



pennsylvania
DEPARTMENT OF HUMAN SERVICES
BUREAU OF FINANCIAL OPERATIONS

December 28, 2016

Ms. Darlene Hewett
President and Chief Executive Officer
theVillage Services
452 S. Roberts Road
Rosemont, Pennsylvania 19010

Dear Ms. Hewett:

I am enclosing for your review the "final" performance audit report of theVillage Services as prepared by the Division of Audit and Review (DAR). Your response has been incorporated into the final report and labeled as an Appendix. The report covers the period July 1, 2014 through June 30, 2016.

I would like to express my appreciation for all of the courtesy extended to my staff during the course of the fieldwork. I understand that you were especially helpful to Barbara Miller in completing the audit process.

The final report will be forwarded to the Office of Mental Health and Substance Abuse Services (OMHSAS) to begin the resolution process concerning the report's contents. Staff from OMHSAS will be in contact with you to follow-up on the actions taken to comply with the report's recommendations.

If you have any questions concerning this matter, please contact David Bryan, Audit Resolution Section at [REDACTED]

Sincerely,

Tina L. Long, CPA
Director

Enclosure

c: Mr. Jay Bausch
Ms. Julie Barley
Ms. Sandra Wooters
Mr. Scott Ashenfelter

December 28, 2016

Mr. Brendan Harris, Executive Deputy Secretary
Department of Human Services
Health & Welfare Building, Room 334
Harrisburg, Pennsylvania 17120

Dear Deputy Secretary Harris:

The Bureau of Financial Operations (BFO) conducted an audit of the Village Services' (the Village) Residential Treatment Facility (RTF) program. The audit was designed to investigate and analyze the high number of Absence Without Leave (AWOL) occurrences. Our audit covered the period from July 1, 2014 through June 30, 2016 (Audit Period).

This report is currently in final form and therefore contains the Village's views on the reported findings, conclusions and recommendations.

Executive Summary

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

FINDINGS	SUMMARY
<p><i>Finding No. 1 – Resident AWOL Occurrences Continue to be a Concern</i></p>	<p>AWOL occurrences have been significantly higher than the average as calculated by Community Behavioral Health (CBH) resulting in closed admissions.</p> <p>Management at the Village has been making programmatic changes in an effort to identify and reduce the number of AWOL incidents. For the months of April and July, 2016 the Village reported a decrease in the number of AWOLs and came in well below the CBH average.</p>
HIGHLIGHTS OF RECOMMENDATIONS	
<p>the Village should:</p> <ul style="list-style-type: none"> Continue to work on changing the culture of their campus and enhancing the quality of services delivered in order to continue to manage the number of AWOL incidents. 	

FINDINGS	SUMMARY
<p><i>Finding No. 2 – The RTF Cost Report Contains Some Errors.</i></p>	<p>The BFO did limited testing on the fiscal year ended June 30, 2015 RTF cost report and identified some inconsistencies. The BFO did not recommend any adjustments to the rate as the reported rate far exceeds the rate paid by any of the Village's funding sources.</p>

HIGHLIGHTS OF RECOMMENDATIONS

theVillage should:

- Carefully review its RTF cost report and ensure that only those costs related to the RTF program are reflected in the per diem rate.

See Appendix A for the Background; Objective, Scope and Methodology; and Conclusion on the Objective.

Results of Fieldwork

Finding No. 1 – Resident AWOL Occurrences Continue to be a Concern

A spike in resident AWOL occurrences began during fiscal year 2014/2015 and has continued through the audit period. AWOL occurrences have been running, at times, as much as twice the average of similar RTF programs¹.

The BFO analyzed direct care staffing ratios to determine if staffing levels were contributing to the level of AWOLs. This analysis revealed that staffing levels exceeded the requirements and did not appear to be contributing to the amount of AWOL occurrences.

