providing transportation to the service to which the individual is referred or escorting the individual to the service.” (42 CFR Parts 431, 440, and 441). Furthermore, a 2005 third party review, performed by Daniel Bradley, of the State Established Maximum Fee Schedule for State & County Funded Early Intervention Services identified that travel was incorporated into the state established maximum.

The BFO sampled 35 CM claims totaling 121 units. Although the BFO found that 15 of the 121 units were unbillable as they were for travel to and from the service location, the Office of Child Development and Early Learning (OCDEL) informed us that providers were told that travel time is billable. Therefore, the BFO elected not to disallow any of the 15 unbillable claims and will issue a separate memorandum to OCDEL that addresses the confusion surrounding travel.

Furthermore, the Federal Register’s provisions state “that face-to-face reassessments be conducted at least annually or more frequently if changes occur in an individual’s condition.” ODP Bulletin 00-07-01, page 3 states, “Progress notes are required for each calendar month, at minimum, regardless of whether services are intermittent or non-intermittent.”

SCC did not have monthly progress notes as required for 19 of 33 (58%) consumers included in our sample. Also, we could not determine if face-to-face visits took place between July 1, 2010 and June 30, 2011 for 26 of the 33 (79%) consumers sampled because that information was not included on billable activity reports. SCC’s COO informed us that ODP grants only limited HCSIS access, which prohibits SCC from tracking face-to-face visits.

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Recommendations

The BFO recommends that SCC's management monitor service notes to ensure that staff fully documents their services to support the claims billed to PROMISE.

The BFO recommends that OMHSAS recover the \$246,160 that relates to unsubstantiated service claims funded by OMHSAS.

The BFO recommends the ODP recover the \$20,038 that relates to unsubstantiated service claims funded by ODP. The BFO also recommends the ODP review The Electronic Resource Guide for Supports Coordinators and SC Supervisors and make any necessary revisions to ensure it is consistent with PA Code, Title 55, Chapter 1247.

Finding No. 3 – SCC overcharged the County by \$251,651 for SCC's program funded costs.

PA Code, Title 55, Chapter 4300.28(a) states, "The Department will financially participate only in expenditures which are necessary and proper for the operation of the program and the provision of services. Expenditures shall be reasonable to the extent that they are of the same nature as expenditures which would be made by a cost-conscious and prudent buyer in the market place. The lowest possible rate shall be negotiated, consistent with good program quality." Chapter 4300.28(b) states, "...The Department will participate in actual expenditures not to exceed the allowable cost standards. Expenditures beyond these approved levels are the responsibility of the county authorities." Chapter 4300.28(c) states, "The allowable cost standards in this chapter identify costs eligible for reimbursement. Costs which have not been included are considered ineligible for Departmental financial participation unless necessary to provide services to clients."

Salary Adjustments/Reclassifications

SCC reported salary costs to the County that reflected \$273,500 of salary reclassifications from fee-for-service cost centers to program funded cost centers, which were not supported by time studies, SCC's contract with the County, or other documentation. The BFO adjusted the salaries in accordance with salary allocations per the County contract which resulted in a \$23,500 net increase to SCC's general ledger balance for salaries expense within the program funded cost centers. SCC's calculation was \$250,000 higher than the BFO's calculation. The BFO also increased SCC's payroll taxes by \$14,935 to equal the FICA tax rate (7.65%) on the BFO adjusted salaries. The effects of the program funded salary adjustments are detailed in Exhibit A.

Revenues that Offset Costs

PA Code, Title 55, Chapter 4300.158 states, "Income from the amounts paid for the same purpose from a public or private source, unrestricted donations and gifts, and interest earned on Departmental funds shall be considered as other income to reduce total expenditures in arriving at eligible expenditures for Departmental participation."

SCC failed to report \$17,602 of unrestricted revenues to the County to reduce total eligible program funded expenditures. However, the BFO determined that only \$5,723 of the \$17,602 relates to programs for which SCC was overfunded by the County. The effects on each program are detailed in Exhibit A. SCC informed us that they were not aware that revenues were required to offset costs.

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Unallowable Indirect Costs

The BFO reduced allowable indirect costs by a total of \$187,774 and reallocated indirect costs in accordance with the allocation percentage calculated in Exhibit C. Details of BFO's indirect cost adjustments are provided below and in Exhibit B.

Salary & Tax Adjustments

PA Code, Title 55, Chapter 4300.83(a) states, "Compensation costs eligible for Departmental participation shall be the lesser of the amounts negotiated and approved by the county as part of the contract or the amounts specified in subsections (b) and (c). Compensation exceeding the amounts eligible for Departmental participation shall be the financial responsibility of the county or the agency." Subsection (b) states, "The Department will participate in compensation for employees of program funded agencies up to the combined prevailing Commonwealth salaries and benefits for functionally equivalent positions." Subsection (c) reads, "The Department will participate in compensation for the chief executive officer of these agencies up to the combined salaries and benefits approved for these positions. A chief executive officer grid methodology will be used to determine eligible salaries."

SCC overstated administrative salaries and service costs by \$113,007. The CEO's excess salary and benefits, as identified in SCC Care's cost report, represents \$27,166 of the overstated costs. Conversely, the administrative portion of the Medical Director's salary was understated by \$40,000. In addition, Harrison House, ACSA, and Finch Towers (an independent living community) pay management fees to SCC for administrative services. This management fee income is recorded on SCC's books but did not offset any of the administrative costs reported to the County. As a result, the BFO reduced administrative salaries by an additional \$125,841.

The BFO did not adjust payroll taxes in relation to the \$113,007 adjustment since executive salaries exceeded the wage capitations imposed by the Internal Revenue Service. However, the BFO did reduce the payroll taxes charged to the [REDACTED] account by \$3,123 to equal the FICA tax rate (7.65%).

Uncollectible Bad Debt

The BFO reduced indirect costs by \$60,400 for unallowable bad debt expenses.

Unallowable Costs from Invoice Sampling

Although all 28 payments judgmentally selected from SCC's general ledger account detail were adequately supported by invoices and authorized by SCC management, 8 of the 28 (27%) invoices include unallowable costs totaling \$6,342. The majority of the unallowable costs were incurred for purchasing food for board meetings, items related to a retirement party, and gift certificates.

Depreciation

SCC reported \$4,902 of unallowable depreciation for a bus that was purchased with grant funds. Although the grant revenue was recorded on SCC's books, the revenue was not reported to the County to offset costs. As such, SCC cannot charge depreciation for an item that was purchased with funds that should have been recorded as an offsetting revenue.

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Fringe Benefits Not Reported as Wages

SCC reimbursed six supports coordinators a total of \$499 for additional auto insurance coverage. SCC requires supports coordinators to carry the additional insurance to avoid potential liabilities to SCC when supports coordinators are transporting consumers using their personal vehicles. Although the BFO allowed the \$499 as eligible costs, the reimbursements should be treated as wages and reported to the Internal Revenue Service (IRS) on the employees' W-2 tax forms.

IRS Publication 15-B, page 9 states, "Cash and cash equivalent fringe benefits, no matter how little, are never excludable as a de minimis benefit, except for occasional meal money or transportation fare."

The County over reported program funded costs to DPW.

The County reported \$800 higher program funded costs to DPW than was reported to the County by SCC. The County overstated Emergency Service costs by \$800 as shown in Exhibit A. PA Code, Title 55, Chapter 4300.27 states, "Program-funding is the procedure used to fund the total eligible expenditures for a publicly or privately administered and staffed facility as predetermined by the county authority."

Recommendations

The BFO recommends that SCC comply with the Chapter 4300 regulations. Additionally, the BFO recommends that SCC begin withholding taxes on amounts paid to supports coordinators for additional insurance coverage. Furthermore, the BFO recommends that SCC report insurance payments to supports coordinators as wages to the Internal Revenue Service.

The BFO recommends that OMHSAS adjust the County's carryover by a total of \$252,451 as calculated in Exhibit A.

Finding No. 4 – SCC understated \$69,299 of indirect costs on SCC Care's cost report.

ODP's Cost Report Instructions for Fiscal Year 2010/11, Version 7.0, page 42 states, "A provider shall only consider expenses as allowable for inclusion in the cost report under the following circumstances:

- The cost is associated to the administration or provision of a needed Waiver service to a participant
- The cost is efficient, economic, necessary and reasonable for the administration or provision of a Waiver service to a participant
- The level of expense which a prudent and conscious buyer of goods and services is ordinarily willing to pay for these kinds of services
- The cost is compliant with Federal and State requirements
- The cost is designated as allowable by the Department."

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Additionally, the ODP Cost Report Instructions for Fiscal Year 2010/11, Version 7.0, page 19 states, "Providers who also render services to individuals not enrolled in the Waiver must separately report the expense of providing these services." Page 19 also states "all activities and services that benefit from the administrative or other expense pools, including non-Waiver activities and services, will receive an appropriate allocation of administrative and other program expenses."

Understated Indirect Costs

SCC understated the indirect costs reported on SCC Care's cost report by \$69,299. Costs were understated due to BFO's adjustments of indirect and direct costs, which in turn affected the cost allocation percentage, as explained in Finding Number 5 and Exhibits B and C.

Depreciation

Overall, SCC accurately reported depreciation costs on SCC Care's cost report.

Revenues that Offset Costs

SCC accurately reported all SCC Care revenues on the cost report.

Recommendations

The BFO recommends that SCC revise its cost allocation methodology to ensure an equitable distribution of costs.

The BFO also recommends that ODP increase the indirect costs reported on the fiscal year 2010-11 cost report by \$69,299 in accordance with Exhibit C.

Finding No. 5 – SCC inequitably allocated indirect costs.

PA Code, Title 55, Chapter 4300.94(c) states, "The overall objective of the allocation process is to distribute the indirect costs of the agency to its various services or cost categories in reasonable proportion with the benefits provided to these services or cost categories." Chapter 4300.94(c) states, "The agency shall maintain a complete file regarding the cost allocation plan and supporting documentation." Chapter 4300.94(f) states, "Distributing indirect costs to the appropriate services shall logically apportion these costs among services receiving a benefit. The methodology is at the discretion of the agency; however, it shall result in a fair and equitable distribution of costs, and shall be in direct relation to actual benefits accruing to the services to which costs are charged."

Furthermore, the ODP Cost Report Instructions for Fiscal Year 2010/11, Version 7.0, page 19 states, "All activities and services that benefit from the administrative or other expense pools, including non-Waiver activities and services, will receive an appropriate allocation of administrative and other program expenses. That is, non-allowable and non-Waiver expenses should receive an allocation of administrative and other program expenses just as Waiver expenses do."

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SCC did not assign any indirect costs to the Family Driven and Respite programs, which benefited from administrative and other shared costs. SCC's CFO explained that indirect costs are not allocated to the programs because SCC simply acts as a "pass through" agency. After the BFO adjusted direct costs explained in Finding Numbers 3 and 4 and Exhibits A and C, we calculated that 2.961% of indirect costs should be assigned to the Family Driven program and .119% should be assigned to the Respite program. Overall, the BFO calculated 93.28% of indirect costs should be assigned to SCC and 6.72% should be assigned to SCC Care. SCC's allocation only changed by 0.27% due to the BFO adjustments.

In addition, SCC's County contract states that indirect costs are to be allocated "based on the percentage of direct salary and/or square footage." Indirect costs were actually allocated based on total direct costs, which is an acceptable method and consistent with SCC Care's allocation methodology as described in its cost report. SCC's CFO agreed that the language in the contract needs to be changed.

Recommendations

The BFO recommends that SCC include the Family Driven and Respite programs in its cost allocation methodology to ensure an equitable distribution of costs. The BFO further recommends SCC revise its cost allocation policy described in the County contract to be consistent with the allocation methodology actually used and described in SCC Care's cost report.

