



County of Allegheny

Office of the Controller

PYRAMID HEALTHCARE, INC.
REPORT ON CONTRACT
COMPLIANCE PROCEDURES
FOR THE PERIOD JULY 1, 2009
THROUGH JUNE 30, 2010

MAY 31, 2011

County of Allegheny
Office of the Controller
Mark Patrick Flaherty
Controller

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MARK PATRICK FLAHERTY
CONTROLLER

COUNTY OF ALLEGHENY

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GUY A. TUMOLO
DEPUTY CONTROLLER

May 2, 2011

Mr. Marc Cherna
Director
Allegheny County Department of
Human Services
One Smithfield Street, 4th Floor
Pittsburgh, PA 15222

**SUBJECT: Contract Compliance Procedures Applied to Agreement #102806
Between Pyramid Healthcare, Inc. and Allegheny County Department of
Human Services for the Period July 1, 2009 through June 30, 2010**

Dear Mr. Cherna:

We have applied contract compliance procedures to contract #102806 between Pyramid Healthcare, Inc. ("Pyramid") and the Allegheny County Department of Human Services ("DHS"). We performed these contract compliance procedures to ensure that Pyramid was in compliance with the scope and terms of the Agreement. Our contract compliance procedures covered the period from July 1, 2009 through June 30, 2010. Our engagement was performed as a non-audit service, and therefore was not conducted in accordance with *Government Auditing Standards*.

The application of our compliance procedures revealed that the client liabilities assessed by Pyramid for some of its clients exceeded the rates for the service established by DHS, and that client liabilities were not properly reported to DHS by Pyramid. This resulted in Pyramid receiving compensation for services provided under the Agreement that exceeded the allowable amount.

Pyramid should immediately repay to DHS \$2,875, the known amount attributable to improper reporting of client liabilities. Pyramid also needs to strengthen its procedures pertaining to the determination and reporting of client liabilities.

Mr. Marc Cherna
May 2, 2011

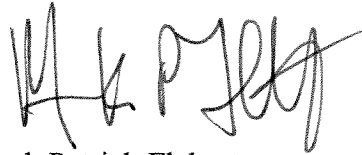
We believe that the implementation of our recommendations will improve Pyramid Healthcare, Inc.'s compliance with any future County contracts. The results of the application of our contract compliance procedures are provided in the attached report.

We would like to thank the management and staff of Pyramid Healthcare, Inc. for their courtesy and cooperation during the performance of our procedures.

Very truly yours,



Lori A. Churilla
Assistant Deputy Controller, Auditing



Mark Patrick Flaherty
Controller

cc: Honorable James Burn, Jr., President, County Council
Honorable William Russell Robinson, County Council
Honorable Dan Onorato, Chief Executive, Allegheny County
Mr. James M. Flynn, Jr., County Manager, Allegheny County
Ms. Amy Griser, Budget Director, Allegheny County
Mr. Randolph Brockington, Deputy Director, Dept. of Human Services
Mr. William Pagonis, Administrator, Dept. of Human Services
Mr. Joseph Catanese, Director of Constituent Services, County Council
Ms. Jennifer Liptak, Budget Director, County Council
Mr. Jonathan Wolf, Chief Executive Officer, Pyramid Healthcare, Inc.
Mr. Guy A. Tumolo, Deputy Controller, County Controller's Office
Mr. Robert J. Lentz, Assistant Deputy Controller, Accounting
Ms. Pamela Goldsmith, Communications Director, County Controller's Office

EXECUTIVE SUMMARY

Purpose of Procedures:

We performed contract compliance procedures to ensure that Pyramid Healthcare, Inc. was in compliance with the scope and terms of contract #102806.

Background:

Pyramid Healthcare, Inc. ("Pyramid") was founded in July 1999 and is based in Altoona, Pennsylvania. The for-profit corporation offers behavioral healthcare services for men and women including a full continuum of adult and adolescent drug and alcohol rehabilitation programs, methadone maintenance programs, therapeutic group homes, and alternative schools.

