



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
BUREAU OF FINANCIAL OPERATIONS
525 Health and Welfare Building
Harrisburg, Pennsylvania 17105-2675

KEVIN M. FRIEL
DIRECTOR

DEC 22 2009

TELEPHONE NUMBER
(717) 772-2231
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(717) 705-9094

Mr. John White, President/CEO
The Consortium, Inc
3801 Market Street, Suite 201
Philadelphia, Pennsylvania 19104-3153

Dear Mr. White

I am enclosing the final report of The Consortium, Inc. that was recently completed by this office. Your response has been incorporated into the final report and labeled as an Appendix.

I would like to extend my appreciation to all the courtesy extended to my staff during the course of fieldwork. I understand that your staff was especially helpful to Barbara Miller in expediting the audit process.

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

If you have any questions concerning this matter, please contact Alexander Matolyak, Audit Resolution Section, at (717) 783-7786.

Sincerely,

Kevin Friel

Enclosures

c: Mr. Kevin Casey
Ms. Vicki Stillman-Toomey
Mr. Joseph Church
Mr. Lou Sanuniti
Mr. James Hoffler
Ms. Joan Erney
Ms. Thomasina Bouknight
Mr. Phillip Mader
Ms. Kathy Sykes



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Mr. Kevin T. Casey
 Deputy Secretary for Developmental Programs
 Health and Welfare Building, Room 512
 Harrisburg, Pennsylvania 17120

Dear Mr. Casey:

In response to a request from the Office of Developmental Programs (ODP), the Bureau of Financial Operations (BFO) has completed an audit of The Consortium, Inc. (Consortium). The audit was requested to address outstanding vendor account balances and issues identified during a monitoring visit conducted by Philadelphia Mental Retardation Services (Phila MRS). Additionally, complaints had been filed by families, advocates and former employees.

The report is currently in final form and therefore contains Consortium's views on the reported findings, conclusions or recommendations. The data used to prepare the report findings was discussed with Consortium's management at a closing conference held on September 14, 2009.

The Consortium Inc.
Executive Summary

The Consortium is a nonprofit Community Mental Health Center incorporated in 1967. They deliver services to residents in West and Southwest Philadelphia and throughout the city. The Consortium provides Behavioral Health Care to children, adults and senior citizens as well as Supports Coordination services to residents with mental retardation or developmental disabilities.

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

FINDINGS	SUMMARY
<i>Finding No. 1 – Supports Coordination Procedures Need Strengthening.</i>	The supports coordination unit has undergone significant management and staffing changes in the last two years. Many changes have been made to the unit's policies and procedures; however, there are still areas where improvements are needed.

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HIGHLIGHTS OF RECOMMENDATIONS

The Consortium should:

- Periodically review existing policies and procedures.
- Detail and document reports contained on the supports coordination shared drive.
- Revise supervisors approach to supports coordinators reviews.
- Further define the Unit Managers duties and responsibilities.
- Further define supervision procedures.
- Use the Quality Manager function as more of an overview of the unit as a whole.
- Have the Quality Manager make corrections and/or adjustments to the productivity report to reflect accurate data.
- Require summary reports from the Unit Manager and the Quality Manager address overall issues identified.
- Use monthly management team meetings to focus on unit wide issues identified by the Unit Manager and Quality Manager; follow-up to these issues needs to be documented and assessed at each meeting.

FINDINGS	SUMMARY
<p><i>Finding No. 2 – The Consortium’s Financial Records Indicate A Deficit Of \$3,231,940 As Of May 31, 2009.</i></p>	<p>The Consortium incurred deficits primarily in its Mental Health Outpatient programs. These deficits have caused significant cash flow issues that have impacted the entire agency. Historically Phila MH/MR has been able to provide the needed funds to cover these deficits; however, with current economic conditions the City could not reimburse the prior year deficits and does not expect to be able to reimburse any current deficits.</p>

HIGHLIGHTS OF RECOMMENDATIONS

The Consortium should:

- Develop a detailed cost cutting plan which not only reduces costs in the short term, but restructures the agency to avoid budget overruns.
- Explore options that will generate additional cash to help alleviate the current cash flow situation.

The ODP in conjunction with Office of Mental Health and Substance Abuse Services (OMHSAS) and Phila MH/MR should:

- Form a management team to monitor the ongoing progress of Consortium’s financial situation.
- Review and monitor Consortium’s cost cutting plan.