The BFO recommends that ODP verify SCC's indirect costs are allocated to the Family Driven and Respite programs.

Observation No. 1 – The bulk of some OMHSAS TCM claims were for travel time.

PA Code, Title 55, Chapter 5221.42(f) states, "Staff time spent in necessary travel may be billed as units of service." Furthermore, OMHSAS informed the BFO that "necessary travel" refers to travel time with the consumer, not travel to and from the consumer. However, Regulations and Policies Not Applicable to HealthChoices Behavioral Health Program, Appendix BB, explains that Chapter 5221.42(f) is not applicable to the HealthChoices Behavioral Health Program.

Due to the above exception to policy, travel time is billable to Managed Care Organizations and was therefore not disallowed by the BFO. However, we observed that three of the ten claims sampled from the OMHSAS TCM "over 32 units" population included a substantial amount of travel time. Sixty five of 102 units (64%) billed in the three claims were for travel time to and from the consumer. In one instance, a caseworker billed for 8.25 hours (33 units), of which 7.25 hours (29 units) was spent traveling to and from Williamsburg, Pennsylvania. The caseworker spent only one hour in contact with the consumer. When billable units are used for travel, it results in fewer units being available for services that directly benefit the consumer.

Observation No. 2 – Payroll Cost Incurred by SCC Care May Be Excessive

SCC's payroll records showed that SCC Care staff worked 19,478 and 20,054 hours at SCC Care's [REDACTED] site and [REDACTED], respectively. The BFO compared the hours worked to the minimum staffing requirements per the Individual Service Plans (ISPs) and PA Code, Title 55, Chapter 6400.45, which states, "A minimum of one staff person for every eight individuals shall be awake and physically present at the home when individuals are awake at the home." One resident

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required two to one staffing and one resident required one to six staffing per their ISPs. The remaining five residents required one to eight staffing per Chapter 6400.45.

Based on our analysis, the BFO estimates that a total of 4,491 hours amounting to \$58,164 of direct care wages were paid for staffing that was above the minimum requirements for the 2010-11 fiscal year. \$26,215 of the excess relates to the one-person site and \$31,949 of the excess relates to the six-person site. When excessive costs are incurred by providers, it results in ODP paying higher than necessary rates for services.

Conclusion on the Objectives

As described in Finding Numbers 2 through 5, SCC did not maintain adequate documentation to support 159 of the 2,676 (6%) units randomly sampled by the BFO. In addition, SCC did not report certain program funded costs to the County in accordance with applicable regulations which resulted in SCC being overpaid by \$251,651. Furthermore, SCC Care underreported \$69,299 of indirect costs on their fiscal year 2010-11 cost report.

Auditor's Commentary

One of the major areas of disagreement in SCC's response is regarding the BFO's interpretation of 55 PA Code 4300.94, which dictates the allocation of indirect costs and is referenced in Finding Nos. 1, 3, and 5. SCC asserts that their cost allocation methodology is fair and equitable and has been accepted and reviewed by two reputable public accounting firms. In addition, SCC disagrees with the requirement of time studies for salary reclassifications.

The BFO asserts that SCC indicated the reclassifications of salary are arbitrary and that the amounts are derived at a year-end management meeting. The positions affected by the arbitrary reclassification are administrative positions that are being directly charged to a program funded cost center. Per Chapter 4300.94 (d), a corresponding time study or analysis would be part of the supporting documentation to show how the salaries are attributed to those cost centers. Since the reclassification is arbitrary, it is the BFO's position that the allocation is not acceptable per 4300.94(d). The BFO subsequently allocated the indirect costs based on the direct expenses.

With respect to Finding No.5, it is the BFO's position that while SCC considers these programs a "pass-through", there is still an administrative cost element that SCC incurs to provide the services. This is why the BFO recommends these cost centers are included in the cost allocation plan.

Another area of dispute in SCC's response is the use of the BFO's statistical sampling method, which is addressed in Finding No.2. SCC claims that the method of sampling utilized by the BFO fails to meet federal and state standards. The method addressed in SCC's response is the self-audit protocol. This method allows the provider to perform their own statistical sample, determine results, and extrapolate their disallowance over the population. The function of the BFO in this method would be to validate their results and then SCC's disallowance would be recovered. We performed our own Statistically Valid Random Sample (SVRS) with the use of a Computer Assisted Audit Technique Software (CAATS) as part of our audit procedures to complete one of the objectives of this performance audit. The BFO's role in the self-audit method would not have been sufficient to fulfill our audit objective.

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SCC also questioned the various regulations used in testing the sample data. The BFO cited federal and state regulations in effect for the specific billing code in PROMISE. In addition, the BFO consulted with staff from the various program offices regarding the regulations. For example, SCC cites the conflict with the billing of travel units for case management services funded by OCDEL. The BFO issued a letter to OCDEL informing them of the current federal regulations that conflict with the current policy. The BFO did not disallow any units in the draft report and did not include that as part of the extrapolated disallowance in the draft report.

Additionally, the BFO did review the documentation SCC provided with their response and reduced the total disallowance in Finding No. 2 by \$62,979. Those changes have been incorporated in the final report.

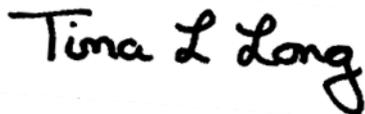
In accordance with our established procedures, an audit response matrix will be provided to the OMHSAS and the ODP. The OMHSAS and the ODP are responsible for separately completing the matrix within 60 days and emailing the Excel file to the DPW Audit Resolution Section at:

RA-pwauditresolution@pa.gov

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

Attachment

EXHIBITS A, B, & C

**Scranton Counseling Center
July 1, 2010 through December 31, 2011
Exhibit A**

BFO's Direct Cost Adjustments and Overpayment Calculations (by SCC program funded cost centers)

		Program Funded Cost Centers											TOTAL			
		1 - MH Case Mgmt			2 - MH SAP			5 - MH Emergency			6 - MH FSS (Respite)			G/L	BFO Adj.	Adj. Amt.
General Ledger (G/L) Account	G/L	BFO Adj.	BFO Amt.	G/L	BFO Adj.	Adj. Amt.	G/L	BFO Adj.	Adj. Amt.	G/L	BFO Adj.	Adj. Amt.	G/L	BFO Adj.	Adj. Amt.	
	- Wages & Salaries	3,600.00	109,500.00	113,100.00	-	52,000.00	52,000.00	439,386.21	(138,000.00)	301,386.21	-	-	-	442,986.21	23,500.00	466,486.21
	- FICA	-	8,652.15	8,652.15	-	3,978.00	3,978.00	20,751.38	2,304.67	23,056.05	-	-	-	20,751.38	14,934.82	35,686.20
	- Staff Development	-	-	-	-	-	-	335.00	-	335.00	-	-	-	335.00	-	335.00
	- Tuition Reimb.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Purchased Personnel	-	-	-	-	-	-	516.75	-	516.75	-	-	-	516.75	-	516.75
	- Postage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Office Supplies	-	-	-	-	-	-	359.62	-	359.62	-	-	-	359.62	-	359.62
	- Service Contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Management Fee (FT)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Medical Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Food	-	-	-	-	-	-	65.91	-	65.91	-	-	-	65.91	-	65.91
	- Rehab Supplies-Occup	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Rehab Supplies-Rec	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Psycholog Testing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Treatment & Support	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	- Staff Travel	-	-	-	-	-	-	598.92	-	598.92	-	-	-	598.92	-	598.92
	- Client Transportation	-	-	-	-	-	-	1,308.98	-	1,308.98	-	-	-	1,308.98	-	1,308.98
	- Emerg. Med. Transp.	-	-	-	-	-	-	29,484.76	-	29,484.76	-	-	-	29,484.76	-	29,484.76
- Library	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
- Dues & Subscriptions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
- Misc.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
- FSS Client Contracts	-	-	-	-	-	-	-	-	-	11,057.00	-	11,057.00	11,057.00	-	11,057.00	
- Equip. & Furnishings	-	-	-	-	-	-	853.79	-	853.79	-	-	-	853.79	-	853.79	
- Equip. & Furn. Repairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
% Direct Costs			1.306%			0.601%			3.841%			0.119%			5.867%	
Direct Costs	3,600.00	118,152.15	121,752.15	-	55,978.00	55,978.00	493,661.32	(135,695.33)	357,965.99	11,057.00	-	11,057.00	508,318.32	38,434.82	546,753.14	
Indirect Costs			60,157.84			27,683.66			176,926.70			5,481.46			270,249.66	
Total Costs Per BFO			181,909.99			83,661.66			534,892.69			16,538.46			817,002.80	
Less: Lesser of Total Costs Per SCC or Contract Amount			367,076.00			209,922.00			326,001.00			11,057.00			914,056.00	
Less: Unreported Offsetting Revenues			3,921.05			1,801.99			11,523.31			355.94			17,602.29	
Amount SCC (Over) Under Funded by the County			(189,087.06)			(128,062.33)			197,368.38			5,125.52			(114,655.49)	
Lesser of Total Costs Per BFO or Contract Amount			181,909.99			83,661.66			326,001.00			11,100.00			602,672.65	
Less: Allocation Per County			295,300.00			216,200.00			326,801.00			11,100.00			849,401.00	
Less: Unreported Offsetting Revenues (if SCC overfunded)			3,921.05			1,801.99			-			-			5,723.04	
Amount the County (Over) Under Funded by DPW			(117,311.06)			(134,340.33)			(800.00)			-			(252,451.39)	

* Based upon PA Code Title 55 Chapter 4300 Regulations, SCC overcharged the County Program a total of \$251,651. Additionally, when the County reported costs to DPW, Emergency Services performed by SCC was overstated by \$800. This resulted in DPW overfunding the County Program by \$252,451 for Fiscal Year 2010-11.

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 Exhibit B
 BFO's Indirect Cost Adjustments

