COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
BUREAU OF FINANCIAL OPERATIONS
3rd Floor Bertolino Building
Harrisburg, Pennsylvania 17105-2675

APR 20 2007

TELEPHONE NUMBER
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JOHN H. BUNGO, CGFM, CFS
DIRECTOR

Ms. Paulette Houghton, Executive Director
United Cerebral Palsy of
South Central Pennsylvania, Inc.
788 Cherry Tree Court
Hanover, Pennsylvania 17331

Dear Ms. Houghton:

I am enclosing the final performance report of the United Cerebral Palsy of South Central Pennsylvania, Inc., as completed by this office. Your response has been incorporated into the final report and labeled Appendix B.

The final report will be forwarded to the Department's Office of Long Term Living to begin the Department's resolution process concerning the report contents. The staff from that office may be in contact with you to follow-up on the corrective actions actually taken to comply with the report's recommendations.

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

If you have any questions concerning this matter, please contact Rich Polek of the Audit Resolution Section at (717) 787-8890.

Sincerely,

John H. Bungo

John H. Bungo, CGFM, CFS

Enclosure

cc: Mr. Hall
Ms. Ranck
Ms. Bennett

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.

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JOHN H. BUNGO, CGFM, CFS
DIRECTOR

Mr. Michael Hall
Deputy Secretary for Long Term Living
Bertolino Building, 6th Floor
Harrisburg, Pennsylvania 17105

Dear Mr. Hall:

In response to a request from the Office of Social Programs, Bureau of Home and Community Based Services, which is now part of the Office of Long Term Living, the Bureau of Financial Operations (BFO) completed an audit of the United Cerebral Palsy of South Central Pennsylvania (UCP). The audit was included in the Department of Public Welfare's (DPW) Annual Agency Audit Plan.

The mission of the BFO, accomplished through its audit and review activities, is to assist the DPW's management to administer human service programs of the highest quality at the lowest cost with integrity.

This type of audit places a major emphasis, both in the review and in the report, on matters which need improvement. This emphasis does not give equal recognition to all aspects of the activities, but it does enable more concentrated attention to problem aspects and opportunities for constructive improvement.

The issuance of the report was delayed due to the audit staff being reassigned to other time-sensitive reviews. The areas discussed in the report relate to concerns that were present during fieldwork and may not reflect the current financial situation of UCP.

Results in Brief

The following issues are addressed in our report:

- UCP is in a tumultuous financial situation, which if not improved, could affect the future viability of the Agency. The Department has a vested interest in its providers and the Agency's continued ability to effectively deliver services to consumers.

Results in Brief (Continued)

- UCP has experienced significant turnover in the fiscal unit and new staff do not have the necessary tools for effectively performing their job functions, including documented policies and procedures and a formalized training plan to acquaint new staff to fiscal activities. Turnover has been an issue at UCP for several years.

- As a result of the fiscal unit turnover, UCP's financial records do not accurately reflect the operations of the Agency. Updates and revisions to UCP's cost allocation plan are necessary to accurately charge shared costs between the Agency's programs.

- Past billing practices and invoicing processes had impeded UCP's ability to maintain cash flow. The Agency has made improvements in its billing practices which, if executed properly, should result in a more consistent cash flow.

- Questioned costs in the amount of $10,829 were identified during Fiscal Year (FY) 2004-2005 and $151,510 during FY 2005-2006.

- Management controls can be strengthened and improved.

Background

UCP is a non-profit organization that provides a variety of services to approximately 240 adults with disabilities in York, Adams, Franklin and Fulton counties. The Agency receives funding from the OLTL, either directly or indirectly, for the following programs:

- Attendant Care Act 150
- Attendant Care Waiver
- Community Services Program for Persons Physical Disabilities (CSPPPD)
- CSPPPD Independence and Omnibus Budget Reconciliation Act (OBRA) Waiver
- COMMCARE Waiver services
- Nursing Home Transition (NHT) services

UCP also receives funding from:

- Franklin County MH/MR for Intermediary Service Organization (ISO) services
- York/Adams MH/MR and Franklin/Fulton MH/MR for Early Intervention (EI) services
- Department of Aging
- Local Elks

Background (Continued)

The Agency's total revenues for the year ending June 30, 2005, were $6,537,346. UCP is headquartered in Hanover and operates three satellite offices in Chambersburg, New Oxford and York.

Objectives/Scope/Methodology

Our audit objectives, developed in concurrence with the OLTL were:

- To evaluate the effectiveness of UCP's fiscal management for compliance with applicable DPW requirements and GAAP, specific to the Attendant Care and CSPPPD programs.

- To evaluate UCP's financial status and determine if there are financial shortfalls that will effect future operations.

In pursuing these objectives, the BFO reviewed UCP's activities during FY 2005-2006 and FY 2006-2007. Selected financial documentation was also examined for the FY 2004-2005.

The BFO examined the UCP's system of management controls and reviewed the following:

- General ledgers
- Cost allocation plans
- Invoices and bank statements
- Payroll documentation and timesheets
- Contracts
- The Agency's independent audit report and management letter
- The independent CPA's audit workpapers
- Act 150 Expenditure Reports/Cash Needs Requests
- Selected Waiver billings and other financial information
- Staffing data and job descriptions
- UCP's Board of Directors minutes
- Consumers' files, including the fee determinations and service plans (limited review)

The BFO interviewed staff from:

- UCP
- OLTL
- UCP's independent CPA

Objectives/Scope/Methodology (Continued)

The BFO acknowledges the recent changes to the payment structure for both the Act 150 program and the EI program. However most of the comments in the report are based upon prior practices of the UCP.

Government auditing standards require that the BFO obtain an understanding of management controls that are relevant to the audit objectives described above. The applicable controls were examined to the extent necessary to provide reasonable assurance of compliance with generally accepted accounting principles. Based on the BFO's understanding of the controls, no significant deficiencies came to our attention other than those described in Issues one through five of this report.

The BFO's fieldwork was conducted between August 31 and September 29, 2006, and a closing conference was held with UCP staff on October 17, 2006 to discuss the contents of this report. Upon completion of the fieldwork, the audit staff was reassigned to other time-sensitive reviews. This led to the delay of the issuance of this report. The BFO's audit was conducted in accordance with generally accepted government auditing standards. This report, when presented in its final form, is available for public inspection.

Results of Fieldwork

Issue No 1: The UCP is Operating within a Tenuous Financial Situation

The ability of any organization to meet its required financial obligations is of utmost importance to its continued operation. Payroll, regular vendor invoices, reserves for upgrading equipment and maintaining building and grounds, etc. must be provided through existing revenue levels. If available cash is not sufficient to meet daily needs, the agency cannot be successful.

The BFO's review of Board of Director meeting minutes for the past several years revealed that UCP has historically had cash flow issues. These cash flow problems have from time-to-time been exacerbated by both internal and external factors.

Several times during FY 2005-2006, cash flow was so tight that UCP needed to request assistance from OLTL and local elected officials to expedite payments in order to meet bi-weekly payroll obligations. The BFO is aware of only one instance that the Agency's payroll for 40 consumer-employed attendants had to be delayed for a couple of days. UCP stated that due to the Commonwealth "losing" the Cash Needs Request, they did not receive payment in a timely manner. The seriousness of the Agency's cash flow problem has hampered its ability to pay vendors and other obligations as they become due. This has resulted in UCP incurring additional costs in the form of late fees, penalties and interest.

Results of Fieldwork (Continued)

The BFO identified several factors that have contributed to UCP's current cash flow crunch and resulting tenuous financial situation. These include: billing issues, management of accounts receivable, payables, debt management and changes in program reimbursement methods.

A. Key Areas that Effect UCP's Financial Condition

- **Billing Issues and the Effect on the Agency's Funding Levels**

Funding for the Attendant Care Act 150 program in FY 2005-2006, and prior years, had been obtained through advance payments based on submission of monthly Cash Needs Requests, monthly expenditures reports and a contract settlement based on a "Thirteenth Month Report". While this funding methodology enables contract providers advanced funding to aid with cash flow needs for the program, inaccurate and untimely submissions of required reports by UCP had contributed to delays in receiving payments (See Issue No. 4 and the schedule on Page 21).

It should be noted however that as of October 12, 2006, UCP had not received final payment for FY 2005-2006 Act 150 services of approximately $110,000 because of delays in the Commonwealth's payment processing. The delay in payment has impacted UCP's ability to maintain a steady cash flow.

Similarly, errors and untimely invoice submissions for EI and ISO services provided to county MH/MR programs contributed to delays in reimbursement of costs for these services.

In addition, as further discussed in Issue No. 4, UCP experienced billing difficulties and deficiencies that led to the infrequent and untimely submission of Waiver claims for Attendant Care, CSPPPD and CommCare services.

Since UCP is experiencing financial hardships and cash flow concerns, one would expect that the Agency would take advantage of every opportunity to maximize revenues however this is not the situation. For negotiation and rate setting purposes for CSPPPD Service Coordination services, UCP submitted proposed rates to the Administrative Entity prior to the beginning of FY 2006-2007. In July 2006, UCP was notified that their proposed rate was too high and that the Agency needed to revise and resubmit proposed rates before a new rate is established. As of the date of our closing conference on October 17, 2006, UCP had not resubmitted a renegotiated rate and therefore is losing additional revenues. The BFO projects that UCP potentially lost $19,872 in additional revenues in FY 2006-2007 by delaying resubmission of rate data.