FINDINGS	SUMMARY
<p><i>Finding No. 3 – Vendor Payments At June 24, 2009 Were \$1,023,738 In Arrears.</i></p>	<p>The Consortium received Mental Retardation Waiver pass through funds to pay vendors providing services authorized by the Individual Service Plans (ISP). Due to the cash flow situation caused by deficits in the MH programs, MR funds</p>

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Cont'd Finding No. 3 – Vendor Payments At June 24, 2009 Were \$1,023,738 In Arrears.	were used to cover MH expenses, causing vendor payments to become delinquent. The Consortium has been working to pay down the overdue balances. A total of \$400,000 in payments has been made as of the close of field work.
HIGHLIGHTS OF RECOMMENDATIONS	
The Consortium should: <ul style="list-style-type: none">• Report monthly to Phila MRS and ODP on its progress in paying outstanding vendor balances.• Obtain confirmations from each vendor as they are paid in full. This confirmation must be sent prior to release of the final payment and must be submitted to Phila MRS and ODP.• Ensure future funding is used for its intended purpose.	

Background

The Consortium Inc., located at 3801 Market Street, Philadelphia, has been providing Mental Health services since 1967. Their focus is directed to behavioral health programs, supports coordination and the recovery of substance abuse.

Philadelphia Mental Health/Mental Retardation, Fiscal Division (Phila MH/MR) historically covered most budget overruns when they settled their unitary contracts generally after the close of the fiscal period. However, in early 2009 it became apparent that they would not have funds available to cover costs incurred by the Consortium in fiscal year ended June 30, 2008. Additionally, Phila MH/MR alerted the Consortium that funds would not be available for any budget overruns in the 2008/2009 fiscal period. Historically, Phila MH/MR's contract settlement process generally funded most provider budget overruns. As such, the Consortium believed additional funds would be made available. The Consortium was always able to manage their cash needs through line of credit loans until the City reconciled the contracts.

Concurrent with the City's disclosure that additional funds would not be available; the Consortium began to fall behind with the MR vendor payments. As of March 31, 2009, vendor payments were in arrears in excess of \$1 million dollars. (See Finding No. 3). As such, the Phila MRS made the decision to move the fourth quarter vendor allocation to another provider.

The Supports Coordination unit provides assistance to consumers with a mental retardation diagnosis. Once a family is determined eligible for services, the family chooses a Supports Coordination agency. Based on the availability of funds and the family's willingness to apply for waiver services, consumers are placed in either a federal waiver funded program or a state (base) funded program.

Supports Coordination services are billed through The Home and Community Services Information System (HCSIS) based on a 15 minute unit. The supports coordinators (SC) input their service notes into HCSIS and indicate whether or not the activity is billable. HCSIS "sweeps" the system every two weeks and generates a payment for the

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eligible billable activities. The Consortium has determined that each SC should be producing 400 billable and 120 non-billable units per month.

ODP and Phila MRS conducted monitoring visits in response to the complaints received from families and advocacy groups. Based on the results of the monitoring, Consortium was directed to develop a plan of correction (POC) to address the issues identified.

Objective, Scope and Methodology

The audit objectives, developed in concurrence with ODP were:

- To determine whether vendor payments have been made in accordance with The Consortium Inc.'s agreement with Philadelphia Mental Retardation Services and to verify any outstanding balances due to the vendors.
- To determine if the supports coordination program complies with all applicable standards and regulations and to verify that supports coordination billings have been done in accordance with the appropriate family service plans and waiver requirements.
- To determine the cause of deficits within the MH program and to obtain the Consortium's plan of correction to address the deficit and ensure future financial stability.

In pursuing these objectives, the BFO interviewed ODP staff, Consortium management staff and Supports Coordination staff. We also reviewed accounting and financial records, selected invoices, HCSIS data, and other pertinent data necessary to complete our objectives. Finally, we sent confirmation letters to a sample of vendors to verify the amount of outstanding balances due and analyzed invoices and/or schedules provided by the vendors to support the balance due.

We conducted this performance audit in accordance with generally accepted government audit standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Government auditing standards require that the auditors 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 the effectiveness of these controls. Based on our understanding of the controls no material deficiencies came to our attention. Areas where we noted an opportunity for improvement are addressed in the findings of this report.

Fieldwork for this audit took place intermittently between June 22, 2009 and September 14, 2009. The report, when presented in its final form, is available for public inspection.