General Ledger (G/L) Account	Indirect Cost Center			BFO Adj.	BFO Amt.	Indirect Cost Allocation	
	49 Plant Services	90 Shared Costs	95 Admin. Costs			SCC 93.28%	SCC Care 6.72%
- Wages & Salaries	184,515.57	-	1,049,221.62	(113,006.84)	1,120,730.35	1,045,417.27	75,313.08
- FICA	17,238.08	-	79,044.27	(3,122.64)	93,159.71	86,899.38	6,260.33
- Pension Contrib.	-	597,243.07	-	-	597,243.07	557,108.34	40,134.73
- Life Insurance	-	25,823.47	-	-	25,823.47	24,088.13	1,735.34
- Disability Ins.	-	34,614.92	-	-	34,614.92	32,288.80	2,326.12
- Health Ins.	-	1,753,766.19	-	-	1,753,766.19	1,635,913.10	117,853.09
- Unemployment	-	52,590.00	-	-	52,590.00	49,055.95	3,534.05
- Workmen's Comp.	-	120,279.72	-	-	120,279.72	112,196.92	8,082.80
- Staff Development	-	330.00	6,776.91	-	7,106.91	6,629.33	477.58
- Tuition Reimb.	-	-	2,000.00	-	2,000.00	1,865.60	134.40
- Other Personnel Svc.	-	-	38,199.10	-	38,199.10	35,632.12	2,566.98
- Advertising	-	7,574.74	-	-	7,574.74	7,065.72	509.02
- Postage	-	23,021.33	119.29	-	23,140.62	21,585.57	1,555.05
- Telephone	-	44,854.31	-	-	44,854.31	41,840.10	3,014.21
- Office Supplies	-	44,534.33	1,667.16	-	46,201.49	43,096.75	3,104.74
- Service Contracts	-	168,264.92	-	-	168,264.92	156,957.52	11,307.40
- Legal	-	12,000.00	-	-	12,000.00	11,193.60	806.40
- Audit	-	30,820.76	-	-	30,820.76	28,749.60	2,071.16
- Food	-	16,816.30	4,015.11	(4,015.11)	16,816.30	15,686.24	1,130.06
- Food Supplement	-	12,171.40	-	-	12,171.40	11,353.48	817.92
- Staff Travel	-	-	1,046.04	-	1,046.04	975.75	70.29
- Motor Vehicle Exp.	34,451.27	-	-	-	34,451.27	32,136.14	2,315.13
- Motor Vehicle Ins.	11,769.39	-	-	-	11,769.39	10,978.49	790.90
- Liability Ins.	-	121,324.00	-	-	121,324.00	113,171.03	8,152.97
- Library	-	943.35	-	-	943.35	879.96	63.39
- Dues & Subscriptions	-	3,213.99	9,054.00	-	12,267.99	11,443.58	824.41
- Employee Referral	-	3,500.00	-	-	3,500.00	3,264.80	235.20
- Misc.	-	16,564.44	251.50	(2,327.00)	14,488.94	13,515.28	973.66
- Vending Machines	-	7,155.00	-	-	7,155.00	6,674.18	480.82
- Bank Charges	-	386.75	-	-	386.75	360.76	25.99
- Uncollectible Exp.	-	60,400.00	-	(60,400.00)	-	-	-
- Equip. & Furnishings	-	1,301.45	1,683.54	-	2,984.99	2,784.40	200.59
- Equip. & Furn. Repairs	-	907.45	114.80	-	1,022.25	953.55	68.70
- Depreciation	-	193,077.39	-	(4,902.05)	188,175.34	175,529.96	12,645.38
- Dep. Capital Int.	-	1,530.06	-	-	1,530.06	1,427.24	102.82
- Amort. Exp. (Bonds)	-	6,058.08	-	-	6,058.08	5,650.98	407.10
- Trust A/C Fees	-	16,505.97	-	-	16,505.97	15,396.77	1,109.20
- Electric	-	123,919.56	-	-	123,919.56	115,592.17	8,327.39
- Sewage	-	4,126.13	-	-	4,126.13	3,848.85	277.28
- Water	-	8,823.89	-	-	8,823.89	8,230.92	592.97
- Heating Expense	-	5,049.61	-	-	5,049.61	4,710.28	339.33
- insurance	-	13,876.00	-	-	13,876.00	12,943.53	932.47
- Building Maint.	-	103,698.69	-	-	103,698.69	96,730.14	6,968.55
- Int. Exp. (Bonds-CMC)	-	47,646.24	-	-	47,646.24	44,444.41	3,201.83
TOTALS	247,974.31	3,684,713.51	1,193,193.34	(187,773.64)	4,938,107.53	4,606,266.70	331,840.83
		5,125,881.16					

Scranton Counseling Center
 July 1, 2010 through December 31, 2011
 Exhibit C

BFO's Direct Cost Adjustments & Cost Allocation Calculations (by agency)

General Ledger (G/L) Account	SCC			SCC Care			TOTAL
	G/L Amount	BFO Adj.	BFO Amt.	G/L Amount	BFO Adj.	BFO Amt.	BFO Amt.
- Wages & Salaries	8,981,108.61	(113,688.59)	8,867,420.02	552,866.38	-	552,866.38	9,420,286.40
- FICA	657,931.14	6,465.43	664,396.57	38,448.62	-	38,448.62	702,845.19
- Pension Contrib.	597,243.07	-	597,243.07	33,381.00	-	33,381.00	630,624.07
- Life Insurance	25,823.47	-	25,823.47	1,443.00	-	1,443.00	27,266.47
- Disability Ins.	34,614.92	-	34,614.92	1,935.00	-	1,935.00	36,549.92
- Health Ins.	1,753,766.19	-	1,753,766.19	98,020.00	-	98,020.00	1,851,786.19
- Unemployment	52,590.00	-	52,590.00	2,939.00	-	2,939.00	55,529.00
- Workmen's Comp.	120,279.72	-	120,279.72	6,723.00	-	6,723.00	127,002.72
- Staff Development	48,284.71	-	48,284.71	1,029.79	-	1,029.79	49,314.50
- Tuition Reimb.	20,461.21	-	20,461.21	-	-	-	20,461.21
- Purchased Personnel	254,986.83	-	254,986.83	-	-	-	254,986.83
- Other Personnel Svc.	38,199.10	-	38,199.10	-	-	-	38,199.10
- Advertising	7,574.74	-	7,574.74	489.00	-	489.00	8,063.74
- Postage	25,576.07	-	25,576.07	1,493.80	-	1,493.80	27,069.87
- Telephone	51,624.20	-	51,624.20	4,331.76	-	4,331.76	55,955.96
- Office Supplies	50,765.93	-	50,765.93	3,057.26	-	3,057.26	53,823.19
- Service Contracts	217,194.92	-	217,194.92	13,617.00	-	13,617.00	230,811.92
- Mgmt Fee	-	-	-	70,683.00	adj. below	70,683.00	70,683.00
- Medical Supplies	360.89	-	360.89	-	-	-	360.89
- Food	49,405.15	-	49,405.15	34,547.91	-	34,547.91	83,953.06
- Rehab Supplies-Occup	3,876.94	-	3,876.94	-	-	-	3,876.94
- Rehab Supplies-Rec	6,885.02	-	6,885.02	201.97	-	201.97	7,086.99
- Psycholog Testing	4,683.99	-	4,683.99	-	-	-	4,683.99
- Treatment & Support	8,607.45	-	8,607.45	-	-	-	8,607.45
- Food Supplement	12,171.40	-	12,171.40	785.00	-	785.00	12,956.40
- Staff Travel	393,895.89	-	393,895.89	2.00	-	2.00	393,897.89
- Client Transportation	13,445.85	-	13,445.85	-	-	-	13,445.85
- Motor Vehicle Exp.	34,451.27	-	34,451.27	8,400.32	-	8,400.32	42,851.59
- Emerg. Med. Transp.	29,484.76	-	29,484.76	-	-	-	29,484.76
- Motor Vehicle Ins.	11,769.39	-	11,769.39	-	-	-	11,769.39
- Liability Ins.	121,324.00	-	121,324.00	8,152.00	-	8,152.00	129,476.00
- Library	1,121.00	-	1,121.00	61.00	-	61.00	1,182.00
- Dues & Subscriptions	12,952.74	-	12,952.74	1,916.28	-	1,916.28	14,869.02
- Employee Referral	3,500.00	-	3,500.00	226.00	-	226.00	3,726.00
- Misc.	19,794.45	-	19,794.45	2,366.76	-	2,366.76	22,161.21
- Vending Machines	7,155.00	-	7,155.00	462.00	-	462.00	7,617.00
- Bank Charges	386.75	-	386.75	165.25	-	165.25	552.00
- FSS Client Contracts	286,996.03	-	286,996.03	-	-	-	286,996.03
- Uncollectible Exp.	60,400.00	-	60,400.00	4,064.00	-	4,064.00	64,464.00
- Equip. & Furnishings	7,605.73	-	7,605.73	2,346.64	-	2,346.64	9,952.37
- Equip. & Furn. Repairs	1,096.66	-	1,096.66	-	-	-	1,096.66
- Depreciation	193,077.39	-	193,077.39	14,391.92	-	14,391.92	207,469.31
- Dep. Capital Int.	1,530.06	-	1,530.06	-	-	-	1,530.06
- Amort. Exp. (Bonds)	6,058.08	-	6,058.08	-	-	-	6,058.08
- Trust A/C Fees	16,505.97	-	16,505.97	1,065.00	-	1,065.00	17,570.97
- Rent	-	-	-	18,000.00	(7,782.00)	10,218.00	10,218.00
- Electric	123,919.56	-	123,919.56	11,868.76	-	11,868.76	135,788.32
- Sewage	4,126.13	-	4,126.13	506.00	-	506.00	4,632.13
- Water	8,823.89	-	8,823.89	2,549.05	-	2,549.05	11,372.94
- Heating Expense	5,049.61	-	5,049.61	4,066.27	-	4,066.27	9,115.88
- insurance	13,876.00	-	13,876.00	1,817.00	-	1,817.00	15,693.00
- Building Maint.	103,698.69	-	103,698.69	14,093.04	-	14,093.04	117,791.73
- Interest Exp. 1st Nat'l	-	-	-	-	-	-	-
- Int. Exp. (Bonds-CMC)	47,646.24	-	47,646.24	3,074.00	-	3,074.00	50,720.24
Total Costs Per T/B	14,553,706.81	(107,223.16)	14,446,483.65	965,585.78	(7,782.00)	957,803.78	15,404,287.43
Indirect Costs from Exhibit B	(5,125,881.16)	see Exhibit B	(5,125,881.16)	-	-	-	(5,125,881.16)
Shared Costs - ██████████	-	-	-	(108,888.00)	-	(108,888.00)	(108,888.00)
Shared Costs - ██████████	-	-	-	(106,539.00)	-	(106,539.00)	(106,539.00)
Admin. Costs - ██████████	-	-	-	(37,164.00)	-	(37,164.00)	(37,164.00)
Admin. Costs - ██████████	-	-	-	(33,519.00)	-	(33,519.00)	(33,519.00)
TOTAL DIRECT COSTS	9,427,825.65	(107,223.16)	9,320,602.49	679,475.78	(7,782.00)	671,693.78	9,992,296.27
ALLOCATION %			93.28%			6.72%	100.00%
BFO INDIRECT COSTS			4,606,266.70			331,840.83	4,938,107.53
TOTAL COSTS			13,926,869.19			1,003,534.61	14,930,403.80
PER COST REPORT			see Exhibit A			934,236.00	
UNDERREPORTED			see Exhibit A			(69,298.61)	

**SCRANTON COUNSELING CENTER
RESPONSE TO THE DRAFT REPORT**

APPENDIX A



Scranton Counseling Center

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May 9, 2013

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

Re: Bureau of Financial Operations ("BFO"): Division of Audit Review ("DAR");
Draft Audit Report for Scranton Counseling Center ("SCC")

Dear Mr. Pusateri:

I am in receipt of the draft audit report of BFO's DAR for the Scranton Counseling Center dated February 7, 2013 and covering the period July 1, 2010 through December 31, 2011 (the "Draft DAR Audit Report"). While SCC believes there are some helpful comments and recommendations, on a whole, we feel that DAR has misunderstood or misapplied financial and nonfinancial laws, regulations, bulletins, and interpretations related to SCC services for the audit period.

We wish to thank you for your professionalism and efforts regarding the Draft DAR Audit Report as well as this opportunity to formally respond. During the OAR's review, SCC was offered an opportunity to provide input regarding several audit issues but, many of our comments and inputs were not incorporated in the Draft OAR Audit Report. This formal written response provides a summary of SCC's concerns and objections to the Draft DAR Audit Report. It is our understanding that our formal response will be incorporated into the final report. To the extent that the Department of Public Welfare ("DPW") or BFO seeks to enforce any aspect of the final DAR report, SCC respectfully reserves its right to formally appeal any adverse determination.

SCC has been providing services to the poor and underserved in Lackawanna County since 1947 and has developed integral relationships with the DPW and its various divisions such as OMHSAS, ODP, OCDEL as well as the Lackawanna County Behavioral Health/Intellectual

Disability/Early Intervention Program (the "County"). We seek to provide medically necessary and other support services to the community consistent with laws, regulations, guidelines, and interpretations of these DPW divisions. These complex laws, regulations, guidelines, and interpretations reflect a changing medical assistance health care and ID supports coordination environment and often are difficult to reconcile. SCC is committed to working with DPW and the County to continue to provide our wide range of services. However, we believe the Draft DAR Audit Report, while prepared in good faith, fails to consistently interpret or apply these complex laws and regulations to our financial operations, clinical services, and supports coordination services. We respectfully submit that the Draft DAR Audit Report recommendations are extremely adverse and, if pursued could threaten the continued provision of these services to the poor and underserved.