During the fiscal year ended June 30, 2015, theVillage had a policy in place whereby staff would follow a resident who was attempting to go AWOL until she left the campus. Once the resident left the campus, staff discontinued their attempts to bring the resident back to the cottage and called the police for assistance. This policy changed in May 2016 as a part of management's program enhancements. In addition to the program enhancements discussed below, staff now tries to engage residents who are attempting to go AWOL by accompanying them and encouraging them to return to their residence.

Management at theVillage has been working to identify the AWOL cause(s). As a result, theVillage made staffing changes in the RTF program. A new residential program director and clinical director were hired. Additionally, several residential staff were replaced and/or terminated in an effort to improve the quality of services that are delivered.

Furthermore, management has been working to change the "culture" on theVillage campus. Some changes include: staff training on AWOL prevention and de-escalation; engaging the residents immediately upon admission; soliciting residents' input on what they would like to do and what could be improved; and enhancing programming after school and on holidays.

Slowly these changes are beginning to take effect and have resulted in decreased AWOL incidents with the exception of May 2016. For the months of April and July 2016, theVillage was well below the average number of AWOLs as calculated by CBH. Additionally, theVillage reported a decreased number of AWOLs in August 2016.

¹ The average AWOL occurrence was calculated by Community Behavioral Health (CBH) and used to identify providers in their network with significant numbers of AWOL occurrences. CBH is the largest funder of RTF services at theVillage.

Recommendations

The BFO recommends that theVillage continue to work on changing the “culture” on their campus and enhancing the quality of services that are delivered in order to continue to manage the number of AWOL incidents.

Finding No. 2 – The RTF Cost Report Contains Some Errors.

The BFO performed limited testing on the fiscal year ended June 30, 2015 RTF cost report. This testing identified several areas of inconsistency which affected the reported RTF rate. The areas of inconsistency are as follows:

Marketing Expenses: theVillage charged marketing expenses to the General Administration cost center which was allocated to all programs based on the ratio of direct program costs to total direct costs. Marketing expense is an unallowable² expense; as such, \$18,004 was reclassified to the Unallowable cost center.

Travel Expenses: theVillage charged travel expenses to the General Administration cost center which was allocated to all programs based on the ratio of direct program costs to total direct costs. These expenses are uniquely identifiable to a specific program and are not related to the RTF. These expenses should be directly charged to the “Other Programs” cost center. As a result, \$118,114 was reclassified to “Other Programs”.

Vehicle Expenses: theVillage charged vehicle expenses in total to the RTF program when a portion of these costs relate to other programs. As a result, \$29,272 was reclassified to the “Other Programs” cost center.

Square Footage Allocation: The square footage amounts used to allocate occupancy costs to each cost center were not consistent with the actual square footage that was presented to the BFO. Minor differences were noted which affected the amount of occupancy cost allocated to the RTF program. The BFO reallocated costs based on the actual square footage amounts presented resulting in a decrease in the RTF rate of \$19.15.

The above adjustments to the cost report reduced the RTF rate by a total of \$28.84 per day. theVillage’s reported RTF rate is \$451.89, while their funding sources pay rates ranging from \$240.00 to \$325.00 with their largest funder paying \$283.00. As a result, the BFO did not recommend an adjustment to the rate.

Recommendations:

The BFO recommends that theVillage carefully review its RTF cost report and ensure that only those costs related to the RTF program are reflected in the per diem rate.

² Centers for Medicare & Medicaid Services; HIM 15-1; The Provider Reimbursement Manual – Part 1; Section 2136.2 “Unallowable Advertising Costs”.

Exit Conference/Auditor's Commentary

theVillage did not request an exit conference. However, the BFO made some minor wording changes to the draft report and to Appendix A due to a request by theVillage's management and also to address concerns in theVillage's response to the draft report. The BFO did not make any additional changes to the report since theVillage did not express disagreement with any other areas of the report.

In accordance with our established procedures, an audit response matrix will be provided to the Office of Mental Health and Substance Abuse Services (OMHSAS). Once received, OMHSAS should complete the matrix within 60 days and email the Excel file to the DHS Audit Resolution Section at:



The response to each recommendation should indicate OMHSAS's concurrence or non-concurrence, the corrective action to be taken, the staff responsible for the corrective action, the expected date that the corrective action will be completed and any related comments.