Results of Fieldwork

Finding No. 1 – Supports Coordination Procedures Need Strengthening

Based on complaints filed by families and advocacy groups, Phila MRS conducted a monitoring visit and identified areas of weakness that the Consortium needed to rectify. Since that time the Consortium has implemented various enhancements, but needs to develop additional procedures and controls to meet the expectations of Phila MRS and ODP.

Beginning in early 2007, the supports coordination unit had undergone a change in leadership as well as turnover of a significant number of supports coordinator positions. Additionally, under the leadership of the unit director, who was hired in August 2007, the supports coordination unit has undergone many changes in its operating and management procedures.

The new management team has developed review procedures and data collection reports to help identify areas of weakness and ensure required deadlines are being met. While these and other improvements should be acknowledged additional enhancements will increase effectiveness and improve upon areas where weaknesses are identified.

For example, while the reviews being conducted appear to be adequate, appropriate reporting and follow-up of issues identified appears to be lacking. As a result, the procedures used to identify weaknesses are not as effective as intended; therefore, additional review and reporting procedures need to be developed.

The following recommendations were developed to help address the concerns of Phila MRS and ODP and to further improve the effectiveness of the SC unit.

Recommendation

The BFO recommends the Consortium consider the following recommendations to improve the reporting and follow-up of identified issues and to strengthen procedures already in place:

- A detailed description of the documents contained on the shared drive should be printed, along with instructions and expectations regarding the use of these documents. This document should be made available to all staff required to provide input for these shared drive documents.
- Supervisors should set up a tiered approach to meet with new SC's to provide additional training and support. As the SC gains more experience and knowledge the supervisions can be scaled back.
- The Unit Manager should be provided with more detailed action steps related to the various job description duties. These action steps should define the job description functions and identify performance factors.

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- As part of the action steps to be developed above, the procedure used to supervise the SC Supervisors should be defined. This procedure should include a methodology to ensure all supervisors are doing what they should be in their supervision and review of the SC's.
- The Quality Manager (QM) function should be more of an overview of the unit as a whole. The QM should evaluate specific job functions (ISP completion, monitoring, physicals, etc) on monthly bases and determine areas of weakness.
- The QM should review the productivity reports and ensure the formulas used are correct and are reflecting accurate and useful data. Results identified on the productivity reports should be addressed as appropriate.
- Summary reports from the Unit Manager and the QM should be prepared to address any overall issues identified. These summary reports should be presented to the Director at the monthly management team meetings. The Director should document any required follow up based on the issues identified in the Unit Manger and QM reports.
- The monthly management team meetings should be documented to include the resolution of prior follow up issues, current follow up steps needed, and any other discussion regarding issues identified by the Unit and QM (as well as other management staff).
- The Supports Coordination unit should set up a time to solicit comment and review existing policy and procedures on a regular basis (annually, bi-annually, etc).

Finding No.2 – The Consortium's Financial Records Indicate A Deficit Of \$3,231,940 As Of May 31, 2009.

The Consortium operates both Mental Health and Mental Retardation programs. The MH outpatient programs have historically been the cause of significant budget overruns. For the most part The Phila MH/MR was able to provide the additional funds needed as part of the fiscal year end contract reconciliations. Thus the overruns have not resulted in deficits and have not adversely affected The Consortium's ability to continue to operate.

In February of 2009, Phila MH/MR informed the Consortium that due to the current economic conditions within the city and state, funds to cover prior budget overruns as well as expected current budget overruns would not be available. For the fiscal year ended June 30, 2008, Consortium's expenditures had exceeded budgeted limitation amounts by \$2,317,794. Phila MH/MR funded \$349,074 of that total resulting in a \$1,968,720 increase to the Consortium's deficit. As a result, the Consortium is now facing a sizable deficit with no immediate resolution available.

The agency has started to develop a plan to reduce overall agency costs which includes a restructure of the MH Outpatient program, reduction of staff, reduced work hours per week, as well as focusing on other funding sources. However, currently the agency is struggling to pay its operating costs.

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We were also informed that changes within the HCSIS system have adversely affected the Consortium's ability to adequately address and follow up on denied claims. In the area of supports coordination claims could be denied as a result of changes in client eligibility or data input errors. Because the Consortium does not have a dedicated Claims Resolution unit, many eligible billings could be going unpaid.

Recommendation

The BFO recommends that Consortium develop a detailed cost cutting plan which not only reduces costs in the short term, but looks at ways to restructure the agency to avoid cost overruns in the future. Additionally, the Consortium needs to explore options that will generate additional cash to help alleviate the current cash flow situation.