Results of Fieldwork (Continued)

- **Management of Accounts Receivable**

Effective management of accounts receivable is essential for an organization to maintain a consistent cash flow. A receivable is established when services are provided and the Agency is awaiting reimbursement from the funding source. When payment is received, the receivable is written off of the books. Accurate receivable data is necessary for planning and spending decisions of the Agency. While reviewing UCP's aged accounts receivable report, several concerns were noted.

The BFO's analysis of the accounts receivable report as of September 18, 2006 indicated that the balance was overstated by approximately $437,000, thereby distorting the Agency's financial position as of that date. It should be noted that this amount does not include an analysis of the Franklin/Fulton MH/MR account, as this was being performed by UCP's independent consultant during fieldwork.

Prior to December 2005, Waiver billings were completed through batch transactions and the associated receivables were set up in the amount of the bulk billing. Beginning December 2005, UCP booked receivables by individual bi-weekly claims. However, it appears that when payment was received by UCP for these services, several cash receipts were posted against older receivables. This resulted in receivables being written off of the books that were not collected and billings still posted to the accounts receivable which have been reimbursed.

Due to the amount of high turnover in the fiscal department (see Issue No. 2), it was difficult for the BFO to obtain a history and understanding of the accounting processes and methodologies that were employed. In the FY 2004-2005 independent audit, an Allowance for Doubtful Accounts was established to account for past due billings that most likely will not be received, in the amount of $233,944. As of the close of fieldwork, UCP had not written off these past due amounts. UCP will also need to adjust the receivable for the FY 2005-2006 billings, that have been reimbursed, but the payment was incorrectly applied against an older receivable.

It appears that UCP will need to reduce the accounts receivable balance by approximately $437,000. This amount includes the allowance for doubtful accounts that was established by the independent auditor and the BFO's analysis of FY 2005-2006 billing information. The accounts receivable write-off is a significant bad debt expense for the Agency to incur. It also provides for an appearance of poor cash management practices since services were apparently provided to eligible consumers yet the Agency is not getting paid.

Further, UCP's line of credit is secured in part by the accounts receivable and the Agency forwards a monthly certification to the financial institution to confirm the balance. To ensure that UCP is accurately reporting the balance to the bank and that

Results of Fieldwork (Continued)

cash flow remains consistent, it is imperative for the Agency to actively monitor accounts receivable and initiate timely and appropriate action, including follow-up on past due receivables.

- **Accounts Payable**

Timely payment to vendors is imperative in maintaining a good working relationship, ensuring that late fees and penalties are not assessed and that important coverages do not lapse. However, when an agency is having cash flow difficulties, such as UCP, "essential" bills are prioritized and others are paid when monies are available. The BFO's analysis involving accounts payable activities disclosed the areas of concern noted below:

a. Accounts Payable Report

UCP's accounts payable aging report as of September 18, 2006 was understated by $6,541 due to incorrectly recording National UCP dues expense. The A/P monthly postings for National UCP dues reflected a monthly payment arrangement that included the current month charge and an additional amount to reduce a past due balance owed to this vendor. The aging report did not reflect the total past due obligation.

b. Due to the Department

Reimbursement for most of the services that UCP provides is obtained through billings submitted through PROMISe. The PROMISe system was implemented in March 2004 and as is often the case when employing new software systems, the conversion had its share of problems, resulting in billing issues and payment delays for providers statewide. In response to problems with the new system implementation, many service providers were granted gross adjustments to help maintain adequate cash flow until system problems were remedied. UCP's gross adjustments totaled approximately $749,089 between March and October 2004.

The issuing of gross adjustments for MA services was intended to only be a temporary stop-gap measure until PROMISe had been corrected. Once PROMISe permitted service providers to submit claims and receive reimbursement in a timely and efficient manner, monies would be recouped by the Department.

Once the necessary adjustments to the PROMISe system were made, the Department initiated recovery of advances. At this time, UCP did not have sufficient funds available to make full repayment to the Department. As such, OLTL began withholding a portion (up to a total of 10%) of then-current billings to recoup the advanced funds. The withholding was increased to 15% and 20% during FY 2005-2006, which added to UCP's cash flow woes.

Results of Fieldwork (Continued)

As of October 6, 2006, UCP owed the Department approximately $187,810. UCP anticipates that the account will be settled in approximately six months, and that this will provide additional funds to help meet cash flow needs.

c. Tax Penalties and Interest Charges

UCP acts as a payroll agent on behalf of some consumers who chose to employ their own attendants (Consumer Model). In FY 2005-2006, UCP incurred $2,618 of penalty and interest charges on behalf of those consumers as a result of late quarterly tax return filings, late payment and underpayment of employer taxes and withholdings. These costs were not charged to the Act 150 program and therefore are not being questioned.

For the current FY-to-date, the BFO identified $1,368 of penalties and interest assessed by the IRS, PA Department of Revenue and PA-UC for late filings and tax deposits applicable to the first quarter of calendar year 2006. The BFO also noted that the second quarter filings for several consumers' payrolls were filed and paid late, therefore additional penalty and interest assessments will likely be forthcoming.

d. Late Payment Fees

As a result of UCP's cash flow difficulties, many vendor invoices are routinely paid after the indicated due date and often result in the assessment of late payment or finance charges. The late fees and finance charges assessed by vendors are not posted to a separate general ledger account. Rather, they are added to the current invoiced expense and the sum is recorded as an expense for the period. Therefore it would be very cumbersome to identify the total cost of late payment and finance charges applicable to FY 2005-2006. As such, the BFO is unable to calculate the amount of late fees charged to the Act 150 program throughout the FY.

The BFO did however review the paid invoices file for the current FY (2006-2007)-to-date and invoices that have been posted to the accounts payable but not yet paid as of September 15, 2006. The review identified $643 of late fees and finance charges. These charges related primarily to May, June and July invoices that were paid in July – September 2006. In addition, the BFO's review of invoices pending payment identified another $228 of late fees/charges assessed by vendors.

It should also be noted that the review of vendor invoices disclosed notices of termination of services (e.g. utilities) and coverage (e.g. health insurance) if payments were not made by indicated dates. The BFO also noted that at one point, the Agency's Directors and Officers insurance coverage was terminated for non-payment. The policy however was reinstated shortly afterward.

Results of Fieldwork (Continued)

- **Debt Management**

UCP relies heavily on debt to fund its operations. UCP established a $400,000 line of credit with a local bank for the purpose of meeting working capital needs. The outstanding balance as of September 8, 2006 was $389,702.29 and has fluctuated from $278,916 to $401,054 (due to interest) between January and September 2006. The initial five year term was extended for one additional year to October 24, 2006 and UCP is anticipating that the line of credit will be extended again.

In addition to the line of credit, UCP obtained a short-term loan of $100,000 on November 9, 2005 for a three month term. The maturity date of the loan was extended until May 2006 and paid off at that time. UCP also obtained a second short-term loan on November 29, 2005 in the amount of $200,000. The initial term of this loan was also three months however the bank extended the maturity on a month to month basis until it was paid off in October 2006.

Use of credit is a normal operating event for most human services agencies however UCP must ensure that the line of credit is not consistently close to being fully extended throughout the year. This is in case the Agency needs to withdraw funds in case of an emergency. In addition, the instability of the Agency's current cash flow situation may raise questions about its ability to repay the line of credit.

In addition, there is a cost to the Agency for borrowing monies. Although interest is a common expense in doing business, UCP should try to minimize the amount of interest that is paid. This should be taken into consideration since most of UCP's services are fee-for-service and the expense may not be covered fully in the reimbursement rate.

- **Changes in Program Reimbursement**

To further compound the seriousness of UCP's cash flow, the Department has implemented changes in the reimbursement methodology for two of UCP's larger programs, which will likely have a negative impact on operations.

Beginning July 1, 2006, the Act 150 reimbursement structure was changed from a program-funded methodology to fee-for-service. Reimbursement through the fee-for-service methodology permits a provider to retain any profit that is generated or incur any loss that results from the delivery of service. As such, UCP will need to scrutinize their costs to ensure that services do not cost more than the reimbursement rate. In addition, the DPW implemented the "prudent pay" policy for Attendant Care providers, which results in payment approximately 45 days after the claim is submitted and approved for payment.

Results of Fieldwork (Continued)

Another funding change that took effect was the implementation of a revised rate structure for state and county funded EI services during FY 2005-2006 by the Office of Child Development. While it appears that rates were substantially increased to take into account travel costs (which were previously paid through a separate rate) the overall effect is a decrease in EI funding to UCP. Since UCP provides EI services in several rural counties, UCP should reevaluate the effectiveness of providing these services with employees vs. contracted personnel.

B. Actions Taken by UCP Management to Adjust to Reimbursement Changes

- **Cost-Cutting Measures**

In order to adjust to the reimbursement changes and remain a viable organization, UCP has implemented several cost-cutting measures including:

- New hire attendants are not eligible for health benefits;
- Travel expense reimbursement for attendants and administrative staff (not paid through a specific grant) has been eliminated. EI therapists still receive mileage reimbursement due to UCP's recognition that the positions are in high demand; in order to maintain staff and provide service, the reimbursement could not be eliminated. Some exceptions apply for attendants in rural Franklin County;
- The starting rate of attendants was reduced from $9 and $10 per hour to $8 and $9, based on experience. Also, the pay rate during travel time was reduced to $5.50/hr from the attendant's regular hourly rate;
- One Service Coordinator position that has been vacant since early 2006 remains vacant and
- UCP moved the York satellite office to less expensive space and renegotiated the rent for the Chambersburg satellite office.

