



COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF PUBLIC WELFARE  
BUREAU OF FINANCIAL OPERATIONS  
ROOM 525 HEALTH & WELFARE BUILDING  
HARRISBURG, PA 17105-2675

DEC 20 2007

KEVIN M. FRIEL  
DIRECTOR

TELEPHONE  
(717) 772-2231  
FAX  
(717) 787-3560

Mr. Stuart Symons  
Mental Retardation Director  
Lancaster Office of MH-MR  
150 North Queen Street, 3<sup>rd</sup> Floor  
Lancaster, Pennsylvania 17603

Dear Mr. Symons:

Enclosed is the final audit report of the Early Intervention Program at Lancaster County Office of Mental Health-Mental Retardation completed by this office. Your agency elected not to have an exit conference. Your written response has been incorporated into the final report and labeled Appendix A.

The final report will be forwarded to the Department of Public Welfare's (DPW) Office of Child Development and Early Learning to begin the DPW's resolution process concerning the report contents. The staff of the Office of Child Development and Early Learning may be in contact with you to follow-up on the corrective action actually taken to comply with the report's recommendations.

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

Please contact Ms. Tina Long, Director, Division of Financial Policy and Operations at (717) 705-2288 if you have any questions concerning this matter.

Sincerely,

  
Kevin M. Friel

Enclosure

cc: Ms. Harriet L. Dichter  
Mr. Todd Klunk  
Mr. James Eckenroth



COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF PUBLIC WELFARE  
BUREAU OF FINANCIAL OPERATIONS  
ROOM 525 HEALTH & WELFARE BUILDING  
HARRISBURG, PA 17105-2675

DEC 20 2007

KEVIN M. FRIEL  
DIRECTOR

TELEPHONE  
(717) 772-2231  
FAX  
(717) 787-3560

Ms. Harriet Dichter  
Deputy Secretary for Child Development  
and Early Learning  
Health and Welfare Building, Room 521  
Harrisburg, Pennsylvania 17105

Dear Ms. Dichter:

In response to a request from the Office of Child Development and Early Learning (OCDEL), the Bureau of Financial Operations (BFO) conducted an audit of the administrative costs of the Lancaster County Mental Health-Mental Retardation (MH-MR) Early Intervention Program.

The mission of the BFO, accomplished through its audit and review activities, is to assist Department of Public Welfare (DPW) management to administer human services programs of the highest quality, at the lowest cost, with integrity.

**Results in Brief**

- The Early Intervention (EI) administrative costs for Fiscal Year 2005-06 were \$461,242, representing 10.5 percent of \$4,389,058 total EI costs. A comparison of EI administrative costs to those of similar size Counties could not be made due to lack of comparable data and large variations in both County administrative structures and reporting of administrative costs.
- EI administrative costs of \$461,242 exceeded the DPW administrative allocation by \$113,557. The \$113,557 was funded by \$50,826 of MR non-EI base funds, with 10 percent County match and interest used to fund the remaining \$62,731.
- Administrative costs allocated to the EI Program represented 17.4 percent of total MH-MR administrative costs. The allocation is based on an analysis of full-time equivalent (FTE) positions and results in a fair and equitable distribution of administrative costs to the EI Program.

### **Results in Brief**

- The basis for salary and benefits charged to EI administration needs to be better documented for three staff whose time is split between the MR and EI programs.
- Testing of administrative costs for compliance with Chapter 4300 Regulations identified only one exception of \$2,847 related to excess salary compensation. A financial adjustment is not needed as the excess compensation was adjusted through the compensation review conducted by the DPW Bureau of Human Resources.

### **Background**

The Pennsylvania Early Intervention System was developed and implemented in compliance with the Federal Regulations for Part C of the Individuals with Disabilities Education Act (IDEA) Amendments and the Pennsylvania Early Intervention Services System Act, PA Act 212. These statutes require Early Intervention services be made available to eligible infants, toddlers, young children and their families. The IDEA Section 303.520 ensures that fees will not be charged for services a child is entitled to receive nor will the parents' ability to pay for services affect an eligible child's services. The PA Title 55, Chapter 4226, "Early Intervention Services" regulations also provide general provisions and requirements for the program.

Early Intervention (EI) services are based on the developmental needs of the child and the child's family as determined by the screening, evaluation, and assessment process. Specific EI services include physical, occupational, and speech therapy, audiology, special instruction and service coordination. County MH-MR Programs receive an allocation to pay for expenses related to the administration of these services.

The Lancaster County EI Program's DPW allocation for Fiscal Year 2005-06 was \$3,821,723 of which \$347,685 was allocated for administrative expenses.