Sincerely,

A handwritten signature in black ink that reads "Tina L Long".

Tina L. Long, CPA
Director

- c: Mr. Jay Bausch
- Ms. Julie Barley
- Ms. Sandra Wooters
- Mr. Scott Ashenfelter

THEVILLAGE SERVICES

APPENDIX A

APPENDIX A

Background

theVillage Services, formally Presbyterian Children's Village Services, is an organization serving children, families and communities affected by violence, addiction, mental illness and other societal problems. theVillage has been providing services for 130 years. Revenues are primarily received through programs funded by governmental sources, contributions and investment activities. Services provided by theVillage include: Residential Programs, Community-Based Child Welfare Programs, Behavioral Health Programs and Prevention Programs.

As of the close of fieldwork, theVillage was on a provisional license; admissions had been closed by CBH, their largest funder. These actions have been taken, in part, due to the high rate of AWOLs since early 2015. theVillage has been working towards reducing the number of AWOLs by enhancing the quality of their services. Enhancements to their program have been put into place and the number of AWOL occurrences is starting to drop. Subsequently, theVillage was issued a full license effective November 4, 2016.

Objective/Scope/Methodology

The audit objective, developed in concurrence with OMHSAS was:

- To determine if the AWOL issue at theVillage is related to their programmatic structure and financial constraints.

The criteria used to determine the validity of the expenses charged was the Centers for Medicare & Medicaid Services, HIM 15, The Provider Reimbursement Manual Part 1.

In pursuing this objective, the BFO interviewed OMHSAS personnel and theVillage management. We also analyzed the general ledger, payroll records, census data, AWOL reports, and other pertinent data necessary to pursue the audit objective.

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

Government auditing standards require that we obtain an understanding of management controls that are relevant to the audit objective described above. The applicable controls were examined to the extent necessary to provide reasonable assurance of the effectiveness of those controls. Based on our understanding of the controls, there were some deficiencies in cost reporting. Areas where we noted an opportunity for improvement in management controls are addressed in the findings of this report.

The BFO's fieldwork was conducted intermittently from July 20, 2016 to September 13, 2016 and was performed in accordance with GAGAS. This report is available for public inspection.

Conclusion on the Objective

In conclusion, it appears that the high volume of AWOL occurrences was driven by the Village's internal policy not to pursue residents once they left the campus and possible deficiencies in the program structure. The Village's new policy of engaging residents and encouraging them to return to their residences along with enhancements to the quality of their services are starting to be reflected in reduced numbers of AWOL occurrences in recent months.

THEVILLAGE SERVICES
RESPONSE TO THE DRAFT REPORT
APPENDIX B



December 12, 2016

Ms. Barbara Miller, Audit Manager
Division of Audit and Review, Bureau of Financial Operations
Department of Human Services
801 Market Street, [REDACTED]
Philadelphia, PA 19107-3126

Dear Ms. Miller:

This letter represents the formal response by theVillage to the “draft” performance audit of theVillage Services as prepared by the Division of Audit and Review (DAR) which was received in our office on November 14, 2016. It is our understanding that the request for the Bureau of Financial Operations audit was made by PA BHSL, PA OMHSAS and CBH.

Under APPENDIX A Background paragraph 2, the report indicated “...a second managed care organization has removed theVillage from their network of providers . . . actions taken due to the high rate of AWOLs since 2015. While we did receive notice from Magellan of their intent to remove theVillage from their network of providers, the letter notifying us of decision stated that it was “not for cause.”

The second concern is related to our rate. Auditors commented throughout the audit regarding the fact theVillage had had no rate increase from CBH since July 1, 2010. The auditors acknowledged that expenses had gone up significantly during that time period.

We do concur with the recommendations BFO has made in regards to inconsistencies in our June 30, 2016 RTF Cost Report.

Sincerely yours,

A handwritten signature in cursive script that reads "Darlene Hewett".

Darlene Hewett, MSW
President and CEO

HOPE IN ACTION SINCE 1877

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