The BFO also recommends ODP, OMHSAS and Phila MH/MR form a management team to monitor the ongoing progress of Consortium's financial situation. Once a detailed cost cutting plan has been developed, it should be submitted to this management team for review and ongoing monitoring.

Finally, the BFO recommends the Consortium focus on claims resolution to ensure all eligible billings are properly input and paid.

Finding No. 3 – Vendor Payments At June 24, 2009 Were \$1,023,738 In Arrears

The Consortium received pass through funds to pay vendors who provided services such as in-home nursing, adaptations, habilitative services, etc. The vendors provided the services according to the individual service plans (ISP) and billed the Consortium.

The Consortium received funds directly from Phila MRS to reimburse the cost of these services. Between July 1, 2008 and March 31, 2009 the Consortium received funding totaling \$2,856,798. Phila MRS transferred the responsibility to act as intermediary for these services to another provider for the last quarter of the fiscal year.

Because of Consortium's cash flow situation, funds coming into the agency were used for expenses as they occurred. As a result, Mental Retardation funds were used to cover Mental Health expenses causing the vendor payments to go unpaid. This situation was further impacted when Phila. MH/MR could not provide reimbursement for prior period budget overruns. (See Finding No. 2 above)

In Consortium's efforts to pay down the amount owed to the vendors, they have made some informal payment agreements with the vendors, and at the close of field work, had paid down approximately \$400,000. The current outstanding balance as of August 12, 2009 was \$634,326.

The majority of outstanding vendor invoices related to services rendered in the 2008/2009 fiscal year; however, a few outstanding invoices were related to the prior fiscal year. The Consortium has been working with the vendors and making payments as cash has become available.

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July 1, 2008 through May 31, 2009

As of July 1, 2009 the majority of these vendor payments will be billed directly to PROMISE™ by the vendors, eliminating the need for agencies such as the Consortium to manage this payment process.

Recommendation:

The BFO recommends that the Consortium report monthly to Phila MRS and ODP on their progress in paying the outstanding vendor balances. Once the final payment is made, the Consortium needs to prepare a letter to the vendor stating that the account is paid in full and the vendor must sign in agreement. In turn, these documents need to be submitted to Phila MRS and ODP verifying the accounts have been paid in full.

Finally the BFO recommends that the Consortium ensure that funds are used for their intended purposes.

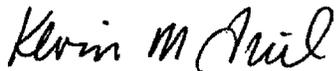
Exit Conference

The Consortium elected not to have an Exit conference; as such the report is issued as final with the Consortium response included as an appendix.

In accordance with the BFO established procedures, an audit response matrix will be provided to your office. Once received, please complete the matrix within 60 days and email the Excel file to the DPW Audit Resolution Section at RA-pwauditresolution@state.pa.us. The response to each recommendation should indicate your office's concurrence or non-concurrence, the corrective action to be taken, the staff from your office responsible for the corrective action, the expected date that the corrective action will be complete, and any related comments.

Please contact Alex Matolyak, Audit Resolution Section at (717) 783-7786 if you have any questions concerning this audit or if we can be of any further assistance in this matter.

Sincerely,



Kevin M. Friel

- c: Mr. John White
Ms. Vicki Stillman-Toomey
Mr. Joseph Church
Ms. Kathy Sykes
Mr. Lou Sanuniti
Mr. James Hoffler
Ms. Joan Erney
Ms. Thomasina Bouknight
Mr. Phillip Mader

**THE CONSORTIUM'S
RESPONSE TO DRAFT REPORT**

APPENDIX



Honorable John M. Younge, Board Chair

John F. White, Jr., President & CEO

December 14, 2009

Mr. Daniel Higgins, Audit Manager
Division of Audit and Review
Bureau of Financial Operations
Department of Public Welfare
801 Market Street, Suite 5040
Philadelphia, PA 19107-3126

Re: Performance Audit report of the Consortium, Inc.
Period: July 1, 2008 through May 31, 2009

Dear Mr. Higgins,

Please find as follows the responses to audit report findings:

Response to Finding No. 1: Supports Coordination procedures need strengthening

In order to strengthen procedures as related to supports coordination, the Consortium will incorporate recommendations in regard to this finding as follows:

- A printed directory of the Support Coordination unit's shared network drive will be maintained by unit manager along with instructions and expectations as to the use. New support coordination staff orientations and team supervisory oversight will be updated to incorporate instructions and provide support to Supports Coordination staff responsible for accessing and updating documents stored on the shared network drive as related to the documentation of supports coordination services.
- A tiered supervisory approach has been enhanced to provide additional training and support to newly hired Support Coordination staff. This approach includes development of a structure that allows supervisory staff to utilize assessment tools to determine that staff has achieved core competencies and to provide ongoing but progressively less intensive support.
- The position of Unit Manager has been revised to incorporate an emphasis on follow-up with the SC supervisors to ensure compliance to requirements. In addition, some work processes have been streamlined to eliminate duplication of responsibilities with the position of Quality Manager.
- Procedures have been updated to incorporate a methodology for supervision of the Support Coordination supervisory staff to measure established performance factors.

Providing behavioral health care services since 1967, we put RECOVERY First.

The Consortium • 3801 Market Street, Suite 201 • Philadelphia, PA 19104-3413
Tel: 215.596.8100 • Fax: 215.382.0511 • www.consortium-inc.org

Bureau of Financial Operations
Attn: Daniel Higgins, Audit Manager
December 4, 2009
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- The job description of the Quality Manager position has been updated to include duties that reflect overview of the Support Coordination unit as related to specific job functions including, but not limited to confirmation of ISP completion and monitoring on a monthly basis to identify and address related issues as they are noted, as well as develop measures to ensure resolution.
- The job description of the Quality Manager position has also been adjusted to include the responsibility to review productivity reports and ensure accuracy of formulas in order to provide useful and complete data.
- The reporting structure of the Support Coordination unit has been enhanced to incorporate processes and reporting formats for managers to submit issues to be addressed during monthly management team meetings. The Supports Coordination Director will utilize these reports to identify issues requiring follow-up and develop processes to confirm that matters are discussed and resolved.
- The monthly management meeting agenda has been updated to include discussion points for status of matters presented at previous meetings and timelines for resolution if not concluded prior to the meeting.
- The responsibility to incorporate Support Coordination policy manual updates and revisions has been assigned to the Unit Manager to be conducted on an annual basis.

Response to Finding No. 2: The Consortium's financial records indicate a deficit of \$3,231,940 as of May 31, 2009

The Consortium has developed and implemented a multi-faceted cost cutting and revenue enhancing plan to address the need to reduce operational expenditures while maintaining revenue generation capabilities. This plan incorporates the evaluation of established programs expenditures to determination areas where cost saving opportunities exist. This includes the reduction of staff hours, review and elimination of positions within various departments, the evaluation of vendor services and third-party service provider, the development of an in-house security staff and ongoing monitoring of operational costs. Pursuit of entrepreneurial opportunities and development of fund raising capabilities have also been incorporated as a component of the plan. The Consortium has recently conducted efforts to establish a fund raising base in support of the Consortium's service objectives. The goal of the plan is to establish a fiscally balanced social services organization that conforms to the mission, vision and principles of the Consortium that has provided over forty years of service to the West Philadelphia community.

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Attn: Daniel Higgins, Audit Manager
December 4, 2009
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Based upon the recommendation of the BFO, the detailed cost cutting plan would be submitted to any management review team developed by ODP, OMHSS and Philadelphia MH/MR for review and monitoring.

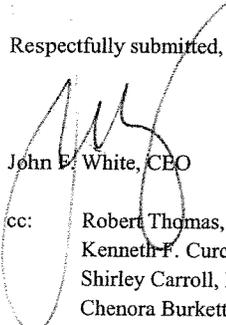
Also as recommended, the responsibilities for claim resolution have been incorporated with the existing duties of positions within the supports coordination unit in order to ensure that claims are submitted properly to HCSIS and paid.

Finding No. 3: Vendor payments at June 24, 2009 were \$1,023,738 in arrears

The Consortium will provide ongoing progress reports to identified parties of Philadelphia MRS and ODP as recommended. Upon issuance of final account payments, a confirmation letter will be generated and submitted to the vendor to confirm that the outstanding balance has been satisfied by signature verification. Upon return receipt of the confirmation, a copy of the letter will be forwarded to the identified parties at Philadelphia MRS and ODP to indicate satisfied obligations until all related accounts are paid in full.

The Consortium will continue to utilize processes and procedures to ensure that identified sources and uses of funds are maintained as intended.

Respectfully submitted,



John E. White, CEO

cc: Robert Thomas, Compliance Officer
Kenneth F. Curcio, CFO
Shirley Carroll, Director of Supports Coordination
Chenora Burkett, Controller