



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
BUREAU OF FINANCIAL OPERATIONS

3rd Floor Bertolino Building
Harrisburg, Pennsylvania 17105-2675

JUN 19 2007

JOHN H. BUNGO, CGFM, CFS
DIRECTOR

TELEPHONE NUMBER
(717) 787-9200
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Mr. Michael Robb, Executive Director
Center for Community Resources, Inc.
220 South Main Street, Suite 407
Butler, Pennsylvania 16001

Dear Mr. Robb:

Enclosed is the final review report of your Agency recently completed by this office.

The final report will be forwarded to the Department's Office of Mental Health and Substance Abuse and the Office of Developmental Programs to begin the Department's resolution process concerning the report contents. The staff from these offices 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 the DAR staff during the course of the fieldwork.

If you have any questions concerning this matter, please contact Richard E. Wessel, Audit Manager of the Western Field Office, at (412) 565-2187.

Sincerely,

John H. Bungo, CGFM, CFS

Enclosure

cc: Ms. Joan Erney
Mr. Kevin Casey
Mr. Carmine Scotece
Ms. Valerie Vicari

Ms. Sandra Schalcosky
Ms. Kathleen Hubert
Mr. Joseph Church



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Ms. Joan L. Erney, Deputy Secretary
Office of Mental Health and Substance Abuse Services
502 Health and Welfare Building
Harrisburg, Pennsylvania 17105

Mr. Kevin T. Casey, Deputy Secretary
Office of Developmental Programs
512 Health and Welfare Building
Harrisburg, Pennsylvania 17105

Dear Ms. Erney and Mr. Casey:

In response to a request from the Office of Mental Health and Substance Abuse Services (OMHSAS), the Bureau of Financial Operations (BFO) conducted a performance audit of the financial controls of the Center for Community Resources, Incorporated (CCR). The request indicated concerns with CCR's billing practices and financial monitoring by the Butler County Human Services Department (BCHS).

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

Background:

BCHS includes Butler County's Mental Health, Mental Retardation, and Drug and Alcohol Programs. During 2001, BCHS developed what it described as "... the community changes that are considered best practices in behavioral health from the perspective of the federal government and also the Commonwealth of Pennsylvania." It planned to use HealthChoices reinvestment funds to:

- Increase coordination of resources between the countywide systems and the various funding sources;
- Support the development of non-traditional innovative services that will be available to all corners of the county (mobile behavioral health teams and small satellite centers);
- Maximize the countywide network of services that will be consumer focused with easy accessibility;
- Strengthened the existing collaborative efforts among persons receiving services, families, advocates, providers, schools, and government agencies;

Background (Continued):

- Offer an independent assessment and the facilitation of services through a “no wrong door” countywide focused program that will instill a community wellness philosophy; and,
- Create new services to develop a local comprehensive behavioral system for addressing the unserved or underserved need of our residents.

It further indicated that:

... a big part of the plan is to establish a non-profit agency with a board of directors comprised of major community funding agencies (MH, MR, D&A, C&Y, and United Way). This agency will not compete with providers (of treatment service) but rather offer communitywide education and prevention as well as independent assessments and service coordination.

The indicated non-profit agency, CCR, was established by articles of incorporation filed on April 9, 2002.

It reported all funding for the 2004-05 fiscal year as follows:

Funding administered by Butler County:	
Base funds	\$ 2,056,850
Re-investment funds	81,356
Drug and Alcohol	125,691
HealthChoices	31,306
Tobacco	34,331
HUD	76,963
HSDf	16,320
Medical Assistance	351,319
Other Income	8,278
Rental Income – Homeless Program	<u>7,991</u>
Total support and revenues	<u>\$ 2,790,405</u>

CCR received Medical Assistance revenue for its Early Intervention (\$59,131) and Targeted Service Management Programs (\$292,188). The Base funds were applied as follows:

Crisis Intervention	\$ 535,010
Targeted Service Management	249,731
Early Intervention	134,023
FSSR	60,084
Student Assistance Program	203,008
MH Service Management	469,253

Background (Continued):

CCR experienced cash flow problems, which were rooted in its Early Intervention (EI) and Targeted Service Management (TSM) Programs. Both services are funded by Medical Assistance on the fee-for-service basis. During CCR's startup phase, the agency experienced difficulty capturing service units and invoicing for these services. In order to cover its payroll and other operating expenses, CCR began to "pre-bill" Butler County for its program funded activities early in the 2003-04 fiscal year.