Outlined below are SCC findings and specific reasons and responses to the results of the Draft DAR Audit Report.¹

I. MISSION OF THE SCRANTON COUNSELING CENTER ("SCC")

SEC is a 501 (c) (3) non-profit corporation that has been providing services in Lackawanna County since 1947, beginning as a relatively small child psychiatric and guidance center. Beginning in the 1960's SCC expanded its services to respond to identified community needs, and ultimately evolved to our current status as a comprehensive, integrated community mental health center. SEC is currently the largest provider of community based behavioral health services in the County, and one of the largest in Northeast Pennsylvania.

As an integrated behavioral health delivery system, SCC provides care for children, adolescents, adults and the elderly. Our mission is to promote wellness and recovery by providing an environment which is considerate of and sensitive to the unique personal and cultural attributes of those we serve, and which empowers them to make choices about their lives, pursue their personal goals and maximize their quality of life while respecting their individual dignity and confidentiality.

The populations we serve are primarily low income individuals and families including the working poor. SCC serves as a "safety net" for these individuals in the County, and provides a comprehensive array of high quality, culturally sensitive behavioral health services to children, adolescents, adults, and older adults including the LGBTQI population. Our services include Child/Adult Outpatient, Adult Partial Hospitalization, Child/Adult/Co-Occurring Case Management, Family Home Based, Intake/Assessment, 24 hour in person Crisis/Emergency Services, Psychiatric Rehabilitation, School Based Programs, Diagnostic/Treatment for Sex Offenders, BHRS, Specialized Autism Services, and Certified Peer

¹ As part of the SCC response to DAR, it was necessary and appropriate to attach documents and records which support our position contesting the DAR findings. While DAR has access to confidential consumer records as part of the audit process, we were informed during the audit that the SEC response when submitted would become part of an official record and ultimately could be made available to the public. For that reason we have separated the documents which we are submitting in support of our responses in a separate Appendix since they do include HIPANConfidentiality protected information including but not limited to names, and M.A. Numbers.

Specialists, comprehensive psychiatric assessment/evaluation and medication management, and Services Coordination to the Intellectually Disabled population, as well as Early Intervention to at risk/high risk children and families. SCC is also one of only two Northeast Pennsylvania ("NEPA") providers chosen to operate a Common Ground Decision Support Center. SCC provides these services to those in need regardless of their ability to pay. Through this integrated service delivery system we served over 8,700 individuals in calendar 2012.

As part of our behavioral health and service supp011 integrated delivery system, SEC also provides specialized services through three subordinate ancillary corporations, each of which is also a 501 (c) (3) entity. Harrison House ("HH") is a 54 bed licensed Personal Care Home, serving almost exclusively individuals who have serious and persistent mental health issues. Advanced Community Service Associates ("ACSA") operates as a private outpatient mental health practice. "SCC Care" provides specialize dual diagnosis (MH/ID) residential services through two licensed facilities which we have operated for nearly two decades.

II. LAWS, REGULATIONS, BULLETINS, AND GUIDELINES

A. Introduction. The overwhelming majority of our consumers/families are without commercial or private insurance and many clients are eligible for special support programs such as the Lackawanna Susquehanna Behavioral Health/Intellectual Disability/Early Intervention Program. SCC participates in a myriad of complex government programs including: the standard Medical Assistance programs under the State Medicaid Plan (the fee for service Medicaid programs), the Pennsylvania Health Choices Program (a waiver program under section 1915b of the Social Security Program), and other waiver programs ("Waiver Programs") that provide supports coordination services. These State Medicaid Plan programs and Waiver Programs are supplemented by detailed laws, regulations, bulletins (i.e. DPW statements of policy interpreting the regulations), and other written guidelines.

Over the past 60 years, the DPW, the County and SCC have developed ongoing policies and practices that have allowed various programs to co-exist and survive consistent with state and federal laws, regulations, and guidelines. During the DAR audit process, SCC representatives tried to introduce the DAR auditors to the relevant laws, regulations and guidelines, including the long term practices accepted by the DPW, County, and SCC. Occasionally, SCC comments and suggestions were accepted; other times, SCC comments were viewed negatively and the DAR auditors independently interpreted complex regulations we believe without fully understanding the interrelationship of programs across many consumer services.

While the DAR attempt to interpret the laws, regulations, bulletins and other guidelines was in good faith, the Draft DAR Audit Results are nanow, at times we believe incorrect and adverse to SCC. By way of exan1ple, in the Draft DAR Audit Report, DAR cited SCC for billing travel time in an OCDEL program; while we advised DAR that this was acceptable, it was not until OCDEL con-ected DAR that DAR was willing to accommodate the appropriate interpretation we provided. Also, DAR has taken the unusual position that SCC is subject to alleged and perceived regulatory inconsistencies between The Electronic Resource Guide for Supports Coordinators and 55 Pa. Code Title 55, Chapter 1247. SCC respectfully

submits that the inconsistency, if any, has been addressed over the years by the strong working relationship of SCC with DPW and the County. In any case, SCC should not be adversely impacted if DAR, a bureau of the BFO, cites DPW for a regulatory conflict.

SEC is committed to continuous quality improvements and compliance with DPW laws, regulations, bulletins and guidelines. Although our Board, officers, managers and employees all strive for excellence, SCC is not perfect. In fact, DAR has pointed out some areas of improvement and recommendations that we agree with. However, based on the overly broad and expansive review attempted by DAR, SCC respectfully offers that DAR has fundamentally misunderstood or misapplied many of the laws, regulations, bulletins and guidelines cited in the Draft DAR Audit Report. Outlined below are examples of general problems of the Draft DAR Audit Report.

B. Pennsylvania Health Choices Program. DAR misunderstands the legal structure of the PA Health Choices Program ("Health Choices"). Health Choices reflects a 1915(b) Waiver program. Essentially, the federal government has issued a "waiver" to the Commonwealth of Pennsylvania to operate the Health Choices outside of the federally approved State Medicaid Plan. Under this Waiver program, OHMSAS funds are not at risk. DPW enters into a contract with a Primary Contactor (i.e. the County) whereby the County assumes the financial risk for services provided to Medicaid beneficiaries. The County typically enters into a service agreement with a behavioral health-managed care organization ("BH-MCO"). Under these contracts, DPW and the County transfer the financial risk for providing services to medical assistance consumers to the BH-MCO. Correspondingly, OHMSAS is not the primary monitoring organization of Health Choices; rather the BH-MCO is primarily responsible for monitoring participating providers. While the County provides oversight to the BH-MCO, it is the BH-MCO that is responsible for reviewing and auditing network participating providers. SCC respectfully submits that DAR is not prepared or qualified to evaluate progress notes and other clinical administrative procedures developed in conjunction with the BH-MCO. The BH-MCO is accountable.

C. Supports Coordination Services And Targeted Case Management Services. We respectfully submit that Draft DAR Audit Report fails to interpret and apply various DPW laws, regulations, bulletins, and guidelines related to: Targeted Case Management Services (55 Pa. Code 1247); Mental Health Targeted Case Management services (55 Pa. Code 5221, DPW Medical Assistance Bulletins: OMHSAS-12-03, OMH -93-09, and OMHSAS 10-03); and Targeted Service Management (Supports Coordination) Services (55 Pa. Code 51; DPW's Individual Support Plan Manual for Individuals with an Intellectual Disability).

I. Targeted Case Management Services (55 Pa. Code 1247). Throughout the Draft DAR Audit Report, DAR has identified "Targeted Case Management" as a SCC service/program, and also frequently referenced 55 Pa Code § 1247 as a basis for numerous findings and adjustments. SCC does not provide "Targeted Case Management" services pursuant to 55 Pa Code §1247. Appendix A of 55 Pa. Code §1247 specifically applies to eligible clients with a diagnosis of AIDS or HTV.

2. Targeted Case Management (55 Pa. Code 5221. DPW Medical Assistance Bulletins: OMHSAS-12-03. OMH -93-09, and OMHSAS 10-03). The DAR auditors have not appropriately interpreted various regulations related to Targeted Case Management, Intensive Case Management, Resource Coordination, and Blended Case Management.

Targeted Case Management services applicable to mental and behavioral health services are authorized as a Waiver service under Section 1915(b) of the Social Security Act. See OMHSAS Bulletin 12-03 and dated 6/14/12: "Targeted Case Management (TCM) services, authorized under Section 1915(b) of the Social Security Act assist adults and children with serious mental illnesses or emotional disorders to gain access to needed resources and services. The Medical Assistance program covers TCM services under several levels of care: Intensive Case Management (ICM), Resource Coordination (RC), and Blended Case Management (BCM). These services are delivered as per the requirements specified in ICM regulation (Title 55, chapter 5221; RC Bulletin (OMH 93-09), and BCM Bulletin (OMHSAS-10-03) and OMHSAS Bulletin 10-03 respectively".

By way of background and clarification, the DPW Medical Assistance Bulletin (the "MAB") OMHSAS-10-03 (June 14, 2010) states:

"Since its inception in 1988, Targeted Case Management (TCM) has been separated into two distinct programs, namely Intensive Case Management (ICM) and Resource Coordination (RC). Although both of these programs provide the same type of service, the intensity at which the service is provided is different. The two-tiered system guarantees many benefits by ensuring that those with the most significant needs are seen at more frequent intervals. However, this system design also requires a change in case managers when the consumer requires a change in the level of case management service. Based upon a pilot project conducted in 2003, DPW tested "...a case management model in which individuals are not required to change case managers (from ICM to RC or vice-versus) when the intensity of their service needs changes. Referred to as the Blended Case Management Model, this model allows the consumer to keep the same "blended case manager" even when there is a change in the level of service needs...The model has proven to accomplish the following: It increases the continuity of care at both the individual as well as the systems level, and decreases disruption in service, thereby allowing consumers and families to focus more on goals; It provides flexibility, particularly for those coming out of facilities or placements; It gives the consumer and the case manager a greater sense of accomplishment because they are able to maintain a working relationship throughout transitions; and it allows services to be consumer driven." In 2004, DPW recommended "...that county MH/MR programs and their case management providers develop plans for conversion of their ICM and RC caseloads to the BCM mode".

This complex legal framework for BCM, TCM, RC, and ICM is misunderstood and misinterpreted as applied to SCC and mitigates the DAR findings related to travel time and frequency of contact as described below in Section IV-C-2.

3. Targeted Service Management (Supports Coordination) Services (55 Pa. Code 51. Office of Developmental Programs Home and Community Based Services): DPW's "Individual Support Plan Manual for Individuals with an Intellectual Disability" ("ISP Manual"); and DPW's "The Electronic Resource Guide for Supports Coordinators and SC Supervisors" (ER Guide). These consumers are eligible to receive Targeted Service Management services. These support coordination services were originally described in the following regulations in the Pennsylvania Code: Chapter 2380 (Adult Training Facilities); Chapter 2390 (Vocational Facilities); Chapter 6400 (Community Homes); and Chapter 6500 (Life-sharing Through Family Living). See ER Guide at page 67. Based upon these regulations DPW issued ISP Manual and ER Guide for support coordinators and providers.