The BFO acknowledges UCP's initiative for implementing cost-cutting practices however we caution UCP on the effect that reducing and/or eliminating benefits may have on the Agency's ability to hire and retain attendant staff. While these measures may help UCP in the short-term, the overall effect may negatively impact the Agency and consumers that it serves. Per UCP's Human Resources Director, new hire attendant turnover is approximately 50%, as opposed to 27% for attendants who were not affected by the hourly rate cut. We point out that there are direct costs associated with turnover (e.g. orientation and training, advertising, background checks, physicals/drug testing, etc.) in addition to hidden costs such as lost productivity that may mitigate the effects of the cost-cutting measures and result in lesser quality services and satisfaction to consumers.

Results of Fieldwork (Continued)

- **Operational Changes**

Understanding that reducing expenses is only one way to address the effect of the changing financial environment on the Agency, UCP has employed (or is exploring) the following operational modifications:

- Scheduling EI therapists and teachers for services in or near the same geographical area to eliminate travel time and mileage between consumers and travel to the same regions several times a week.
- Scheduling attendants for services in or near the same geographical area to eliminate travel time and to maximize billable service hours.
- Increasing the fees for the Playgroup programs operated by the Agency.
- Increasing the maximum child enrollment in the Playgroup and operating a morning and afternoon Playgroup session to increase revenues and utilize space more effectively.

Recommendations:

The BFO recommends that UCP develop a formal business plan to address current financial issues. Short term goals and strategies directed at the financial condition should, at a minimum, include the following:

- Revise and resubmit the FY 2006-2007 CSPPPD Service Coordination rates in order to receive higher reimbursement for services provided.
- Coordinate activities between the Service Coordinators and the Fiscal Assistant to ensure timely and accurate service billings.
- Correct the Accounts Receivable Report by writing-off uncollectible billings and receivables that have already been paid but not removed from the account.
- Manage the accounts receivable effectively by ensuring that all billed services are reimbursed in a timely manner and prompt follow-up (and re-billing, if necessary) is conducted.
- Correct the Accounts Payable aging report by adjusting the balance for UCP National dues. In addition, UCP should ensure that future monthly invoices from this, and all vendors, are properly recorded.
- Improve monitoring of A/P to ensure that necessary vendor services and coverage are not jeopardized and, to the extent possible, late fees and finance charges are minimized.
- Prioritize the timely filing and payment of quarterly Consumer Model payroll taxes and withholdings.
- Continue to identify areas where efficiencies can be implemented to reduce expenses.

Results of Fieldwork (Continued)

- Analyze expenses related to health care and audit costs and determine if less expensive options are available. Also, consider disaffiliating from the UCP organization to eliminate the annual National and State Association dues. The effect of disaffiliating from the Association needs to be evaluated against any benefit that is received.

UCP's business plan should also include the following long-term goals:

- Hire a qualified chief financial officer (See Issue No. 2).
- Update the cost allocation plan (see Issue No. 3) so that financial statements will accurately reflect program operations.
- Using accurate financial data, evaluate each program for profitability. For those programs which are generating losses, determine the appropriate action that should be taken, such as cutting program costs, obtaining additional revenues, decreasing services, eliminating the program, etc.
- Develop operational and financial policies and procedures (see Issue No. 2).
- Perform a comparative analysis to evaluate the projected "savings" related to attendant cost-cutting measures against the "cost" of turnover.
- Evaluate the organizational structure and determine if efficiencies and streamlining can be implemented.
- Obtain a 60-day cash flow and reduce the company's reliance on debt.

Once developed, the plan should be implemented as soon as possible. In addition, the plan should be updated whenever there are changes to UCP's operations, structure and other factors. A copy of the plan should also be provided to the OLTL so the Department is aware of the steps that are being taken to improve and maintain the Agency's financial status.

Issue No 2: High Turnover of Key Fiscal Positions

Fundamental to an organization's financial success is a framework for the retention and training of fiscal staff. Consistency in the fiscal department results in uniform accounting practices and procedures and reliable financial data. It also provides a knowledge base and familiarity with characteristics specific to that organization.

Over the past four years, UCP has experienced significant fiscal staff turnover. During this time, three different individuals held the top position in the Fiscal Department: Chief Financial Officer (CFO), Director of Finance or Finance Manager. None of these individuals held the position for more than 2 ½ years. In addition, supporting fiscal staff positions experienced similar turnover. The longest serving fiscal support staff position was held for three years and four months and this individual has since left the Agency.

Results of Fieldwork (Continued)

One day prior to the beginning of BFO's fieldwork, the Director of Finance left the position, after one year and three months of employment. As a result, the BFO was unable to obtain a thorough understanding of the fiscal activities that occurred in the audit period. The departure of the Director of Finance has led to a disorganized and unstructured fiscal unit. The BFO acknowledges the use of an independent consultant to provide financial and other related services however it does not appear that there is one individual that is responsible for oversight and management of the accounting system.

It also appears that the oversight of the fiscal activities is done in a piece-meal fashion and not one person understands the complete process. As an example, four fiscal staff perform billing and invoicing activities for the Agency and complete various accounting transactions in the system without adequate supervision. Since four individuals complete billing functions, a comprehensive summary report is not maintained to track and monitor billings and payments. Each individual retains their own billing data. UCP relies solely on the Accounts Receivable Aging Report.

Further, it is difficult to determine the chain of command in the fiscal department as both the Fiscal Manager and the consultant are reviewing and assigning fiscal staff various activities to complete. Decision making and supervisory responsibilities should be assigned to one individual so staff knows who to report progress and direct questions and problems to.

In order to optimize personnel, each staff member must have the necessary job knowledge to perform his or her function. Currently, new fiscal staff are not afforded a comprehensive training program to familiarize them to the position, responsibilities and duties. Due to the turnover in the unit, experienced staff are not available to orient new staff to office policies, procedures and processes.

To compound the difficulty of the Agency in familiarizing and training new fiscal staff, UCP does not have a current accounting policies and procedures manual. Policies and procedures are essential to assist personnel in effectively completing their work activities and also ensure that financial transactions and reporting are consistently managed and controlled. Up-to-date policies and procedures are especially important when there is staff turnover. At a minimum, the following key fiscal processes should be defined: a summary of the accounting software procedures, a description of how invoices are prepared and submitted to various funding sources, the billing process, a brief description of how the Agency's budget is prepared, an overall description of the cost allocation plan, a description of the internal control structure, etc.

Results of Fieldwork (Continued)

Recommendations

The BFO recommends UCP hire a qualified individual to perform the full-time duties of a CFO (or similar position). To select the best candidate, a formalized process should be utilized including the following:

1. Develop a job description detailing the specific duties and functions that will be required of the CFO. These should include:
    a. Development and operating the Agency's accounting system.
    b. Preparing financial statements and other reports.
    c. Payroll activities.
    d. Individual program budgets and an overall Agency budget.
    e. Ongoing financial analysis, to include:
        i. Monitoring the organization's cash flow status.
        ii. Analyses of the organization's receivables and following up on outstanding billings.
        iii. Helping to formulate the financial portion of the organization's business plan and to provide feedback on the other aspects of the business plan that might be limited by financial constraints.
        iv. Other analyses as needed.
    f. Providing general business advice.
    g. Developing and updating all accounting policies and procedures.

2. Based on the CFO duties and responsibilities, devise an interview questionnaire, educational requirements, experience preferences, and a compensation package.

3. Select the method to obtain qualified candidates which may include: employment agency, newspaper ads, word-of-mouth from a reliable source (accountant/auditor), etc.

UCP may also consider utilizing the independent auditor in the selection process. This could include developing the educational and experience criteria, as well as interviewing candidates. The advantage of using the CPA would be that their fiscal knowledge which would allow them to better evaluate candidates' abilities. The disadvantages would be that they do not understand UCP's operations as well as management, and there would be a cost involved with the services. Also, consider input and involvement from UCP's Board of Directors, specifically from the Financial Committee. Individuals from the Committee, with their fiscal expertise, would be a valuable resource during the selection process.

Results of Fieldwork (Continued)

In regards to employee retention and training, the BFO recommends that UCP develop a program to assist with attracting and maintaining experienced employees in all of its programs. This should include:

1. Determine why staff leave and classify the departure as avoidable or unavoidable. Exit interviews and surveys are key to this process. Avoidable turnover is when employees leave voluntarily due to organizational reasons such as: low pay, poor supervision, lack of promotional opportunities, lack of job challenge, etc. Unavoidable turnover is when employees leave for reasons beyond management's control such as: reaching retirement age, relocation, career changes, etc.

2. Obtaining feedback from current employees. Through the use of job satisfaction questionnaires, meetings, or a suggestion program determine what concerns the present staff has. This can give employees a chance to express their ideas on how things can be done better and gives them a sense of "ownership" in the resolution of a problem.

3. Determine if the benefits package is reasonable and comparable to those offered by similar organizations. Also, consider incentives or bonuses for staff based upon work performance. An increase to employee's benefits (or similar incentives) may be justified based upon results of an analysis disclosing the true cost of turnover to the Agency.

4. Develop a comprehensive training program for staff. This will help maintain consistency in the Agency and if conducted properly, will aid in retention. This should be accomplished by developing a training plan that outlines current and periodic training needs of staff. Prior to the implementation of a training plan (for fiscal staff), UCP must develop comprehensive fiscal policies and procedures that detail all of the significant accounting processes that are noted above. This manual will serve as a tool for providing instruction and direction in job duties.