### **Objectives, Scope and Methodology**

The BFO audit focused on analyzing and testing the EI Program's administrative expenditures and cost allocation process. Accordingly, our specific objective was:

- To determine if the process used to allocate administrative costs to the Lancaster County EI Program results in an equitable distribution of administrative costs, and if administrative costs are reasonable and in compliance with Chapter 4300 fiscal regulations.

### **Objectives, Scope and Methodology (Continued)**

In pursuing our objectives, the BFO interviewed personnel from the MH-MR EI administrative office, and reviewed allocations, budgets, income and expenditure reports, general ledger abstracts, and cost allocation documents for the fiscal year ended June 30, 2006.

Government auditing standards requires that we obtain an understanding of management controls that are relevant to the audit objectives described above. The applicable controls were examined to the extent necessary to provide reasonable assurance of 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 the issues included in this report.

The audit fieldwork was performed in accordance with generally accepted governmental auditing standards. This report, when presented in its final form, is available for public inspection.

### **Results of Fieldwork**

#### **EI Administrative Costs Represent 10.5 Percent of Total EI Costs**

EI costs including administrative for Fiscal Year 2005-06 were \$4,389,058. Administrative costs were \$461,242, representing 10.5 percent of total EI costs. The administrative costs were comprised of salaries and benefits - \$367,299; County Indirect - \$57,779; and Miscellaneous/Other - \$36,164.

The EI administrative costs of \$461,242 exceeded the available administrative allocation by \$113,557. As identified in the following schedule, \$50,826 of MR non-EI base funds were used to fund \$113,557 of this total. The remainder was funded through a 10 percent County match and interest.

	<b>Program Funding</b>	<b>Administrative Funding</b>	<b>Total Funding</b>
DPW	\$3,474,038	\$ 347,685	\$ 3,821,723
10% Cty. Match	313,394	38,555	351,949
MA	322,401	0	322,401
Interest	0	21,887	21,887
Other	0	2,289	2,289
EI Funding	4,109,833	410,416	4,520,249
DPW (Non EI Base)	0	50,826	50,826
Total Funding	\$ 4,109,833	\$ 461,242	\$ 4,571,075
EI Expenditures	<u>3,927,816</u>	<u>461,242</u>	<u>4,389,058</u>
EI Carryover	<u>\$ 182,017</u>	<u>\$ 0</u>	<u>\$ 182,017</u>

### **Results of Fieldwork (Continued)**

#### **EI Administrative Costs Could Not Be Compared to Similar Size Counties**

We were not able to determine the reasonableness of Lancaster's EI administrative costs as compared to similar size counties. The lack of comparable data, and large variations in both County administrative structures and reporting of administrative costs does not provide a valid comparison of administrative costs. For example, the County MR Report of Income and Expenditures does not separately identify EI administrative costs including costs exceeding the administrative allocation. Additionally, the number of EI subcontractors and whether a County subcontracts its administrative functions is a significant factor in higher or lower administrative costs. The 10.5 percent level of EI administrative costs could be considered reasonable if compared to benchmarks available through other Pennsylvania government programs. The most recent National report of expenditures for the federal TANF Program identified administrative costs represent 9.3 percent of total expenditures. The Medical Assistance funding of Pennsylvania's Residential Treatment Program allows administrative costs up to a 13 percent CAP.

#### **MH-MR Administrative Costs Are Equitably Distributed to the EI Program**

Administrative costs allocated to the EI Program represent 17.4 percent of total MH-MR administrative costs for Fiscal Year 2005-06. Administrative costs represent the MH-MR Program's management, fiscal, information technology, clerical, and general administrative costs. We determined the methodology used to allocate MH-MR administrative costs results in a fair and equitable distribution of administrative costs to the EI Program. The 17.4 percent allocation of administrative costs to the EI Program was developed by using the 24.5 EI FTE's as a percentage of the 141 total MH-MR FTE's.

The 24.5 EI FTE's include three positions (MR Deputy, Children's Service Director and Clerical Specialist) whose time is split between EI and MR. All other EI positions are charged 100 percent to EI. The percent of time charged to EI for the three allocated positions was established a number of years ago through self-declaration. The accuracy and documentation of the time charged to EI for these three positions can be enhanced through a periodic time study and/or narrative of their current functions and time.

#### **EI Administrative Costs Comply With Chapter 4300 Allowable Cost Standards**

Our review of administrative salaries, benefits, and County indirect costs charged to the EI program identified only one exception to allowable cost standards with no financial adjustment required. The following is a summary of the results of our testing for compliance with Chapter 4300 allowable cost standards:

**Results of Fieldwork (Continued)****Salaries and Benefits**

The salary of one employee included in the administrative cost pool allocated to EI exceeded the maximum compensation allowed for equivalent Commonwealth positions by \$2,847. This amount need not be adjusted as the excess compensation was identified and adjusted through the Fiscal Year 2005-06 compensation review conducted by the DPW Bureau of Human Resources.