55 Pa. Code 51 (Office of Developmental Programs Home and Community Based Services) specifies the program and payment requirements for providers participating in the following Federally approved 1915 (c) waiver programs: Adult Autism (designed to help participants with Autism Spectrum Disorder who are 21 years of age and older to live more independently in their homes and communities), Consolidated (designed to help participants with an intellectual disability 3 years of age and older to live more independently in their homes and communities) and Person/Family Directed Support ("P/FDS"- designed to support participants with an intellectual disability 3 years of age and older to live more independently in their homes and communities) Waivers. The chapter applies to providers applying for and rendering MA waiver Home and Community Based Services ("HCBS") and providers of targeted services management. Chapter 51 supersedes Chapters 4300 and 6200 (relating to county mental health and mental retardation fiscal manual ; and room and board charges) when a provider provides an HCBS to both waiver and base-funded participants from a waiver service location

SCC respectfully submits that DAR has incorrectly applied various DPW regulations, such as 55 Pa Code 1247 and 55 Pa. Code 5221 and bulletins to consumers with Intellectual Disabilities (formerly referred to as "mental retardation services") and to behavioral health consumers. As noted above, 55 Pa Code §1247 (Targeted Case Management Services) is not applicable to SCC Targeted Service Management. As noted in Appendix A of 55 Pa. Code §1247 the only eligible target group subject to §1247 are eligible clients with diagnosed medical conditions of Acquired Immune Deficiency Syndrome (AIDS) or Symptomatic Human Immunodeficiency Virus (HIV). Furthermore, DAR states that the ER Guide is inconsistent with 55 Pa. Code § 1247. Since 55 Pa. Code 1247 is not applicable to these services, DAR's conclusion is incorrect. DAR misinterpreted its application of Chapter 5221, to Targeted Case Management behavioral health consumers. The DAR conclusion in Finding 2 is incorrect.

D. Application of the 55 Pa. Code §4300. SEC respectfully submits that DAR has inappropriately applied the 55 Pa Code §4300 regulations in certain instances during the audit. As an example, on July 1, 2009 the Department (ODP) commenced a transition of its reimbursement system for certain Intellectual Disability (formerly referred to as "Mental Retardation") services funded with federal Waiver (Consolidated, PFD/S) monies. This includes waiver Supports Coordination services provided by SCC, and waiver residential services provided by SEC Care.

As part of this transition from a cost-based system to a prospective, fee-for-service and prospective Fee Schedule system, a year-end Cost Report was developed by ODP in order to determine each Waiver provider's actual cost-per-unit (by service), which was then used as the basis for setting a provider-specific Waiver rate. The ODP Cost Report Instructions developed for providers' fiscal year 2011 (Version 7.0 -Fiscal Year 2010/2011 Historical Expense Period, Final) states, "Providers should prepare their financial statements in accordance with the financial reporting policies outlined in the Cost Report instructions document and US GAAP rather than the 4300 regulations." (Cost Report Instructions, page 9).

Additionally, during this transition, senior representatives from BFO (Tina Long) and ODP (Joseph Church) publically stated at a Pennsylvania Community Providers Association and a Pennsylvania Advocacy and Resources for Autism and Intellectual Disabilities meetings that the accounting basis for the new prospective rate system (Cost Reporting) would be Generally Accepted Accounting Principles, and not the 55 Pa Code §4300 regulations, and that the 55 Pa Code §4300 regulations did not apply to ID Waiver services in any manner. For this reason the 55 Pa Code §4300 regulations do not apply to the waiver supports coordination services provided by SCC and waiver residential services provided by SCC Care.

E. The sampling and extrapolation methodology of the Draft DAR Audit Report fails to meet federal and state standards. We believe the Draft DAR Audit Review is based upon faulty sampling procedures and extrapolation calculations. First, DAR arbitrarily "rounds up" or "down" alleged percentage error calculations. Second, DAR fails to follow federal or state guidelines and methodology for random sampling and extrapolation. Each deficiency is briefly described below.

1. Rounding. SCC notes that DAR routinely "rounded up" or "rounded down" alleged percentage error rates and, when viewed in the total, adversely impacted SCC. By way of example, it is common in the Draft DAR Audit Report to have an alleged error rate of .0651 "rounded up" to 7% or an alleged error rate of .0649 to be "rounded down" to 6%. Due to the alleged substantive financial impact of the Draft DAR Audit Report, SCC respectfully submits that the "rounding" methodology used by DAR is inappropriate and reflective of the lack of precision in the entire Draft DAR Audit Report. To our knowledge, SCC is not aware of any external auditors, BH-MCO or DPW itself that imposes this "rounding" methodology.

2. Statistical Sampling and Extrapolation Standards. Federal and State agencies have established statistical sampling and extrapolation standards for reviewing claims, assessing risk, self-reporting disclosure, and settlement calculation. SCC respectfully submits that DAR's sampling methodology and extrapolation are faulty and unjustly penalize SCC. Because of the serious impact of the alleged financial results of the sampling and extrapolation, DAR must comply with federal and state (i.e. DPW) standards. SCC outlines below its general concern. Some specific deficiencies related to each Finding are noted in the Finding sections below.

The Office of Inspector General has published the OIG's Provider Self Disclosure Protocol including specific steps and detailed audit methodology. Based on these standards a review should include the following:

- All claims affected by the disclosed matter for the relevant period, or
- A statistically valid sample of the claims for the relevant period.
- Definition of the sampling unit, which is any of the elements that are included in the population of interest.
- Sampling frame that is the totality of the sampling units from which the sample will be selected.
- Sample size determined through the use of a probe sample, with a description of both a probe sample and a full sample.
- Full sample designed to generate an estimate with a 90% level of confidence and a precision level of 25%.
- Probe sample that contains at least 30 sample units and cannot be used as the full sample.
- Probe sample that is randomly selected.

The Office of Inspector General (OIG) has published RAT-STATS 2007 Version 2 software provided by the OIG to assist in selecting random samples and estimating improper payments. Based upon such standards, a provider should be able to duplicate the random sampling and cases chosen for audit. No information has been provided to SEC permitting SEC to verify the random sampling methodology.

The DPW has published the Medical Assistance (MA) Provider Self-Audit Protocol" that defines the audit methodology process to be followed for obtaining an appropriate sample. The process includes the following requirements:

- For each sample stratum, an initial probe sample will be identified using sequence numbers and random numbers generated by the provider.
- The initial probe sample must include 50 claims.
- Following the review of the probe sample, it may be appropriate to narrow the original stratum based upon the specific results to a particular finding, such as a specific CPT code causing a significant number of errors.
- If this is the case a new probe sample must be selected, using random numbers for the more defined population.
- If a new probe sample does not need to be selected, the original probe sample will be used to determine the full sample using a 90% confidence level and a 5% precision level.
- Additional claims will be added using the random number selection to yield the necessary full sample.

Based on these federal and state guidelines, SCC believes that the validity of DAR's sample is faulty and tainted. By way of example, the sample size has never been disclosed; probe samples were never utilized, confidence levels were never calculated, and

arbitrary "stratum" such as "single case" or "multiple cases" were used. In the event of any adverse action based upon the final DAR audit report, SCC reserves all legal rights to appeal and challenge the DAR extrapolation findings.

III. FINDING NO.1: "SCC'S INTERNAL CONTROLS OVER COST REPORTING, PROCUREMENT, AND DOCUMENTATION FOR MENTAL HEALTH AND INTELLECTUAL DISABILITY SERVICES NEEDS TO BE IMPROVED".

A. General Response. SCC seeks continuous quality improvement in all aspects of its operations, including cost reporting, procurement, and documentation. SEC disagrees with many of the conclusions in Finding No. 1 of the Draft DAR Audit Report.

B. Posting Adjusting Entries: "SCC did not post all adjusting entries and some entries were not directly charged to appropriate cost centers as required by 55 Pa. Code §4300.146". SCC respectfully disagrees.

All general ledger adjusting entries were posted to the general ledger. SCC maintains three "indirect" Cost Centers within its general ledger: Plant Services; — ~~Shared~~ Costs; and ~~Administration~~. Revenues and expenses related to each of these Cost Centers are maintained within each CC on the general ledger. SCC maintains a separate Indirect Cost Allocation spreadsheet, which is used solely for the allocation of indirect costs (to the underlying program cost centers) for internal financial report purposes. If SCC were to actually post the indirect cost center allocations to the general ledger, the administrative and overhead cost centers would effectively be eliminated from the general ledger, and the general ledger would then be rendered virtually un-auditable. 55 Pa Code §4300.146 (d) states- "Ledgers shall be maintained in sufficient detail for necessary fiscal management. Transactions entered in the records shall be identified to permit them to be traced back to their source." If the indirect cost allocations were posted to the general ledger, they would not be able to be traced back to their source because the entries would no longer exist in the general ledger.

SEC has used the same procedure for many years, and during that time has been audited by two different, reputable public accounting firms who have expressed a positive opinion with no negative findings with the 4300 regulations. SCC's current independent auditors have expressed the following written opinion for the year ended June 30, 2011:

"We have examined Scranton Counseling Center and controlled entities' (Harrison House Personal Care Home, Advance Community Service Associates, and SCC Care) (the "Entity") compliance with the method used to allocate indirect costs as required by the Commonwealth of Pennsylvania, Department of Public Welfare, Title 4300 Regulations as of and for the year ended June 30, 2011. Management is responsible for the Entity's compliance with those requirements. Our responsibility is to express an opinion on the Entity's compliance based on our examination....In our opinion, the Entity

complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2011."

Copies of our independent auditor reports are available upon request.

C. Salary Reclassification: In Findings No. 1 and 3, DAR alleges that "SCC **did not conduct time studies or maintain time records to support its salary reclassifications as required by 55 Pa. Code 4300.94**". SCC respectfully disagrees. The DAR finding (i.e. that SCC failed to conduct time studies and DAR's reclassification of salaries) is incorrect. Time studies are not required. The salary reallocation estimated at \$273,500 is inappropriate and unjustified.

In Finding No. 1, DAR specifically cites 55 Pa Code 4300.94 as a basis for requirement that SEC conducts and maintains time records to support certain salary reclassifications? This regulation requires that indirect costs be allocated according to the

² (a) *indirect costs are costs for supportive activities which are necessary to maintain the direct effort involved in providing services. The Department will participate in indirect costs if the agency has a cost allocation plan and indirect costs are an approved component of the contract.*

(b) There is no general rule for classifying costs as either direct or indirect. A cost may be direct with respect to a specific service or organization, but indirect with respect to another. Once classified, each item of cost shall be treated consistently either as a direct or indirect cost.

(c) The overall objective of the allocation process is to distribute the indirect costs of the agency to its various services or cost categories in reasonable proportion with the benefits provided to these services or cost categories.

(d) The cost allocation plan is the document for identifying, accumulating and distributing costs to consuming levels or cost categories within the agency and/or identifying the allocation methods used. The agency shall maintain a complete file regarding the cost allocation plan and supporting documentation.

(e) The apportionment of indirect costs may be treated in two ways:

(1) Indirect costs may be specifically identified and apportioned into the direct cost of services provided. These costs become a direct cost when properly identified, documented and allocated.

(2) Indirect cost pools or centers may be established to accumulate expenditures. These costs may be distributed to service or cost categories based on a rate identified in the cost allocation plan. A line item may be identified for indirect costs for each service or cost category.

(f) Distributing indirect costs to the appropriate services requires the development of an allocation methodology. This methodology shall logically apportion these costs among services receiving a benefit. The methodology is at the discretion of the agency; however, it shall result in a fair and equitable distribution of costs, and shall be in direct relation to actual benefits accruing to the services to which costs are charged. The agency shall obtain an opinion from a public accounting firm on the equitableness of its cost allocation plan.

(g) To be allowable for Departmental participation, indirect costs shall meet the following criteria:

(1) Be necessary and reasonable for the proper and efficient operation and administration of the contract.

(2) Be authorized under statutes and regulations.

provider's Cost Allocation Plan, but do not specifically require the use of time studies to allocate salaries. 55 Pa Code 4300.94(f) reads as follows: "(f) Distributing indirect costs to the appropriate services require the development of an allocation methodology. This methodology shall logically apportion these costs among services receiving a benefit. The methodology is at the discretion of the agency; however, it shall result in a fair and equitable distribution of costs, and shall be in direct relation to actual benefits accruing to the services to which costs are charged. The agency shall obtain an opinion from a public accounting firm on the equitableness of its cost allocation plan". As noted above in subsection B above, SCC has obtained a formal opinion from its independent accountants that SCC has complied with the 55 Pa. Code §4300 regulations regarding indirect cost allocations.