Issue 3: The Financial Operations of the Agency have been Negatively Impacted by Fiscal Unit Turnover.

Consistency in the fiscal unit is imperative in ensuring regular operations of fiscal functions. A lack of familiarity with processes and procedures causes errors and inaccurate financial information. Without accurate financial information, sound business decisions cannot effectively be made by management.

Results of Fieldwork (Continued)

A. Cost Allocation Plan

UCP operates numerous programs that receive funding from various government sources. Good business practice dictates that allocations of shared costs be fair, consistent, equitable and documented. The plan should be reviewed and revised on a periodic basis to ensure that costs are being charged appropriately to the various funding sources.

The Agency's cost allocation methodologies are very detailed and requires the utilization of multiple spreadsheets. UCP allocates personnel costs for attendants, program staff and administrative staff. The Agency also distributes expenses related to the three satellite offices, administrative office and general administrative costs. UCP however does not have a plan that is adequately documented in a comprehensive, detailed narrative. The Agency's FY 2004-2005 cost allocation plan only explains the administrative and site allocations, and does include details regarding the supporting schedules and spreadsheets that are utilized in the process. While reviewing the allocation plan and methodologies, the following concerns were noted:

- Per the plan, administrative costs are allocated to the various funding sources based upon projected hours of staff and attendant time. The BFO cannot confirm that this is the current methodology being used, as UCP does not have supporting documentation to verify the allocations. In addition, the current plan does not allocate shared administrative costs to the ISO, NHT and Senior Assistance Programs. The result is an inequitable allocation of administrative costs to UCP's funding sources.

- Site allocations are based on the square footage assigned to each program in each location. While this allocation is reasonable for rent and utility expense, it may not be representative of costs for supplies, postage and equipment. Any cost, which is easily identifiable to a specific program, should be directly charged. The site allocation includes a charge to the administration category, which gets distributed again based upon the administrative allocation methodology described above. The use of the administrative allocation results in site costs associated with one location potentially being charged against programs in other counties, i.e., a portion of the New Oxford expenses being charged to the Franklin County Area Agency on Aging.

- Program and administrative personnel costs are allocated based upon the percentage of time worked in each program. Per the Fiscal Manager, payroll allocations for Adult Program staff were revised in April 2006 however the percentages were established based upon time estimates made by the Adult Program Director and cannot be supported. UCP believes that time studies were

Results of Fieldwork (Continued)

used to support the allocations utilized prior to April 2006 however documentation does not exist to support this.

- The payroll allocation for several program and administrative staff is not reflective of bi-weekly timesheets. As an example, the Fiscal Assistants record their time under "administration" however their salary is split among various programs, including administration. It should be noted that these individuals perform activities for specific programs however the timesheets do not identify these functions.

- A review of the allocations utilized for several program positions do not appear fair, reasonable and realistic, including:

  - The Director of Adult Services is charged to only four programs although UCP operates, or is funded through, fourteen funding sources for Adult services.
  - The Attendant Coordinators are charged to Act 150, UDS (or both programs) although they schedule attendants for other adult programs, including the MA Waiver.
  - The CSPPPD Coordinators stated that charging 50% of their payroll costs to UDS, as is currently done, is not appropriate. According to staff, only the first 90 days of employment should be reimbursed by the entity. The BFO did not review the contract between the two entities to confirm how personnel costs should be charged to the agreement.
  - The allocation for the Trainer position is 90% Act 150 and 10% Administrative. Per the Fiscal Manager, this individual primarily performed IT duties, which would be administrative in nature. In addition, if attendant training were provided by this individual, the cost should be split among all programs for which the attendants provide service.
  - On-call wages associated with the "float" attendants are charged solely to the Act 150 program. On-call hours are designated times attendants may be called into work in case of a call-off or for other reasons. On-call hours represent a significant portion of total hours for any given month (greater than 30%) for "float" attendants. Assuming consistent hours and wages, it appears the Act 150 program was overcharged approximately $98,444 during FY 2005-2006 (excluding payroll taxes, benefits and workman's compensation). These costs are being questioned by the BFO as being inappropriately charged to the Act 150 program. It should be noted that the same allocation was utilized during FY 2004-2005 for charging on-call wages.

Due to the numerous issues with the cost allocation plan, the BFO cannot provide assurances to OLTL regarding the accuracy of Act 150 program expenditure reporting.

Results of Fieldwork (Continued)

It is the opinion of the BFO that the Act 150 program was overcharged during the FY 2004-2005 and 2005-2006 (See Issue No. 4).

B. Inaccurate Financial Statements by Program

Management needs accurate financial reports to make sound business decisions and maintain an efficiently operated business. Financial reports allow management to make timely and informed decisions regarding program viability and spending.

A significant portion of the Agency's costs is allocated between numerous programs. Due to the numerous concerns regarding the allocation and reporting of shared expenses, UCP cannot obtain an accurate picture of the true cost associated with each program. This prevents management from making sound business decisions, including expanding, decreasing or eliminating programs and services based upon financial results.

UCP's FY 2005-2006 unaudited financial statements disclose an overall operating loss of $11,645. The BFO cannot place reliance on this data however because errors noted in the financial reporting system in FY 2004-2005 resulted in the need for 23 correcting entries before the independent audit could be completed. UCP incurred over $40,000 in audit costs during FY 2004-2005, in addition to paying for a consultant to perform pre-audit work. Due to the turnover in key fiscal positions and uncertainty of current staff as to prior financial activities, correcting and adjusting entries may need to be completed for FY 2005-2006 which may have a significant impact on the financial statements.

At the close of fieldwork, the BFO obtained a copy of the financial statements for the month ended July 31, 2006 that was presented at the September 2006 Board of Directors meeting. The program overview discloses that the Act 150 program overspent by $65,000 for the month while the MA Waiver program generated excess revenues of $66,000. Understanding that a significant portion of payroll costs are charged against the Act 150 program rather than allocated reasonably between Act 150 and MA Waiver, the program overview is skewed and does not provide a fair representation of program activities.

In addition, the Fiscal Manager stated that the allocation plan was not updated or revised before generating the financials for the month ending July 31, 2006. Therefore, shared administrative costs were not charged to all programs and the site allocation for the York satellite office was not revised to reflect the breakout of square footage of the new office to the appropriate programs.

Results of Fieldwork (Continued)

Recommendations:

The BFO recommends that the OLTL evaluate the $98,444 in questioned costs related to "float" attendant wages and make a determination as to the appropriateness and allowability of the expenses. OLTL should notify UCP of any monies that will be recouped if necessary.

The BFO also recommends that UCP review and revise the cost allocation plan to ensure that shared expenses are distributed to programs in a fair and equitable manner. The plan should be documented in a comprehensive narrative and adequately explain the process and supporting spreadsheets that are utilized. At a minimum, revisions to the plan should include:

- Allocation of administrative costs to the ISO, NHT and SAP programs
- Allocation of Directors and Coordinators wages to all of the programs that staff work in
- Allocation of "float" attendant hours and wages to all applicable programs
- Revision of the York satellite office allocation that is based upon square footage of the new space.

The BFO further recommends that UCP ensure that all allocations are supported and that documentation is maintained to justify the distribution of costs. In addition, UCP should periodically review the plan to ensure that allocations are reflective of program activities and/or when programs are added or deleted.

Once the allocation plan is revised, the BFO finally recommends that UCP generate a profit/loss statement for each program that the Agency operates and utilize the information to make business decisions.

Issue No 4: UCP's Billing Processes can be Enhanced

UCP provides Attendant Care, Independence, OBRA and COMMCARE Waiver services to eligible consumers on a fee-for-service basis. For each unit of service provided, the Agency receives reimbursement at a rate pre-established by OLTL. Rates are established by regions across the Commonwealth for the Attendant Care, CSPPPD and COMMCARE Waiver programs.

A. Attendant Care and CSPPPD Billing Processes and Procedures

Timely and accurate billing is essential for an agency to maintain consistent cash flow. Adequate tracking, follow-up and re-billing of denied and/or unpaid claims is necessary to ensure that eligible services that are provided are being reimbursed and that "old" claims are resolved and resubmitted before the established reimbursement deadline.

Results of Fieldwork (Continued)

Providers have up to 180 days after the date of service to submit a bill. After that deadline, the claim will be denied and the provider will not receive payment for services.

Past practices of the Agency and other factors have contributed to the potential loss of revenues to UCP. Most significant is the volume of fiscal turnover and the lack of adequate training and cross-training of fiscal staff. Without consistency in staff and knowledge of other staff on key fiscal functions, errors and irregularities can occur. In addition, the lack of formalized procedures and an adequate tracking system makes it difficult for new staff to become familiarized with the process and the status of billed and unbilled claims.

Prior to December 2005, PROMISe billings were completed as batch entries and were recorded as such in the Accounts Receivables report. Supporting schedules and documentation for each claim was not sufficiently maintained that easily identified the services that were billed and their status (paid, denied or suspended). During FY 2004-2005, UCP contracted for temporary services to focus solely on billings. Staff researched "old" billings and attempted to submit, resubmit (or revise) claims that were previously not billed or had been denied. Since the documentation was not maintained to identify the status of old billings, staff had to complete a thorough and time-consuming process of examining each Remittance Advice and/or pulling each claim from PROMISe to determine the status.