The Fiscal Year 2005-06 DPW maximum participation rate allowed for employee benefits per Regulation 4300.44(c) is 40.7 percent. The percent of fringe benefits charged to EI administration was 41.8 percent. This results in excess fringe benefit costs of \$3,048. We are not recommending a financial adjustment due to the cumulative fringe benefit rate of all MH-MR Programs is 40.5 percent, within the 40.7 percent allowable limit. The MH-MR Program needs to continue to manage and monitor the level of fringe benefits including the benefits allocated to EI in order to continue to receive full funding of benefit costs.

**County Indirect Costs**

The EI program was allocated \$57,779 of indirect costs for supportive services provided by the County. The County indirect costs are supported by a Central Services Cost Allocation Plan developed by Maximus. The plan identifies County indirect costs by department and allocates a portion to the MH-MR Program. The MH-MR amount is further allocated to the MH, MR and EI Programs by the FTE factor. The \$57,779 represents 1.5 percent of DPW EI funding. This is within the 2 percent allowed per Regulation 4300.55(c).

**Recommendations**

The BFO recommends the Lancaster MH-MR Program enhance documentation of time charged for the three positions whose time is allocated between MR and EI Programs through completion of a periodic time study and/or narrative of their current functions and time.

The BFO also recommends the MH-MR Program continue to manage and monitor the level of employee benefits allocated to the EI Program in order to maximize Department participation in funding of benefit costs.

Lancaster County MH-MR EI Program elected not to have an exit conference. Their response is attached to the report and labeled Appendix A.

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

Please contact Ms. Tina Long, Director, Division of Financial Policy and Operations at (717) 705-2288 if you have any questions concerning the audit or if we can be of any further assistance.

Sincerely,

  
Kevin M. Friel

Attachment

cc: Mr. Todd Klunk  
Mr. Stuart Symons  
Mr. James Eckenroth

**AUDITEE'S RESPONSE  
APPENDIX A**

# LANCASTER COUNTY

## MENTAL HEALTH/MENTAL RETARDATION/EARLY INTERVENTION PROGRAM

COUNTY COMMISSIONERS  
DICK SHELLENBERGER, Chairman  
SHARRON V. NELSON  
MOLLY S. HENDERSON

EXECUTIVE DIRECTOR  
JAMES A. LAUGHMAN

Administration/Early Intervention/Mental Retardation  
150 North Queen Street, Lancaster, PA 17603

Administration Telephone: 717-295-8521  
Fax: 717-295-3680

Early Intervention Telephone: 717-395-7323  
Fax: 717-399-7396

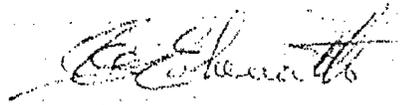
Mental Retardation Telephone: 717-395-7355  
Fax: 717-399-3054

Mental Health  
1120 Frances Avenue, Lancaster, PA 17601  
Telephone: 717-395-0421  
Fax: 717-399-7306

**Date:** December 4, 2007

**To:** John Hoover, BFO, Northeast Field Office  
Rm. 325 Scranton State Office Building  
100 Lackawanna Avenue  
Scranton, PA 18503

**From:** Jim Beckenroth, Fiscal Director



**Subject:** Response to BFO Early Intervention Administrative Cost Audit draft dated 9/17/07

We agree with the audit results and comments on pages 1 and 2 that the Administrative costs allocated to the Early Intervention program results in a fair and equitable distribution of administrative costs to the EI program.

Page 4. We are disappointed that the auditors were unable to ascertain what other comparable counties get allocated for EI Admin costs. We would be interested how other counties allocate Administrative costs to the EI Program.

Although the audit points out that Lancaster County MH-MR Administrative costs are equitably distributed to the EI Program it does not point out that EI Admin allocations have not been increased over the last several years (not even a COLA increase). Fiscal Year 2004-05 EI Admin allocation was \$296,171 and has remained at that level for 2005-06 and 2006-07.

Page 5. The benefit rate of fringe benefits charged to EI administration was 41.8 percent. EI has no control over the County fringe benefit package and percent but we do want to point out that this percentage was significantly reduced as a result of the County Controller's Final Accounting adjustments with the FY 06-07 benefit rate at 39.3%.

Cc: Jen Stover, Deputy Director of Administration  
Cc: Jim Laughman, Executive Director  
Cc: Stuart Symons, Deputy Director, MR/EI Services

Appendix A  
Page 1 of 1