In addition, while 55 Pa Code §4300.135(2) references the use of time studies in order to allocate salary costs, this regulation specifically states that it pertains to a "county program". The regulations located at 55 Pa Code 4300.4 (Definitions) defines "county program" as, "A mental health and mental retardation program established by a county, or two or more counties acting in concert."

For these reasons, DAR's review and interpretation of the 55 Pa. Code §4300 regulations are incorrect, including the reclassification of \$273,500 allegedly not posted to the general ledger.

D. Bids were not obtained when required. DAR's alleges that SCC failed to obtain bids as required under 55 Pa. Code § 4300.145 in order to repair, on an emergency basis, the SCC air conditioning ("HVAC") system. SCC strongly disagrees. DAR's suggestion that emergency repairs require public bids defies creditability and reasonableness.

SCC purchased a HVAC air conditioning unit and maintenance contract from [redacted] who installed the system. This is a standard transaction for any business or company. In late summer of 2010, SCC's [redacted] unit failed. As per the maintenance contract, SCC contacted and used [redacted] to repair the HVAC. DAR's finding that SCC should have conducted public bids is incredulous and without merit. 55 Pa. Code §4300.145 was not intended to address emergency repair situations.

Further, DAR suggests that SCC was required to obtain bids for a copier maintenance contract. BFO never discussed copier service with SCC.

DAR did question SCC's computer equipment lease & service contracts. This is a case of [redacted] (a business partner) being a sole provider. SCC's only alternative was to deal directly with [redacted] which operates as strictly list price vendor. That route would have been more costly for SCC. There are no other [redacted] business vendors locally, and those

{3} Conform to limitations, exclusions or allowable cost standards for items of expenditure as included in this chapter if more than 50% of the agency's indirect costs are allocated to mental health or mental retardation programs, or both, funded by a county/jointer or a combination of Commonwealth counties/jointers.

{4} Be accorded consistent treatment as either a direct or indirect cost.]

who may be in the Tri-State area could not have offered the promotional and reduced pricing, so that was not an attractive option for SEC.

This information and documentation was provided during the course of the audit, and SCC was informed that this citation would be removed from the DAR. It was not.

It is difficult to understand why DAR would site SCC for errors because they did not prove was the sole source. In an era of increased need for mental health and other support services for poor underserved, the DAR suggestion that SCC prove the non-existence of a set of facts is hard to understand and is, in SCC's judgment, without merit and unreasonable.

E. SCC did not obtain fair market rental appraisal for a SCC Care Location. rees with DAR's conclusion. DAR's own research indicated that SCC Care's former location rental costs to be within the range of comparable properties. While SCC believes DAR's recommendation that rental arrangements should be reviewed periodically is helpful, to cite SCC for not meeting DAR's prospective advice on a retrospective basis inappropriate. SCC shall continue to follow the ODP Cost Report Instructions.

F. The purpose of travel was not always documented on travel expense reports. SCC concurs with the recommendation and a totally revised Expense Reimbursement Form designed to accurately collect that information was implemented on March 1, 2013.

G. Documentation for Mental Health and Intellectual Disabilities Services. DAR alleges in the summary to Finding No. 1 that: "(i) SCC did not consistently verify that service units recorded on daily logs are justified by service notes"; and (ii) "SCC did not consistently monitor billable activity logs to ensure SEC is meeting contact frequency requirements." SEC disagrees with these summary statements.

1. "SCC did not consistently verify that service units recorded on daily logs are justified by service notes". SEC has been providing services for northeast Pennsylvania for 65 years and has developed internal review protocols. While SCC is always seeking to improve those procedures and recognizes that some activity logs may not be reviewed due to intense scope of services and occasional human error, DAR's characterization of SCC as failing to consistently monitor is incorrect.

SEC has established and maintained a comprehensive corporate compliance program for over a decade and has demonstrated that it is committed to maintaining full compliance with all applicable federal, state, and local laws, regulations and requirements.

This policy is included in the Employee Handbook, and is reviewed at time of hire with all employees who certify in writing that they have reviewed and understand the policy and its ramifications.

The Compliance Plan is multifaceted including but not limited to reference to responsibilities of supervisors and employees, training, staff code of ethics, the implications of the Deficit Reduction Act of 2005, fraud/abuse, and the Exclusion List.

In specific reference to the DAR, as part of the Compliance Program, SCC has historically employed a process that includes the review and monitoring of progress notes and daily logs by all service managers. This review by first level managers is designed to help insure that billing logs are accurate and reflect the services delivered; and to help insure that documentation meets Center and regulatory standards.

Beyond that initial review, SCC also maintains a Quality Assurance Committee. This group consists of high level clinical staff, including a psychiatrist, who regularly meets to review randomly selected consumer records, from services that are regularly rotated so all are programs are reviewed on a timely basis. The Quality Assurance (QA) Committee's mission is to systematically monitor and evaluate the various clinical services provided to SCC consumers, in an effort to assure that appropriate standards of practice are being attained. In addition the Q. A. Committee strives to have all clinical services meet best practice criteria for the particular service.

Following concepts of Recovery and Resiliency, the Q.A. Committee uses two principals to guide its efforts. The first is that the service meets the needs of the consumer. The second is that the utilization of the service identified for the consumer is the appropriate and least restrictive necessary for that particular consumer based on a Best Practice Evaluation for this service which occurs at the initial visit. The Q. A. Committee monitors records to not only identify the presence or absence of forms/processes required by Regulation or Managed Care Entities but also to assess the professional quality of the record with appropriate audit tools to include a nationally recognized and accepted checklist format.

A third level of review takes place on a more limited basis when the SCC Chief Operating Officer also reviews randomly selected client records for clinical and fiscal issues.

As in every area of human endeavor, including medicine, law, finance, and human services, errors can occur. Despite the presence of a comprehensive and robust compliance program, a keystroke error in entering a log into the billing system or a supervisor who may accidentally miss reviewing a log can take place. The significant daily volume due to SCC's comprehensive and integrated behavioral health and support systems does present challenges.

SEC commenced an incremental implementation of an electronic medical records system in October, 2012. This system was first utilized in the Outpatient and Crisis/Intake Programs, with the plan to roll its use out to all SCC services. SCC believes that the use of an Electronic Medical Record ("EMR") offers many compliance-related benefits, including the automated review for the existence of a completed and signed progress note prior to the system allowing billing of the invoice/claim. SEC believes that these types of safeguards will augment and further strengthen SCC's current internal reviews and monitoring processes.

The DAR presents a distorted perception and implies that SCC is not adequately fulfilling a compliance review process. We believe this is an unfair and inaccurate perception, in light of our internal compliance processes.

2. "SCC did not consistently monitor billable activity logs to ensure SCC is meeting contact frequency requirements." Additionally, DAR referenced requirements and criteria related to monitoring and face-to-face contact in citing SEC for perceived deficiencies in the Targeted Service Management ("Supports Coordination") program. DAR applied the monitoring and contact criteria contained in Bulletin 00-07-01 (which applies to Waiver recipients) to non-Waiver individuals. As per Section II of the ISP Manual and the Lackawanna/Susquehanna Oversight Monitoring Tool, only one face-to-face contact is required on an annual basis for non-Waiver individuals.

Similarly, DAR cited SCC incorrectly for a lack of monthly progress note and/or face-to-face contacts in Earley Intervention Services. Monthly contact and/or monthly progress notes are not required as per the Lackawanna Susquehanna Behavioral Health / Intellectual Disabilities / Early Intervention Program Policies and Procedures (page 24), and the Early Intervention Service Coordination monitoring tool utilized by the Office of Childhood Development and Early Learning. Both of these sources require quarterly contact and progress notes.

Lastly, DAR has misinterpreted bulletins providing guidance regarding various Waiver programs governed by ODP and OCDEL. By way of example, in Observation # 1, BFO cited SCC related to stafftravel time until OCDEL informed DAR that travel time is reimbursable.

IV. FINDINGS NO.2: "SERVICE DOCUMENTATION DID NOT SUBSTANTIATE THE LIMITS BILLED TO PROMISE".

A. General. SCC respectfully disagrees with many of the conclusions listed in Finding No. 2. related to OHMSAS funded services (e.g. Partial Hospitalization, Targeted Case Management, Wrap-Around, Psychotherapy); ODP funded services (e.g. Supports Coordination), and OCDEL funded services (e.g. Case Management-Early Intervention). Specifically, DAR has inappropriately used a methodology and stratification of the cases that results in a faulty overpayment extrapolation. The regulatory interpretation of Targeted Case Management and specific consumer cases that we believe were incorrectly reviewed is discussed below.

B. Extrapolation and Methodology. As noted in section II-C of our response, DAR's sampling and extrapolation methodology fails to meet federal and DPW standards. A specific example is illustrated by the common decision to arbitrarily "stratify" cases. No rationale is offered for the practice; no statistical basis was offered to support each strata analyzed. Indeed, the "strata's" created seem to have no basis in clinical or operational basis and appear to be arbitrary. Further, as noted earlier, the mathematical rounding calculations are another example of what appears to reflect an arbitrary methodology.

C. Substantiation/Documentation Services. DAR provides detailed Attachments to the Draft DAR Audit Report related to specific claims. SCC respectfully

disagrees with many of DAR's findings. SCC's response is organized based upon the regulatory structure outlined above in section II-C.

1. Targeted Service Management (Supports Coordination) Services: 55 Pa. Codes 51. ISP Manual. ER Guide.

(a) Attachment B- ODP- Supports Coordination. SCC has reviewed each of the eleven (11) claims on Attachment B that was identified by DAR to be deficient, and disagrees with DAR's findings for eleven (11) claims. SCC respectfully disagrees with DAR's claims review. The following are SCC's summarized responses related to each type of alleged deficiency cited by DAR. SCC shall provide claim-by-claim responses in a separate document.

For 6 individuals, DAR applied the monitoring and contact criteria for Waiver individuals (Bulletins 00-07-01 and 00-11-02) to non-Waiver individuals as the basis for deficiencies as well as PA Code, Title 55, Chapter 1247.42 for Targeted Case Management which SCC as an SCO does not provide. SCC followed the Electronic resource Guide for Service Note Standards, Targeted Service Management and Monitoring Frequency for individuals supported through state (Base) funding. Also, as per section 11 of the ISP Manual and the Lackawanna/Susquehanna (AE) Oversight Monitoring Tool, only one face to face contact is required on an annual basis for Non-Waiver individuals.

For remaining individuals cited for billable activity, DAR cited one individual for not combining 2 activities in one note when the SC in fact completed 2 separate activities, the entering of a service note then the entering of a Monitoring tool as defined on page 113 of the ISP Manual. For another individual, DAR disallowed billing for work not directly related to the consumer. As per the ISP Manual, pg. 85 the SC is responsible to: arrange for modifications in services and service delivery, and modify the ISP accordingly. For the final consumer, DAR cited a deficiency for a service note that was interpreted as not service related, however the SC's note reflects "Everyday Lives Principles" of choice, relationships and community integration as well as the Service Notes Standards, from The Electronic Resource Guide for Supports Coordinators and Supervisors.

The remaining two (2) alleged deficiencies includes one (1) claim where the progress note was completed and dated on the day after the date-of-service (The progress note did exist and did contain relevant information as to the service provided -therefore SCC believes the progress note is correct and acceptable), and one (1) claim that DAR concluded did not constitute a full IS-minute unit-of-service, with which SCC disagrees based upon supporting documentation.