To exacerbate their billing issues, UCP stated that the PROMISe system would log them off several times throughout the day for long periods of time. Due to PROMISe implementation issues, unfamiliarity of staff submitting a claim through the new system, fiscal staff turnover and the lack of cross-training, a backlog of billings for UCP resulted.

To establish an easier system to track and record PROMISe A/R, UCP set up receivables by individual billings in December 2005. While this practice would have aided UCP in identifying billed and paid claims, the previous Director of Finance erroneously applied payments against the oldest receivables on the books. It appears this may have been done as a means to save time however it has resulted in an inaccurate A/R aging report and the inability to easily determine which claims were reimbursed (see Issue 1).

The BFO acknowledges the improvements that have been made in UCP's billing processes, including the implementation and maintenance of a tracking system. The tracking system identifies each bi-weekly consumer billing and the status of the claim. One enhancement that should be made to the log is the inclusion of the PROMISe billing date. Currently, UCP tracks and records billing by service date; therefore, if a service is provided in November and not billed until January, UCP records the claim in the appropriate November log but does not identify when the claim was billed. This will aid UCP in tracking and following up on older claims and untimely collections.

Results of Fieldwork (Continued)

B. Act 150 Invoice Preparation

As noted above, reimbursement for the Act 150 program has changed from a cost-reimbursement to a fee-for-service system. Prior to July 1, 2006, to receive payment from the OLTL, UCP submitted monthly Cash Needs Requests to maintain a consistent cash flow based upon the approved budget. The OLTL reimbursed UCP according to the Cash Needs Requests and required that UCP report the actual monthly expenditures for the funds advanced. The expenditure report submitted by UCP disclosed costs associated with direct care attendants, administrative personnel, intake services, training and operating expenses. Further, the invoice was broken down between the Service Delivery and Administrative cost categories.

- Expenditure Report Submission

One of OLTL's main concerns that resulted in the audit request to the BFO was the untimely submission of UCP's Cash Needs Requests and Expenditure Reports. In addition, OLTL noted mathematical errors while reviewing the reports, which resulted in numerous "back-and-forth" communications between UCP and OLTL. Further, OLTL questioned some of UCP's Expenditure Reports because of what appeared to be excessive monthly costs, and UCP was required to submit additional supporting documentation before payment was made.

UCP stated that some of the delays in submitting the information to OLTL were due in part to staff turnover in the DPW. Turnover in the fiscal unit at UCP and unfamiliarity with reporting requirements also added to the delays and resulted in back-and-forth questions and issues between the two parties.

The schedule below was provided by OLTL and details UCP's submission of Cash Needs and Expenditure Reports during FY 2005-2006. The "Due Date" row indicates the date the Expenditure Report was to be submitted to the Department and the "Expenses" row indicates the date it was received by OLTL. It should be noted that a Cash Needs Request will not be processed if the Expenditure Report is not in hand to complete the reconciliation process.

	Jul	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**March**	**April**	**May**	**June**	**13th month**
Due Date	8/20	9/20	10/20	11/20	12/20	1/20	2/20	3/20	4/20	5/20	6/20	7/20	8/31
CNR	7/12	7/12	8/25	10/28	10/28	1/25	2/15	3/15	4/10	4/26	5/22	6/22	n/a
Expenses Received	9/27	10/28	12/6	1/25	2/15	3/15	4/10	4/26	5/22	6/22	7/28	8/25	8/25

Note: Delays in processing Act 150 invoices negatively affected UCP's cash flow

Results of Fieldwork (Continued)

- Procedures

The UCP does not have policies and procedures that outline the process for preparing the Act 150 Expenditure Report. These policies and procedures should detail at a minimum how the process is completed, the various internal reports that are generated and a brief explanation of the allocation methodologies utilized. Documented policies and procedures provide a safeguard in ensuring that the process is completed effectively and allow for consistency in the event that key management turnover occurs.

Without these procedures, the current Fiscal Manager cannot explain the reasoning for how costs are reported and charged on the Expenditure Report. During FY 2005-2006, he primarily used the same allocation and format that was already in place. Since the reimbursement method for the Act 150 program has been changed, the need for policies and procedures that describe how the invoice should be completed is no longer needed.

- Expenses

The Attendant Care Program Fiscal Manual specifies the fiscal requirements for contractors, including allowable cost guidelines, procurement standards and the Attendant Care Expenditure Report/Cash Needs Request guidelines. Expenses that are reported on the Act 150 invoice must be reasonable, related to the program and allocated between the Service Delivery and Administrative cost categories appropriately. While reviewing the expenses related to the Act 150 program, the following concerns were noted:

- Personnel costs are reported between the "Service Delivery" and "Administrative" cost categories based upon undocumented and unsupported allocations and methodologies used during the prior FY. In addition, the operating expenses reported on the "Intake Detail" schedule during FY 2005-2006 are based upon the Fiscal Manager's estimates since the intake operating costs are not tracked separately from the general operating expenses for the Act 150 program.

- Consumer-employed attendant wages were over-reported for the Act 150 program in FY 2005-2006. It was noted that personnel costs associated with attendants serving ISO consumers were incorrectly charged to the Act 150 program. For a two-week period, the wage cost was approximately $1,344, which results in approximately $34,954 annually (assuming consistent hours and wages). It must be noted that payroll taxes, benefits and workman's compensation expense is not included in the overpayment calculation. The wages are being questioned by the BFO for being inappropriately charged to the Act 150 program.

Results of Fieldwork (Continued)

Per the Children's Program Fiscal Assistant, a review of the consumer payroll indicated that six consumers were inaccurately being charged to the appropriate programs. It should be noted that the Fiscal Assistant was using a current list that included more consumer-employed attendants than during FY 2005-2006.

- One error was noted while testing payroll and timesheets for a two-week period for Agency-employed attendants. Twelve hours were reported to the Act 150 program, which should have been charged to the Aging program. The error occurred when transferring program time from the timesheet to the summary payroll worksheet.

- Radio ads for the Mentoring Program, in the amount of $1,950, were incorrectly coded to the Act 150 program and are being questioned by the BFO.

- Classified ads in a local York paper, amounting to $14,249, were charged directly to the Act 150 program although some advertisements were for fiscal staff positions, therapists, a program director and an announcement for blood donor month. Costs should be charged directly to the program which receive benefit and attendant advertising expenses should be charged to the program(s) for which the attendant will be working in. Of the total amount of ad expense, the BFO is questioning $11,980.

  This includes $8,432 for the non-attendant ads noted above and $3,548 for attendant ad expenses that should have been allocated to other adult programs. The methodology utilized by the BFO for calculating the allowable attendant ad cost was the percentage of Act 150 consumers (90) to the total adult program consumers (232), as provided by UCP during the audit survey. This allocates 39% of the difference ($5,817) to the Act 150 program.

- Other attendant advertising expenses charged directly to Act 150 totaled approximately $6,684 during the FY. Using the same methodology described above, $2,607 is a reasonable allocation of the total cost to charge to the Act 150 program. The difference of $4,077 is being questioned by the BFO for being inappropriately charged to the Act 150 program.

- Sales tax was charged by a temporary agency to UCP on what appears to be the "administrative fee" for using the service. UCP did not question the expense; however, as a tax-exempt agency, it appears that this cost should not have been reimbursed.

Results of Fieldwork (Continued)

- Late fees, in the amount of $950, were assessed by the landlord of the York satellite office. Of this amount, using UCP's allocation for the York office site, it appears that $105 of this amount was charged to the Act 150 program. This amount is being questioned by the BFO since late fees are not an allowable program expense.

To summarize the above information, the BFO is questioning $53,066 in costs that were inappropriately charged to the Act 150 program during FY 2005-2006.

FY 2004-2005

As part of the audit request, OLTL asked the BFO to examine limited financial information from the FY 2004-2005 for the Act 150 program. A comparison of the Act 150 Thirteenth Month Report to UCP's general ledger disclosed that UCP over-reported approximately $3,253 (cumulative) in costs in FY 2004-2005. According to the general ledger, expenses for the year, less offsetting revenue, were $1,775,518. OLTL reimbursed UCP $1,777,857, which results in an overpayment to the Agency in the amount of $2,339.

The variance between the Thirteenth Month Report and the general ledger was the result of audit adjustments that occurred after the submission of the report to the Department. It should be noted that UCP's independent audit report, for the year ended June 30, 2005 does not reflect the audit adjustments on the Act 150 supporting schedule and therefore does not accurately disclose program costs.

The OLTL was concerned with the types of expenses that were reported in the FY 2004-2005 "Supply and Material" Expenditure Report line item. As such, the BFO performed a cursory review of the more significant costs incurred throughout the FY. The following was noted:

- General expenses incurred at the end of the FY were charged directly to the Act 150 program, including 3500 copies of the Agency's Spring Newsletter, 5000 remittance envelopes for the newsletter, a reprinting of the newsletter and 5000 "all services" brochures. The total cost for these expenses is $5,686.

  To calculate the appropriate portion of the expense that should have been charged to the Act 150 program, the BFO used the Agency's FY 2005-2006 budgeted data. Act 150 budgeted revenues ($1,844,247) is 24% of the total Agency revenues ($7,566,990) for the FY. Applying this percentage to the general expenses noted above, Act 150 should have been charged $1,365. Therefore, the BFO is questioning the difference of $4,321 in costs charged to the program.

Results of Fieldwork (Continued)

- A projector and digital camera were purchased for the Adult Services Program however the entire cost of $1,554 was charged to the Act 150 program. Dividing the Act 150 budgeted revenues ($1,844,247) to the total revenues for the Adult Programs ($5,569,107), it appears that 33% of this cost, or $513, should have been charged to the Act 150 program. The difference of $1,041 is being questioned by the BFO for being inappropriately charged to the Act 150 program.