Objectives, Scope and Methodology:

Our audit addressed the following objective:

To determine if controls are in place to assure the accuracy and timeliness of financial reporting to funding sources and the corporate board.

The scope of our audit was limited to those procedures determined necessary to accomplish this objective. In pursuing this objective, we interviewed staff and management of both CCR and BCHS and their independent auditor. We also reviewed cost reports, budgets, accounting records and reports, and related correspondence.

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 assurances of compliance with generally accepted accounting principles. Based on the BFO understanding of the controls, no significant deficiencies came to our attention other than those described in this report.

Our fieldwork, conducted between April 18, 2006 and May 5, 2006, was performed in accordance with generally accepted government auditing standards. We held a closing conference with CCR and BCHS management and their independent auditor on May 15, 2006. This report, when presented in its final form, is available for public inspection.

Because of past problems with cash flow, staff turnover, management and board oversight, CCR financial reporting was not accurate and timely. Since the problems surfaced, however, CCR has made significant strides to address past deficiencies and ensure that they are not repeated in the future. For example, CCR now has a new executive director and a director of finance, who has developed a comprehensive, written fiscal policies and procedures manual and is developing a similar manual for human resources. Invoices to the county now appear to be accurate and properly reflect the expenses actually incurred by the agency.

The cash flow concerns, emanating from the billing and reimbursement issues in the EI and TSM programs that prompted the former fiscal person to overstate personnel costs, have also been resolved.

Ms. Joan L. Erney
Mr. Kevin T. Casey

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Results of Fieldwork:

Although the county needs to improve its documentation of the processes it has developed to address its fiscal monitoring of CCR, it does appear that CCR has made significant positive changes in the way it reports fiscal information to its board of directors and the county.

The association of BCHS employees with CCR as members of its board of directors constituted a relationship as defined by the Chapter 4300 regulations. Retained revenue is not available to counties or organizations they control. However, given the circumstances of this particular case, the BFO does not recommend recapture of retained revenue provided to CCR by Butler County.

CCR and the individuals involved took appropriate corrective action shortly after the closing conference associated with this audit. The BCHS employees resigned from the Board and CCR modified its Bylaws to eliminate requirements for BCHS representation on the Board.

The inclusion of BCHS employees on the CCR Board, although misguided, was well-intentioned. BCHS wanted to ensure that CCR did not develop programs that might be viewed or construed as unfair competition with the county's other service providers.

During the period in question, BCHS did not show undue favoritism to CCR. Although it authorized retained revenue, this was consistent with the former treatment of CCR's predecessor organization, which BCHS did not control.

Because the parties took corrective action and the relationship was well-intentioned though technically erroneous, it would be inappropriate to penalize CCR and the County MH/MR Program by recapturing the retained revenue.

An exit conference was not necessary to discuss the contents of this report.

The comments from Butler County on the report contents have been incorporated as an appendix to this report.

If you have any further questions concerning this audit or if we can be of any further assistance in this matter, please contact Richard Polek of the Audit Resolution Section at (717) 787-6529.

Sincerely,



John H. Bungo, CGFM, CFS

cc: Mr. Michael Robb
Mr. Carmine Scotece
Ms. Valerie Vicari

Ms. Sandra Schalcosky
Ms. Kathleen Hubert
Mr. Joseph Church

APPENDIX A

AUDITEE'S RESPONSE

Butler County Response to BFO Audit
April 18 – May 5, 2006

I. Butler County needs to improve its documentation of the processes it has developed to address its fiscal monitoring of CCR.