(b) Attachment C –ODP- Early Intervention. SCC has reviewed each of the nineteen (19) claims in The DAR applied the ODP Bulletin 00-07-01 in citing non-compliance with frequency of contact and progress notes. Early Intervention adheres to the Early Intervention Monitoring Tool from OCDEL and the Lackawanna/Susquehanna/Behavioral Health/Intellectual Disabilities/Early Intervention Policy & Procedures.

Attachment C that was identified by DAR, we believe to be deficient, and we disagree with DAR's findings for all nineteen (19) claims, as follows (SCC shall provide claim-by-claim responses in a separate document.). All nineteen (19) of the alleged deficiencies involved the lack of a monthly progress note. After review by SCC, it was determined that each of these nineteen (19) claims met the progress note/contact criteria as indicated in: (1) the Lackawanna/Susquehanna Behavioral Health/Intellectual Disabilities/Early Intervention Program Policies and Procedures (page 24), and (2) Item #29 of the Early Intervention Monitoring Tool used by OCDEL and the Lackawanna-Susquehanna office for verification. Both of these documents indicate that contact has to occur on a quarterly basis at a minimum. SCC respectfully disagrees with DAR's finding and believes that no corrective action is necessary.

(c) Attachment D- Targeted "Case" Management- ODP. (Single Claims in a day). The Draft DAR Audit Report often incorrectly labeled ODP "Targeted Service Management" as "Targeted Case Management". The distinction is very important. "Targeted Case Management" refers to mental and behavioral health services while Targeted Service Management refers to supports coordination services of ODP. SCC has reviewed the claims on Attachment D that were identified by DAR to be deficient, and disagrees with some of DAR's findings. (SCC shall provide claim-by-claim responses in a separate document).

For 16 individuals, DAR applied the monitoring and contact criteria for Waiver individuals (Bulletin 00-07-01 and 00-11-020 to non-Waiver individuals as the basis for deficiencies as well as PA Code, Title 55, Chapter 1247.42 for Targeted Case Management which SCC as a Supports Coordination Organization ("SCO") does not provide. SCC followed the Electronic Resource Guide for Service Note Standards, Targeted Service Management and Monitoring Frequency for individuals supported through state (Base) funding. Also, as per section 11 of the ISP Manual and the Lackawanna/Susquehanna (AE) Oversight monitoring Tool, only one face to face contact is required on an annual basis for non-Waiver individuals.

(d) Attachment E – ODP -Targeted "Case" Management (Multiple claims same day). Once again, the Draft DAR Audit Report incorrectly labels ODP "Targeted Service Management" as "Targeted Case Management". As indicated above, the distinction is important. "Targeted Case Management" refers to mental and behavioral health services while Targeted Service Management refers to services for supports coordination services of ODP. SCC has reviewed the claims on Attachment E that was identified by DAR to be deficient, and disagrees with DAR's findings as follows (SCC shall provide claim-by-claim responses in a separate Appendix).

For 9 individuals, DAR applied the monitoring and contact criteria for Waiver individuals (Bulletins 00-07-01 and 00-11-02) to non-Waiver individuals as the basis for deficiencies as well as PA Code, Title 55, Chapter 1247.42 for Targeted Case Management which SCC as an SCO does not provide. SCC followed the Electronic Resource Guide for Service Note Standards, Targeted Service Management and Monitoring Frequency for individuals supported through state (Base) funding. Also, as per section 11 of the ISP Manual

and the Lackawanna/Susquehanna (AE) Oversight monitoring Tool, only one face to face contact is required on an annual basis for non-Waiver individuals.

SCC has reviewed each of the nine (9) claims on Attachment E that was identified by DAR to be deficient, and disagrees with DAR's findings for all nine (9) claims, as follows (SCC shall provide claim-by-claim responses in a separate Appendix).

All nine (9) of the alleged deficiencies involved the frequency of contact. After review by SCC, it was determined that DAR has not referenced the correct standards related to frequency of contact. Eight (8) of the nine (9) claims pertained to non-Waiver consumers. The ISP Manual (page 22) provides that for waiver individuals, SCC monitoring must take place at the minimum frequency outlined in the approved waivers. For other individuals, SCC monitoring must take place at least annually or at a frequency necessary to ensure the health and welfare of the individual.

The final one (1) claim pertained to a Waiver individual who resided with their family. As per Individual Support Plan ("ISP") ISP Manual Section I I, "... for individual living with a family member the supports coordinator shall contact the individual at least once every three (3) calendar months and shall conduct a face-to-face monitoring at least once every six (6) calendar months. At least on face-to-face monitoring per calendar year must take place in the individual's home."

SCC respectfully disagrees with DAR's findings. No corrective action is necessary.

2. Targeted Case Management: 55 Pa. Code 5221 and Bulletins.

(a) Attachment G-Targeted Case Management – OMHSAS – Single Claims "32 units and under". SCC has reviewed all fifty-six (56) claims on Attachment G that was identified by DAR to be deficient, and disagrees with DAR's findings for four (4) claims. For each of these four (4) claims, DAR alleged that SCC had no progress notes to substantiate certain months-of-service. SEC successfully located progress note documentation for these claims. SEC provides a claim-by-claim response in a separate document.

(b) Attachment J -Targeted Case Management- OMHSAS- "Single Claims over 32 units". SCC has reviewed all ten (10) claims on Attachment J that was identified by DAR to be deficient, and disagrees with DAR's findings for two (2) claims. For each of these two (2) claims, DAR alleged that the travel time on record was either not correct, or was not possible. SEC believes that the travel time can be substantiated as documented.

V. FINDINGS NO. 3: "SCC OVERCHARGED THE COUNTY BY \$251,651 FOR SCC'S PROGRAM FUNDED COSTS"

A. General. SCC respectfully disagrees. The Draft DAR Audit Report disallowed the Center's cost applications to several program funded areas, specifically Administrative Management, Court Projects, and Student Assistance Programs. The net effect of

the DAR finding was to essentially disallow the majority of costs SCC recorded for these programs, suggesting that SCC overcharged the County by \$251,651 for program funded costs.

The cost allocation method used by SCC is reasonable and has never been challenged by external auditors or the County. It is our belief that to disallow the costs negates consideration of the fact that the required program services were delivered by SCC. The DAR approach basically means that the services were delivered at little or no cost to SCC. This is wrong and misguided.

DAR's position is in contrast to other programs SCC provided to LIS BH/ID/EI Program (Family Driven/Respite) which were essentially pass through programs, where SCC was cited by DAR for delivering these services at no cost to SCC or the County. The contracted services were delivered in an efficient and effective manner, and SCC should not be financially penalized. Further details on these programs and services are as follows:

1. Mental Health Administrative Case Management. This Cost Center applies to those activities and administrative functions undertaken by staff in order to ensure intake into the county mental health system and the appropriate and timely use of available resources and specialized services to best address the needs of the individual seeking assistance. Services are available for all persons monitoring a person's access to mental health services and community resources. The activities include, but are not limited to:

- Processing of intake into the Base Service Unit;
- Verification of the Disability;
- Liability Determination;
- Authorization of services;
- Monitoring of service delivery through review of evaluations, progress notes, treatment/service plans, and other written documentation of services;
- Coordination of service planning with, but not limited to, within the agency, state mental hospitals, other out-of-home placement, facilities, with other agencies and provides with other systems such as probation and parole and school personnel through collateral contact;
- Provision of supportive listening and guidance problem solving to consumers, their families and significant others;
- In person and collateral contact with family, friends and significant others to develop or enhance the consumer's natural support network, and
- Advocacy efforts to improve consumers' life situation, promote consumer choice, improve services, eliminate stigma, etc.

During FY 201 I, SCC processed 2,605 new intakes into the County Mental Health System supported by the Mental Health Administrative Case Management

Program Funded Allocation. It is our position that to negate the fact that the intent for the use of these program funds was fulfilled and services were delivered in concert with the requirements, would be unfair and harsh.

2. Court Projects. In response to identified consumer needs, the dramatic expansion of specialized treatment courts in Lackawanna County, the observed increase in behavioral health clients with court involvement, and specific requests by the judges for presence of behavioral health staff in the courts, the LS BH/ID/EI program provide a program funded category of Court Projects.

DAR has taken the position that costs allocated to Court Projects were not acceptable. SCC met and meets the intent and spirit of this cost center, and has consistently delivered services to both the Court's and County's satisfaction. Specifically, SCC program staff currently is present in the following courts at every meeting:

- Co-Occurring Court
- Mental Health Court
- Drug Treatment Court
- Juvenile Court
- Re-Entry Court
- Veterans Court
- DUI Court

In addition to the time actually spent on site, participating in the Court processes, staff participate in pre-court meetings that typically run for several hours. Aside from active participation in the Courts, assigned staff also must spend several hours each at SCC consulting with treatment staff regarding individual consumer progress and participation, in order to present a comprehensive picture to the Courts.

3. Student Assistance Program (SAP). The overall focus of the SAP program is to assist school personnel identification of behavioral health (mental health and substance use/abuse) issues which pose barriers to a student's success.

The primary goal of SAP is to help students overcome these barriers in order that they may achieve, remain in school, and advance. The program represents an integrated model designed to serve the needs of students, families, and schools.

By definition, SAP is a systemic process using techniques to mobilize school resources to remove barriers to learning. The core of the program is a professional trained team, including school staff and liaisons from community alcohol and drug and mental health agencies. SAP team members are specifically trained to identify problems, determine whether or not the presenting problem lies within the responsibility of the school, and to make recommendations to assist the student and the parent. When the problems are felt to lie beyond the scope of the school, the SAP team assists the parent and student in accessing services within the community.

Anyone can refer a student to SAP when there are concerns about a student's behavior; this includes school staff, a student's friend, a family member or community member. The students themselves can also go directly to the SAP team to ask for assistance.

With parental approval and involvement, the SAP team gathers information about the student's performance in school from all school personnel who have contact with the student. Information is also collected from the parent. The team meets with the parent to discuss the data collected and also meets with the student. A plan is developed that typically includes strategies for removing the learning barriers and promoting the student's academic and personal success, to include in-school and/or community-based services and activities.

Once the plan is developed, the team assists in linking the student to in-school and/or community-based services and activities. The team might also recommend either drug and alcohol or mental health assessment.

The SAP team continues to work with and support the student and their family during this process. Follow-up includes monitoring, mentoring, and motivating for academic success.

Involvement of parents in all phases of the student assistance program underscores the parent's role and responsibility in the decision-making process affecting their children's education, and is a key to the successful resolution of problems.

The student assistance process is based upon Commonwealth guidelines, professional standards and policies, as well as procedures adopted by the local school board. Professional training for team members in all phases of the student assistance process is required to ensure the appropriateness of the recommended services, effective interagency collaboration, and compliance with state and federal laws protecting the privacy rights of parents and students.

SEC has for many years, and continues currently, to be extensively involved and actively participate in SAP teams with all public school districts, in our primary service area, as well as some private/religious schools and the N.E.I.U. SAP teams typically meet weekly in each school, with follow-up as appropriate.

Our SAP staff has completed the multiday Commonwealth required SAP training curriculum, a prerequisite for participation on SAP teams.

SCC staff actively participates in SAP services in the following school districts:

- Abington Heights
- Dunmore
- Holy Cross
- Lackawanna Trail
- North Pocono
- Northeast Intermediate Unit

- Old Forge
- Riverside
- Scranton

During the 18 month audit period in question, SCC had a total of 10 different staff who delivered SAP services in the schools.

B. Time Studies as Required by 55 Pa. Code §4300.94. SCC respectfully disagrees. See response in Finding No. 1.

C. *"SCC over reported program funded direct wages by \$250,000. This includes \$273,500 of salary Reclassifications not posted to the general ledger"*. SCC respectfully disagrees. The overall objective of SCC's indirect cost allocation process is to distribute the indirect costs to its various program cost centers in reasonable proportion with the benefits provided to these programs. As allowed by 55 Pa Code §4300.94, SCC indirect costs are specifically identified and apportioned into the direct cost of program cost centers.