  In addition, UCP does not maintain an asset inventory listing to verify the receipt and location of the equipment.

- Four laptops were purchased for the fiscal staff (according to the purchase order) however 75% of the cost was charged to Act 150 and 25% was charged to the NHT program.
  The total cost for the four laptops was $4,749 and applying the Agency revenue methodology of 24%, only $1,140 should have been charged to the Act 150 program. As such, the BFO is questioning the difference of $3,609.

- The phone system in the Chambersburg satellite office was upgraded and the expense was split 50% to the Act 150 program and 50% to UDS. Of this total amount ($1,988), using UCP's allocation for the Chambersburg office site, it appears that $130 of this amount should have been charged to the Act 150 program. The BFO is questioning the difference of $1,858.

To summarize the above information, the BFO is questioning $10,829 of costs that were inappropriately charged to the Act 150 program during FY 2004-2005.

Recommendations:

The BFO recommends that the OLTL evaluate the $53,066 in questioned costs related to the FY 2005-2006 and $10,829 in questioned costs related to FY 2004-2005 and make a determination as to the appropriateness and allowability of the expenses. OLTL should notify UCP of any monies that are determined unallowable. OLTL should take into account UCP's current financial condition and establish a reasonable methodology for recovering monies without causing due harm to the Agency.

The BFO also recommends that UCP develop formalized policies and procedures that adequately detail the billing process. UCP should ensure that all fiscal staff are crossed-trained in billing activities in the case of extended absence by the assigned staff. One individual, such as the Fiscal Manager, should be assigned specific duties to oversee the entire billing process. This should include monitoring receipts to ensure payments are made on a timely basis. Another duty should include the development

Results of Fieldwork (Continued)

and maintenance of a comprehensive summary billing report that easily identifies current and outstanding billings.

In addition, the BFO recommends that UCP establish procedures that ensure timely and accurate coordination of information between the Service Coordinators and the Fiscal Assistant(s) responsible for service billings.

The BFO also recommends that UCP enhance the current billing tracking spreadsheet to include the date the claim was billed. This will afford the Agency the ability to follow-up on unpaid claims in a timely manner.

The BFO further recommends that UCP make a request of their CPA to submit a revised FY 2004-2005 Act 150 Schedule to the Department that accurately reflects costs incurred during the year. A revised schedule is necessary for cost settlement purposes that are completed by the PHHS Comptroller's Office.

Issue No. 5: UCP Needs to Strengthen Management Controls

Management controls are developed to ensure, on a reasonable basis, that errors and irregularities do not occur. A good control system is essential to achieving proper conduct and full accountability of resources. It also facilitates the achievement of management objectives and effective decision making by serving as a check and balance against undesired actions.

Several concerns previously identified in Issues No. 1 through 4 are the result of poor management controls. In addition, improvements in the following areas will strengthen and enhance operations in the Agency's control system:

A. Consumer Fees

The UCP is responsible for assessing, collecting and reporting consumer fees on the Act 150 Expenditure Report. Some consumers receiving Attendant Care Act 150 services, depending on income level, must pay a fee according to a sliding fee scale established by the Department. It was noted that UCP did not accurately report fees on the FY 2005-2006 Thirteenth Month Report. UCP reported $14,478 in consumer fees for the FY 2005-2006, however the BFO was unable to calculate the correct amount that should have been reported.

Currently, UCP does not have documented policies and procedures for assessing, tracking, collecting and reporting consumer fees. Per the Adult Services Fiscal Assistant, UCP had not formally billed consumers for their fees. During the

Results of Fieldwork (Continued)

determination of services, the Service Coordinator would inform the consumer of the fee assessed and the consumer may or may not submit payment to the Agency on a regular and timely basis. Beginning July 1, 2006, UCP is billing consumers monthly for their assessed fees.

The UCP was unable to calculate the correct amount of fees that should have been reported to the Department. While reviewing the FY 2005-2006 general ledger, it was noted that the fees associated with three consumers' services was not recorded throughout the entire year. In addition, one monthly payment from each of two Aging consumers was erroneously posted to the Act 150 account. Also, it appears that if a consumer's fees were changed during the reassessment period, the amount set up as a receivable did not always reflect the change. Further, payments of four consumer's fees were posted in April 2006, however a receivable was established in the same month for those consumers. Due to fiscal turnover, UCP cannot explain the postings and without further analysis, cannot determine for which month(s) the payment applied.

Another problem in determining the correct amount of consumer fees that should have been reported to the Department was that UCP did not maintain copies of the fee determination worksheet for three consumers that were assessed fees during FY 2005-2006. It appears that a lack of communication between the Service Coordinators and Adult Programs Fiscal Assistant was the cause of this problem. Improved communication between the Service Coordinators and the Adult Programs Fiscal Assistant with regard to the assessment and determination of consumer fees will ensure that consumer fees are accurately billed and reported.

B. Consumer Database

Across the four county region, UCP serves over 500 adults and children through their programs. With varying program requirements and restrictions, it is crucial to maintain a comprehensive consumer database that contains the necessary information to ensure program compliance. The Agency however does not maintain a comprehensive consumer database that is inclusive of all individuals served. There are several independent spreadsheets or consumer listings that are maintained by numerous staff. While attempting to reconcile the consumer fees, it was difficult and time-consuming to utilize the program spreadsheets and determine the status of each consumer and the appropriate fee that should have been assessed.

A comprehensive database should contain consumer data, including the service start date, assessment/reassessment dates, date of service termination and a notation if the consumer switched programs for ease of tracking. Also, the consumer's primary attendant's (if applicable), Service Coordinator and authorized service hours should be maintained.

Results of Fieldwork (Continued)

C. Contracting

To ensure that a satisfactory and timely product is received, payment is reasonable and reimbursed in accordance with agreed upon terms, all contracts should include a clearly defined work plan with completion dates. Also, agreements should be available to the applicable fiscal staff to ensure payments are authorized and appropriate.

In May 2006, UCP contracted with an independent consultant to examine and evaluate current fiscal operations and recommend improvements in efficiency, cost-cutting measures and timeliness of financial reporting. However, due to the departure of the Director of Finance, the consultant is handling many of the day-to-day accounting functions. Although the scope of the services has changed, the contract was not amended to reflect the new expectations of UCP regarding his duties and functions as a contractor.

In addition, UCP was unable to locate two agreements with local home health care agencies for contracted services. Although the utilization of purchased service attendants is limited to a few consumers, documentation should be maintained to ensure proper billing and other contract terms are met.

D. Oversight of the Act 150 Budget

Budgets are an essential management tool that is necessary to operate a successful agency. Development of a budget should be based on historical data, contain accurate projections and reflect current needs and concerns of the Agency. Budgets should be monitored against actual expenditures and revisions should be requested as soon as it becomes apparent that current funding is insufficient to meet future needs.

UCP was not able to report $55,721 in allowable costs on the March 2006 Expenditure Report due to constraints within the budget categories. OLTL permits the provider to report no more than 10% above the approved budgeted amount for any budget category. Due to the reassignment of the invoicing responsibility to a new fiscal staff member, UCP was not aware that the budget categories would be exceeded by greater than 10% until near the due date of the Expenditure Report. Before UCP was able to report actual costs, a formal budget revision had to be completed and forwarded to OLTL for approval. Because of this, UCP had to report the $55,721 on April's Expenditure Report and therefore reduced cash flow to the Agency for March 2006 services.

Recommendations:

The BFO recommends that UCP develop policies and procedures for the tracking, collection and reporting of consumer fees. These procedures, once documented, should be maintained in the Agency's fiscal policy and procedure manual.

Results of Fieldwork (Continued)

The BFO also recommends that UCP maintain adequate documentation regarding the assessment and calculation of a consumer's fee. UCP must ensure that the fees are accurately reported under the appropriate program in the general ledger. In addition, when a reassessment occurs, UCP must ensure that the posting is revised to reflect the change in fees, if applicable.

The BFO also recommends that, as part of the consumer fee policies and procedures, UCP develop processes for the timely collection of funds. This should include timely follow-up on late receipts by notifying each consumer of their responsibility and the possibility of the assessment of delinquent fees. UCP must also verify that services were provided before billing occurs.

The BFO also recommends that UCP develop a comprehensive consumer database that contains all of the individuals served by the Agency. For identification and tracking purposes, the database should include the items noted above. In addition, one individual should be responsible for the maintenance of this information to eliminate potential errors.

The BFO further recommends that UCP amend their consultant's contract to reflect the new scope of duties and functions that are being performed. In addition, UCP should maintain contracts with all purchased service vendors to ensure proper billing and agreed-upon services are being performed.

The BFO finally recommends that UCP effectively utilize its budgets (Agency-wide and program) as a management tool. To accomplish this, the budget should be monitored and compared to actual revenues and expenses on a monthly basis. This comparison should include a determination if projections are accurate, revisions are necessary and reflect the financial status (profit/loss) of the Agency.

A closing conference was held with UCP staff on October 17, 2006 to discuss the contents of this report. In addition, discussions with the OLTL regarding the results of this review occurred on October 11, 2006.

An audit exit conference was held on March 23, 2007. Based upon the meeting, revisions to the draft report were made. The amount of potential lost revenues for CSPPPD Service Coordination services, as discussed in Issue No. 1, was changed. In addition, the BFO added language on pages 2, 6 and 18 to provide additional clarification to the report at the request of UCP. An auditor's commentary is attached and labeled as Appendix A. UCP revised their written response and is included within this report and labeled Appendix B.