Although the County of Butler Human Services Department does have written policies and procedures for fiscal monitoring, we have worked on expanding their scope to be more scrutinizing when the contract involves program funding. In addition, as certain systems are changing due to Centers for Medicare and Medicaid Services (CMS) requirements, we are reviewing our monitoring process to ensure that the federal requirements are included and adhered to in the future.

Prior to the BFO audit, the Butler County Human Services Department had evaluated certain conditions that might place agencies like CCR at risk resulting in questioned practices or serious financial hardship.

The goal would be to be proactive in early identification of those risk indicators and, if necessary, work with the agency to resolve potential difficulties as quickly as possible. Audits can be helpful as well; but in many cases their alerts to findings or reportable conditions are too late, being completed a number of months after the fiscal year ends.

With the assistance of the County's auditor of record and several CPA's, Butler County Human Services Department developed an annual survey to be completed by contracted providers. It would provide a brief profile of an agency's financial conditions with a view towards identifying problem areas or developing best practices for subsequent county monitoring and oversight. Some of the areas which the survey focuses upon include the types and frequency of financial reporting to the Board of Directors, segregation of duties, addressing past audit findings or reportable conditions, turnover in executive staff, cash reserves, and timely billings to payor sources.

The surveys are sent between audit cycles and must be signed by the agency's executive director, financial director, and board president.

The survey has been presented at a county fiscal officers' conference in Western Pennsylvania and has been well received.

2007 will be the third year the survey will be distributed.

II. Butler County Human Services employees on the CCR Board were well intentioned though technically erroneous.

The creation of Center for Community Resources brought about the most radical systems change in Butler County human services since the passage of the Mental Health and Mental Retardation Act of 1966 over 35 years earlier. The agency's development was overwhelmingly supported in the community and became a catalyst for significant improvements in services including the creation of a conflict free and independent process for individuals and families seeking referral for services. However, CCR also

unintentionally became a source of serious apprehension for some community stakeholders. This happened because CCR's formation involved a significant transfer of resources (staff, equipment, funding) from a well established community service provider to CCR.

Some of the formidable challenges involved in the transition were:

- To assure all individuals and families would not have an interruption in service.
- To assure each and every direct care staff person who would be displaced at the current service provider would have an opportunity to be employed with CCR at least with commensurate salary and benefits.
- To work with the current provider to establish a strategic plan that would enable it to continue its vital mission in the community despite a significant loss in funding.
- To assure that CCR would not compete with community providers for treatment services in order to maintain its integrity as an "independent" referral agency.
- To help CCR actively promote the integration of services while simultaneously navigating the fiscal barriers created by discreet categorical funding of those same services.
- To enable CCR to have "standing" with the service provider network to implement county policies related to coordinating and authorizing services across multiple service systems which at times can present obstacles to individuals and families trying to gain access.

After much consideration the Butler County Human Services Director was convinced that the most effective way to address these challenges, build credibility for the transition process, and diminish increasing volatility and divisiveness among some stakeholders was to have himself and several of his directors take a direct approach in guiding the transition by participating on the CCR board of directors along with a majority of community volunteers representing various stakeholder groups. At the time, it was fairly known that there were county program directors on CCR's Board and there were conflict of interest provisions that were adhered to in the agency's by-laws.

It was envisioned that once the agency was up and running, other county representatives could replace the existing county directors. These could be from Aging, Community Action, Children & Youth, Juvenile Justice, etc. They could be directors or direct care staff.

During their engagement with CCR and BCHS the BFO auditors stated their concerns over the practice of county directors contracting with CCR and being on CCR's Board of Directors creating the appearance of controlling an organization, whereupon, the county directors resigned.

The Butler County Human Services Director accepts the audit conclusions and wants to thank BFO and its auditors for their fairness and thorough consideration of all the circumstances involved with this situation and not recommending recapture of retained revenue provided to CCR by Butler County.