SCC maintains a general ledger that includes Cost Center – Administration. These Administrative costs are allocated to program cost centers in the completion of various internal and external reports, including year-end reports to the County for funding purposes. One of these Administration allocation consists of the reclassification of Wages- out of Cost Center – and into the program cost centers. Additionally, and in a similar manner, SCC may reclassify Wage costs from one program to another program for certain management staff in order to accurately reflect the Wage cost of each program for internal and external reporting purposes.

For FY2011, SCC reclassified some Wage costs for thirteen (13) Administrative staff and reclassified some Wage costs for twelve non-Administrative staff, to the proper program cost center(s) in order to accurately reflect the Wage cost of each program for internal and external reporting purposes. DAR effectively "reversed" SCC's indirect Wage cost allocation for all Wages reclassified out of but did not "reverse" the similar cost allocations that occurred between programs, even though the two reclassifications are similar in intent and execution.

SEC has employed this cost allocation methodology in a uniform and consistent manner for many years. This methodology has been reviewed and accepted as such by two (2) different, reputable public accountants. It was not challenged by the County. In 2011, our independent auditors formally expressed its positive opinion. See Section III-B.

D. *"SCC failed to report \$17,602 of unrestricted revenues to the County, which would have reduced the total eligible program funded expenditures. However, only \$5723 relates to programs for which SCC was overfunded by the County"*. SCC respectfully disagrees. Included in the \$17,602 is interest earned on restricted funds which should not be used to offset total eligible program expenditures. Also, the total interest income applied to offset total eligible program expenditures is in excess of the interest expense that was charged to these

programs. Per Federal Provider Reimbursement Manual (HIM-15), Chapter 2- "Any investment income in excess of allowable interest expense is not used to offset other expenses."

E. *'SCC over reported indirect costs by \$187,774 which includes unallowable indirect salaries and taxes, uncollectible bad debt, depreciation, and other unallowable costs'*. SCC respectfully disagrees. DAR made numerous erroneous calculations, assumptions and interpretations in order to reduce SCC's overall indirect costs by \$187,774, including:

1) Wage Adjustment	
a) Management Fee Income	(\$125,841)
b) CEO Compensation "Cap" per ODP CR	(\$ 27,166)
c) Medical Director	<u>\$ 40,000</u>
d) SUBTOTAL	(\$113,007)
2) DAR-imputed FICA tax on Maintenance	(\$ 3,123)
3) Food Costs	(\$ 4,015)
4) Miscellaneous	(\$ 2,327)
5) Bad Debt Expense	(\$ 60,400)
6) Depreciation	(\$ 4,902)
 TOTAL	 (\$187,774)

1. Wage Adjustment- SCC believes the Wage Adjustment is in error as follows:

(a) DAR did not accurately quantify the total Management Fee Income received by SCC, thereby overstating the Wage Adjustment.

(b) DAR erroneously applied a compensation "cap" utilized solely and exclusively in the ODP Waiver Cost Report against all SCC programs (including non-Waiver programs), thereby overstating the Wage Adjustment.

(c) DAR erroneously reclassified the SCC Medical Director to the Administration cost center, which resulted in the allocation of these costs to programs for which the Medical Director has no involvement.

2. FICA Adjustment – SCC is not able to determine the source of the adjustment to "Maintenance" wages that results in this FICA adjustment.

3. Food Adjustment – SCC believes that any costs associated with this expense account adjustment are justifiable and reasonable in the operation of the SCC Board of Directors.

4. Miscellaneous Adjustment -SCC believes that any costs associated with this expense account adjustment are justifiable and reasonable, and are related to "employee morale" activities that are carried out by providers across the Commonwealth.

5. Bad Debt Expense- SCC does not challenge this adjustment.

6. Depreciation -SCC believes that BFO has misapplied this adjustment, as the depreciation in question is related to a single SCC program, and DAR's adjustment will negatively impact all SEC programs when the depreciation costs are allocated to SEC programs.

F. Application of the ODP Cost Report Wage "Cap" to All SCC Services. For the Year 4 (FY 2011) ODP Intellectual Disability ("ID") Waiver Cost Report, ODP utilized a Wage/Benefit "cap" (i.e. ceiling) in order to determine the "allowable" Wages and Benefits of all staff. Appendix E of the Cost Report Instructions outline a graduated scale of Wage/Benefit limits based on the provider's size (i.e. total expenses). ID Waiver providers were first required to file an acceptable ODP Cost Report for FY2008 (Year 1), and has continued through providers' FY2012 (Year 5) fiscal year. The above referenced Wage/Benefit cap has only been utilized in two (2) of the five (5) ODP Cost Report Years: Year 3 (FY2010) and Year 4 (FY2011). See attached Appendix E of the ODP Cost Report Instructions.

For FY2011, SCC Care determined that the ODP ID Waiver Cost Report Wage/Benefit cap would impact the allow-ability of the compensation of the SCC Chief Executive Officer. Therefore, a total adjustment of \$27,166 was determined, and the SCC Care portion of that total adjustment was applied as an offset to SCC Care expenses on the FY2011 ODP Cost Report. See attached work-paper from the SCC Care Cost Report file.

The DAR Draft Audit Report indicates at page 14, that DAR has applied the ODP ID Waiver Cost Report Wage/Benefit against all SCC programs.³

The application of this ID Waiver Cost Report expense limitation effectively reduced SCC's overall "indirect" expenses, which therefore reduced the allocation of indirect expenses to all SCC programs. The Wage/Benefit cap utilized on the Year 3 (FY2010) and Year 4 (FY2011) ODP ID Waiver Cost Reports was strictly a limit on ID Waiver Program

³ "SEC overstated administrative salaries and service costs by \$113,007. The CEO's excess salary and benefits, as identified in SCC Care's cost report, represents \$27,166 of the overstated costs. Conversely, the administrative of the Medical Director's salary was understated by \$40,000. In addition, Harrison House, ACSA, and — (an independent hvmg community) pay management fees to SCC for administrative services. This management fee income is recorded on SCC's books but did not offset any of the administrative costs reported to the County. As a result, the BFO reduced administrative salaries by an additional \$125,841".

expenses. This cap is not contained in any Pennsylvania regulation or DPW Bulletin, and therefore, the application of this ID Waiver Wage/Benefit expense limit across all SCC programs is in error.

VI. FINDINGS NO. 4: "SCC UNDERSTATES \$69,299 OF INDIRECT COSTS ON SCC CARE'S COST REPORT"

A. General. SCC Care prepared and timely submitted the FY2011 ODP Cost Report in compliance with ODP's Cost Report instructions and requirements. This Cost Report was subsequently reviewed ("desk reviewed" by the AE/County) and was approved for use in the ODP Rate Setting process. The approved FY2011 Cost Report was then used to determine SCC Care's current (FY2013) Waiver rates.

B. Understated Indirect Costs. SCC respectfully disagrees. SCC Care prepared and timely submitted the FY2011 ODP Cost Report in compliance with ODP's Cost Report instructions and requirements. This Cost Report was subsequently reviewed ("desk reviewed" by the AE/County) and was approved for use in the ODP Rate Setting process. The approved FY2011 Cost Report was then used to determine SCC Care's current (FY2013) Waiver rates. The Draft DAR Audit Report creates potential unintended adverse consequences for SCC and the Commonwealth. Specifically, if DAR's findings regarding the FY2011 Cost Report that expenses should be increased, this would have a positive impact on SCC Care's Residential Eligible rates. Essentially, such a methodology suggested by DAR would permit SCC Care to file an appeal in order to have their FY2013 rates increased?

VII. FINDINGS NO. 5: "SCC INEQUITABLY ALLOCATED INDIRECT COSTS"

A. General. DAR states that SCC did not assign any indirect costs to the Family Driven and Respite Programs which benefited from administrative and other shared costs. SCC disagrees that any indirect costs should be assigned, based upon its collaborative agreement with the County. The County requested and contracted with SCC to serve as "pass through" entity, whereby SCC would facilitate services normally provided by the County. Expenses incurred are billed to the County. DAR inappropriately applies 55 Pa. Code 4300 to this arrangement. The County may engage SCC as a "conduit" or "pass through" agent to accomplish a County based responsibilities without adverse allocation of expenses to the detriment of SCC. This is an example of the strong working relationship with the County permitting SCC to assist the County meet its goals and responsibility. Based on DAR's alleged findings, however, SCC has provided notice to the County that SCC is terminating the service.

B. Observation No. 1 - "The bulk of some OMHSAS TCM claims were for travel time". SCC concurs with DAR's analysis but believes it is in a better position, based on its experience and history, to continue to monitor travel time expenses, especially in a rural area where accessing Consumers is often difficult.

C. Observation No. 2 – "Payroll costs incurred by SCC May Be Excessive". DAR alleges that SCC overstaffed the SCC Care program based upon a comparison of staff worked hours to "minimum" recommendations (one staff for every eight individuals shall be awake...) provided for under 55 Pa. Code 6400.45. DAR estimates that a total of 4,491 hours or \$58,164 of direct care wages was paid for staff above the minimum requirements. SEC disagrees. (NOTE: the DAR Draft Report at page 17 reiterates DAR's contention that SCC Care "over-staffed" both of its residential homes). SEC respectfully disagrees.

DAR completed a very basic analysis of "staffhours worked" at each SCC Care site, and then compared these hours to "required staff hours" after reviewing the individuals' ISPs. DAR's basic analysis is flawed because the analysis assumes that every paid staff hour was a "habilitation" service hour (i.e. the staff was at the residential site providing habilitation services to the individuals. However, on a day to day basis, paid staff hours include numerous types of non-habilitation tasks, such as:

- The 24 hours of annual direct care worker staff training mandated by DPW regulation (55 Pa Code §6400.46)
- Other mandatory in-house staff training, such as compliance training
- New employee orientation and initial training
- All forms of paid "leave" time, such as Sick time, Vacation, etc., and
- Any other paid hours that the staff is not actually staffing the Residential site

When staff is away from the residential site due to non-habilitation issues and tasks outlined above, SCC must continue to assign staff to the site in accordance with the individuals' ISPs. Therefore, other direct care staff would replace the non-habilitation staff, and would be charged to the Residential sites, as would their actual paid hours. SCC respectfully submits that DAR's basic approach and findings are flawed.

VIII. CONCLUSION

Once again, we wish to thank you for your professionalism and efforts regarding the Draft DAR Audit Report as well as this opportunity to formally respond. SCC has been providing services to the poor and underserved in Lackawanna County since 1947 and has developed integral relationships with the DPW and its various divisions such as OMHSAS, ODP, OCDEL as well as the Lackawanna County Behavioral Health/Intellectual Disability/Early Intervention Program (the "County"). We seek to provide medically necessary and other support services to the community consistent with laws, regulations, guidelines, and interpretations of these DPW divisions. These complex laws, regulations, guidelines, and interpretations reflect a changing medical assistance health care and ID supports coordination environment and often are difficult to reconcile. We believe the Draft DAR Audit Report, while prepared in good faith, fails to consistently interpret or apply these complex laws and regulations to our financial operations, clinical services, and supports coordination services. SCC is committed to working with DPW and the County to continue to provide our wide range of services. While SCC believes there are some helpful comments and recommendations, on a whole, we feel that DAR has misunderstood or misapplied financial and nonfinancial laws, regulations, bulletins, and interpretations related

to SCC services for the audit period. We respectfully submit that the Draft DAR Audit Report findings and recommendations are extremely adverse and, if pursued could threaten the continued provision of these services to the poor and underserved.

Sincerely

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Edward Heffron, Ed. D
President and CEO