In accordance with our established procedures, please provide a written response within 60 days to the Audit Resolution Section concerning actions to be taken to ensure report recommendations are implemented.

If you have any questions concerning this audit, please contact Richard Polek of the Audit Resolution Section at (717) 787-8890.

Sincerely,

John H. Bungo

John H. Bungo, CGFM, CFS
Bureau of Financial Operations

cc: Ms. Ranck
Ms. Bennett

APPENDICES

United Cerebral Palsy of South Central Pennsylvania
Auditor's Commentary

At the conclusion of the audit exit conference, the BFO offered UCP the opportunity to revise their response to the draft report. The first response did not fully address the issues and recommendations in the report and contained several inappropriate statements.

The BFO provides the following additional commentary related to UCP's revised audit response. Page numbers correspond to UCP's response.

1. Management of Accounts Receivable (Page 5): The UCP response indicates that the BFO did not take into consideration the amount of the allowance for doubtful accounts that was set up by the independent CPA in the FY 2004-2005 ($233,944). However, the BFO did include this amount with the results of the analysis of FY 2005-2006 billing information (approximately $203,056), excluding the receivables from Franklin/Fulton MH/MR, to arrive at the balance of $437,000.

   Although UCP's response indicates that the line of credit balance is currently zero, the BFO is providing clarification as to the importance of the accuracy of the monthly certification forwarded to the financial institution. Since UCP was posting current payments to old receivables, the current accounts receivables would be misstated. It was the current accounts receivable (less than 90 days) that was used to secure the line of credit.

2. Inaccurate Financial Statements by Program (Pages 8-9): UCP disagrees with the BFO's position regarding the reliability of internal financial reporting and believes that the number of correcting entries in the FY 2004-2005 audit is "an inappropriate indicator of the quality of financial statements." However, UCP's independent CPA considered financial reporting to be a "Reportable Condition" in the FY 2004-2005 audit, as discussed below.

   As stated in the CPA's supplemental report on internal control over financial reporting, "Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Organization's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements." The CPA identified that "The condition of the financial reporting system resulted in a total of 23 proposed correcting entries, resulting in a change of net income of approximately $194,000.

These adjustments were primarily developed by an outside consultant contracted by the Organization during the audit process, which occurred nearly six months after the fiscal year end."

3. Formal Business Plan (Pages 7, 9, 10 and 11): UCP concurs with most of the BFO's recommendations and states that those recommendations that are not already completed will be incorporated into a formal business plan. At the exit conference, UCP stated that a business plan has not been formalized. We hope UCP will follow through with their commitment and develop an effective business plan that addresses not only our report's recommendations but other goals/action plans that will increase UCP's operating effectiveness. During the audit resolution process, OSP should follow-up with UCP's business plan regarding actual implementation activities.

of South Central Pennsylvania
Life without limits for people with disabilities™

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DPW Bureau of Financial Operations
Division of Audit and Review, Central Field Office
P.O. Box 2675, Third Floor Bertolino Building
Harrisburg, PA 17105

February 26, 2007

RE: Response by United Cerebral Palsy of South Central PA, Inc. (UCP) to Limited Performance Audit by Bureau of Financial Operations (BFO)

Dear Mr. Bungo

We have reviewed the draft Limited Performance Audit Report and wish to provide the following comments and additional information to clarify the issues addressed in the report. Where appropriate, we will also comment on the report's recommendations and our plans for implementing them.

We concur with the observation in the report that the timeliness of the report suffered due to the BFO workload, and we are appreciative of the added clarification in the report that it does not reflect the current financial situation of UCP. We believe that the report is essentially a retrospective of the fiscal performance of UCP during the 2004-2006 fiscal years. We believe that many of the issues in the report have been overtaken by events, and wish to emphasize to the reader of the report that it should be considered a reasonably accurate historical document, not a comment on the 2006-2007 state of affairs at UCP.

Response by United Cerebral Palsy of South Central PA, Inc. (UCP) to Limited Performance Audit by Bureau of Financial Operations (BFO

In general we found that the recommendations reflect many sound business practices. Certain of the recommendations were already in place prior to the end of BFO's fieldwork, and others either have been implemented subsequently or will be implemented in the future. We do appreciate Mr. Roll's candid comments that many of the recommendations will take time to be implemented properly.

We have arranged this response in the same order as the basic report to assist you in reviewing our response.

Results in Brief

This section is drafted in the present tense and is unduly alarming. While we understand that during the period under audit, 2005-2006, the Agency experienced several financial challenges, currently we have pulled away from those challenges and our financial situation has greatly improved. By mid-February, 2007, the organization had met all its vendor obligations (at times the Accounts Payable balance was zero) and the organization had repaid its advance from OSP (the balance of which was $ 321,737 as of June 30, 2006).

Much of the cash flow and procedural problems with the old block grant system of reimbursement have gone by the boards. The advent of Act 150 processing through the PROMISe system, although painful in its implementation, has been a great boon to the organization. Billings are performed in a timely manner, and the Commonwealth is actually slightly ahead of its Prudent-Pay-45-day window for remittance. As a result, cash flow is now much easier to predict and manage. As of the end of February, 2007, after having paid payroll, current payables and retiring the line of credit, we had $ 150,000 in the bank.

The organization has entered into a new banking relationship with [redacted] Bank and has restructured its debt. We have also engaged a new audit firm and are encouraged by our interactions with them to-date.

This section mentions that new fiscal staff members do not have the necessary tools for effectively performing their job functions. We concur that policies and procedures could be better documented, but believe that on-the-job training is the best kind of training, and note that UCP's problems are not related to training staff, but in turnover generally initiated by the Agency. Also, we wish to emphasize that the staff have sufficient physical tools such as workspace, computers, software, internet access, e-mail and supplies.

Further, we wish to note that staff members that have been here over one year are cross-trained in A/P, A/R and payroll.

Results of Fieldwork

Issue No 1: The UCP is Operating within a Tenuous Financial Situation

The report states that UCP has historically had cash flow problems. We know of few non-profit agencies that are 'fat, dumb, and happy'. By definition, running very close to break even is a way of life for most non-profits.

The report states that UCP needed to request 'expedited' payments to meet cash needs. We view timely reimbursement for services duly performed and approved as a legal entitlement of the agency. We also view our actions to collect these entitlements as part of our due diligence on the part of the organization. We are thankful that the report mentioned in at least one instance that OSP did not reimburse UCP in a timely fashion. Further, we are thankful that the report lays to rest fallacious notions that UCP is chronically unable to meet payroll.

The report utilizes the wording 'current cash flow crunch'. We realize this may have been true during the 2004-2006 fiscal years. However, current cash is sufficient to sustain operations and was sufficient during the period of fieldwork. Over the past six months, careful cash management practices and aggressive collections have allowed the organization to retire its short-term loans in excess of $ 100,000, pay back its advance of $ 321,737 from OSP, and remain current in its Accounts Payable with vendors.

A. Key Areas that Affect UCP's Financial Condition

Billing Issues and the Effect on the Agency's Funding Levels

The report discusses Act 150 billing and mentions, "Similarly, errors and untimely invoice submission for EI and ISO services provided to county MH/MR programs contributed to delays in reimbursement of costs for these services". We believe that it is more accurate to state that delays in county funding from the Commonwealth and county staffing and payment-automation initiatives most frequently delayed payments from county agencies.

We have in the past six months increased our scrutiny of the payment patterns of the counties with increased communications and collections as a result.

The report avers that UCP made "infrequent and untimely submissions for Waiver claims for Attendant Care, CSPPD and CommCare Services." We believe these allegation to be misleading generalizations, especially in the area of MA Waiver billing. During the period under audit, 2005-2006, MA Waiver was billed through the Commonwealth's PROMISe System, and billings were submitted for services rendered in timely fashion (as attendant payroll was processed.) The same billing clerk performed the same functions she is performing today, and there have been minimal, if any, disruptions in the process. In fact, MA Waiver is the most dependable part of our cash flow management forecast.

Further, a major factor associated with CSPPPD billing is the time delays involved in plan approval. In many instances, bills are waiting to be submitted, but cannot be processed. The crushing OSP workload in this area makes plan approval a several month wait.

The report notes that UCP requested, in timely fashion, an increase in the service coordination rates for OBRA and Independence Waivers for the 2006-2007 fiscal year. The request was denied. BFO's report states, "one would expect that the Agency would take advantage of every opportunity to maximize revenues however this is not the situation." We take great exception to this allegation. In fact, additional attempts were made to request higher rates for these programs. Further, during BFO's period of fieldwork, other revenue increasing initiative were being implemented such as billing for and developing a pass-through plan for the 2% attendant COLA, and aggressive implementation of the Nursing Home Transition Program (with its associated performance bonuses).

In actuality, subsequent to BFO's fieldwork, we have achieved a rational, amicable understanding with OSP of rate setting for this service, and new rates have been approved. Unfortunately, at this time the rate increase denials during 2006-07 have resulted in the new rates being applicable for 2007-08. We estimate these denials cost UCP $ 14,949 during 2006-2007.

Management of Accounts Receivable

The report discusses several issues with the recording and reporting of accounts receivable, and correctly notes that the detailed subsidiary ledgers by customer do overstate receivables. The report emphasizes an incorrect amount of overstatement by looking at a subsidiary listing and not taking into account the reserve for doubtful accounts already booked. The report correctly reports that cash receipts were mis-posted against old invoices when they should have been posted against current invoices. This caused confusion over the actual amount due to the agency. The report implies that $ 437,000 of services were billed and never received. We believe that, what is far more likely, is that services for prior periods were rebilled, payment received, and the receivable closed, while the old receivable for the same service remained on the books. The agency actually utilized temporary professional help to rebill for prior periods, and collected several hundred thousand dollars in that effort.

The report states that UCP's line of credit is secured by accounts receivable, which it is. However, only eligible receivables (those less than 90 days old) are considered as part of the borrowing base. We fail to see how the receivables that are not eligible (because of age) are misleading to our bank, especially considering that they are disclosed to the bank in the routine course of reporting. This issue has become of less significance, since the line of credit is currently at a zero balance.

Accounts Payable

The report notes that A/P ageing did not include one invoice, and, further, that single invoice was due to our national affiliate. In general, we believe this lone instance to be a minor occurrence. Also, the report discusses at length the amount due to OSP as a result of the Commonwealth's PROMISe system startup difficulties. Subsequent to the BFO audit, UCP completely repaid the $ 321,737 balance due as of June 30, 2006.

Additionally, the report mentions $ 3,986 in tax and interest penalties associated with consumer-employed payroll. The report does not discuss the fact that these penalties are often not the fault of UCP, but of the taxing authorities and their automated systems, plus inadequate information supplied by consumer employers. Further, to place this amount in perspective, these penalties amount to less than two tenths of one percent of budgeted payroll for consumer-employed attendants.

We do not believe that A/P is a current problem, and do not plan any actions in this area.

Debt Management

The report accurately describes the past borrowing patterns of UCP. However, since the end of BFO's fieldwork, UCP has entered into a new banking relationship with Commerce Bank and restructured its debt. While we have a $ 500,000 line of credit with [redacted] Bank, it is currently at a zero balance.

Changes in Program Reimbursement

The report accurately describes the changes in program reimbursement for Act 150 and MA Waiver, but the report's implication that program reimbursement changes will have a negative cash flow impact is puzzling. There were teething problems with the new reimbursement process with MA Waiver, but we are delighted with OSP's implementation of the new reimbursement program. Under PROMISe, Act 150 and MA Waiver are our most predictable cash flow components. Further, the Commonwealth tends to pay in advance of the 45 day 'prudent pay' commitment.

The PROMISe system is 100% better than the previous Cash Needs Request reimbursement method. The Commonwealth is to be congratulated on this point. In conversations with BFO representatives subsequent to their fieldwork, we have learned that implementation of the PROMISe system for many organizations is still a crushing process to this day. We believe that our fiscal management and billing clerks deserve kudos for the successful implementation of Act 150 PROMISe billing.

B. Actions Taken by UCP Management to Adjust to Reimbursement Changes

Cost Cutting Measures

We have but one comment in this area; the report mentions that new hire turnover increased when UCP lowered its starting attendant wages. The turnover rate did increase, but our new hire turnover is currently below the state average rate of approximately 50%. This indicates to us that we are still successfully recruiting and retaining attendants in comparison with our peer agencies.

Operational Changes - No Comment

Recommendations

We concur with the short and long-term recommendations, and those that are not already completed will be incorporated into a formal business plan.

Issue No 2: High Turnover of Key Fiscal Positions

The report identifies some of the challenges that faced UCP due to staff turnover in the Fiscal Department. However, UCP believes that some of BFO observations and comments are unfounded. Further, most of the senior fiscal staff turnover was initiated by UCP and resulted in a positive fiscal impact as evidenced by the current successes. Oversight of fiscal activities has been historically vested in the Director of Finance position, and the chain of command has historically ended with that position. The fact that the slot was vacant during the audit does not mean that there is not a long-term plan for consolidating control of the department. Also, that plan may be revised to incorporate a matrix method of management whereby personnel direction is performed by one manager, and technical direction is handled by another. This is a valid recognized technique that may be utilized.

In addition, the report implies that there are no experienced staff on board. This is untrue. At the time of this response, we have three of five staff who have been in their positions in excess of one year, and two who have been in place slightly less than one year. Further, regarding procedures, these individuals have documented their day-to-day job procedures and utilize such for reference and cross-training.

Recommendations

We concur with the recommendations in spirit, and those that are not already completed will be incorporated into a formal business plan.

Issue No 3: The Fiscal Operations of the Agency have been Negatively Impacted by Fiscal Unit Turnover.

A. Cost Allocation Plan

The report correctly mentions that UCP utilizes a detailed, intricate cost allocation methodology and plan. It also correctly mentions that the payroll allocations were updated in April, 2006. The plan is a two-step plan that first distributes general admin costs to direct charge activities and the sites; total site costs are then also distributed to direct charge activities. BFO cautions that with this methodology, admin costs for one site can be allocated to another. We believe that if certain site costs are truly general admin costs, this is appropriate, regardless of where they are incurred. Further, direct costs are charged directly regardless of site. For example, The EI group orders its own paper and charges it appropriately.

The report seems to discredit the allocation because the documentation used to develop it could not be located. We believe this is more a function of staff turnover in the Fiscal Department and unfamiliarity with where the records have been stored than a basic flaw in the system.

The report also correctly reports that certain administrative personnel do not code their timesheets to the detail that their costs are charged. We believe this to be a minor point, since their job activities vary seldom if at all. For example, the same clerk always bills EI. Also, their payroll is not processed by the accounting system, and a journal entry is used to enter their costs. A detailed timesheet is not necessary.

B. Inaccurate Financial Statements

We disagree with BFO's conclusion concerning the overall reliability of internal financial reporting. We concur with BFO's comments regarding reporting by program, but the report implies that UCP's current monthly financial bottom line is inaccurate. BFO bases their opinion on the number of correcting entries (stated as 23, but actually 24) in the 2004-2005 audit. We view this as an inappropriate indicator of the quality of financial statements. Further, our auditors requested that we 'stockpile' certain entries until the end of the fiscal year.

If the BFO would have analyzed those entries, they would have found that eighteen were developed by a consultant who was engaged by UCP to prepare the financials for audit, and six were developed by UCP's external auditors. We view the consultant's work as our own. Six auditor-suggested adjustments per year is normal for the industry.

More significantly, exclusive of the establishment of a reserve for doubtful accounts, the net profit and loss impact of all adjustments combined was a $ 40,292 increase in net income. Alternatively stated, all non-reserve, internal and external adjustments amounted to six tenths of one percent of total revenue.

The allowance for doubtful accounts entry amounted to a negative $ 233,944 of profit and loss impact. We believe the allowance entry is the result of the difficulties experienced in the MA Waiver processing startup of PROMISe, whereby certain services were in essence entered into UCP's accounting system twice.

To reiterate our position, we vehemently dispute any opinion either expressed or implied by the BFO that the 2006-2007 monthly operating report bottom line is inaccurate.

Recommendations

We concur with the recommendations in spirit, and those that are not already completed will be incorporated into a formal business plan.

Issue No 4: UCP's Billing Processes can be Enhanced

A. Attendant Care and CSPPPD Billing Processes and Procedures

For MA Waiver and CSPPPD, the report includes a fairly thorough recapitulation of the billings issues, both procedural and PROMISe related experienced by UCP, and the report does acknowledge the improvements made by UCP. However, the report implies, by example, that billings are routinely delayed by two months. This is not the case. The billing process begins and is completed within one week after processing timesheets for payroll. All charges rejected by PROMISe are logged and communicated to the appropriate service coordinator for action; management is also notified in detail of the suspense billings. We do not believe this is a significant concern at this time.

B. Act 150 Invoice Preparation

The report correctly states that reimbursement for Act 150 has changed from a cost reimbursement to a fee-for-service system. It also correctly states that turnover in DPW contributed to a series of processing delays between the two parties. Additionally it correctly states that DPW requested additional supporting documentation from UCP, and that the documentation was submitted, reviewed, and approved before payment for services was paid. The report devotes five and one half pages to procedural reviews, timeliness evaluation, and allocation analysis of a system that is now defunct. We believe UCP acted in good faith and complied with OSP's requests for clarifying information in timely fashion, as evidenced by OSP's approval of the Act 150 13th Month Settlement.

Recommendations

We concur with those recommendations that concern future billing procedures and billing tracking, those that are not already completed will be incorporated into a formal business plan.

Issue No 5: UCP Needs to Strengthen Management Controls

A. Consumer Fees

The report indicates that, at present, consumer fees are billed appropriately. Further, we can attest that these currently billed fees are being collected. Past receivables are being analyzed and, where possible, we will collect those amounts justly due from consumers.

B. Consumer Database

The report indicates that BFO had difficulty auditing consumers across programs. We do not find this a valid reason for establishing and maintaining a comprehensive database. <u>The administrative cost of establishing and maintaining a comprehensive database would be cost prohibitive and have little practical value in our view.</u>

C. Contracting - No Comment

D. Oversight of Act 150 Budget - No Comment

Recommendations

We concur with the recommendations exclusive of Developing a Comprehensive Consumer Database. With this exception, those that are not already completed will be incorporated into a formal business plan.

In conclusion, the foregoing statements include such comments and additional information that we believe are necessary for the reader of the Limited Performance Audit Report to fully understand the issues raised by the BFO and to fully understand UCP's current greatly-improved, stable financial status.

Sincerely,

Paulette E Houghton

Paulette E. Houghton,
Executive Director