Allegheny County entered into Agreement #102806 with Pyramid for the fiscal year ended June 30, 2010. Under the Agreement, Pyramid was to provide a variety of drug and alcohol treatment services as well as children, youth, and family services. The final maximum amount of Agreement #102806 was \$1,600,876. Allegheny County paid Pyramid \$1,522,338 for the services provided under Agreement #102806.

Results in Brief:

While performing our procedures, we found that Pyramid needs to improve its recordkeeping and strengthen procedures related to the determination and reporting of client liabilities for services. Specifically, we found that:

Finding #1

- For two clients, Pyramid improperly determined the clients' liability for services in that the clients' liability exceeded the rate that DHS established for the service.

Finding #2

- The Allegheny County Liability Report submitted by Pyramid for the fiscal year ended June 30, 2010 was not completed properly, and as a result, Pyramid received compensation for services under the Agreement that was in excess of the allowable amount. The known amount due to DHS is \$2,875.

EXECUTIVE SUMMARY

Recommendations:

We recommend that Pyramid:

Recommendation #1

- Review the client liabilities assessed for all current clients, and lower the client liability for each client for whom the liability assessed exceeds the rate established for the service by DHS. Clients subject to those reassessments of their liability should be informed of their redetermined liability.
- Review the guidance in the Commonwealth of Pennsylvania Bureau of Drug and Alcohol Programs (BDAP) *Fiscal Manual* to help ensure the proper determination of client liabilities in the future.

Recommendation #2

- Immediately repay to DHS \$2,875, the amount Pyramid was paid in excess of the allowable amount for the services provided that pertains to the sample we tested.
- Properly complete and resubmit to DHS the Allegheny County Liability Report for the fiscal year ended June 30, 2010, so that DHS can recover the entire amount it paid for services in excess of the allowable amount.
- Establish a process to ensure that client liabilities are properly reflected in the Allegheny County Liability Report in future fiscal years.

We recommend that DHS:

- Develop a payment plan to ensure that the \$2,875 in known disallowed costs pertaining to our sample is received from Pyramid, and take steps to identify and recover the additional costs that should be disallowed.

I. Introduction

Background

Pyramid Healthcare, Inc. (“Pyramid”) was founded in July 1999 and is based in Altoona, Pennsylvania. The corporation offers behavioral healthcare services for men and women including a full continuum of adult and adolescent drug and alcohol rehabilitation programs, methadone maintenance programs, therapeutic group homes, and alternative schools.

Allegheny County entered into Agreement #102806 with Pyramid for the fiscal year ended June 30, 2010. Under the Agreement, Pyramid was to provide a variety of drug and alcohol treatment services as well as children, youth, and family services. The final maximum amount of Agreement #102806 was \$1,600,876. Allegheny County paid Pyramid \$1,522,338 for the services provided under Agreement #102806.

Drug and alcohol treatment services included in the scope of the Agreement include the provision of regular and intensive outpatient, partial hospitalization, HIV outpatient/inpatient, inpatient non-hospital services (halfway house, rehabilitation, and detoxification) and housing services. Pyramid provides drug and alcohol treatment services to Allegheny County clients at four different locations in the Pittsburgh area. Outpatient services are provided on the Southside, housing services for men and women are provided in Swissvale, and detoxification and residential rehabilitation services are provided in Wilkinsburg.

The Southside location provides partial hospitalization, intensive outpatient and regular outpatient services for adults and adolescents and also offers a suboxone treatment program. Services provided under the partial hospitalization program include regularly scheduled treatment sessions at least three days per week for a minimum of ten hours per week. The approaches are drug free, other chemotherapy, and experimental. The intensive outpatient program utilizes structured psychotherapy and provides client stability through increased periods of staff intervention. Services are provided according to a planned regimen consisting of regularly scheduled treatment sessions of at least three days per week for a minimum of five hours and maximum of ten hours per week. Housing services include three-quarter-way housing programs which provide reintegration services for chemically dependent clients as well as life skill training and recovery skills. Detoxification services are medically supervised and are based on a drug-free model except when used to relieve the physical discomfort of detoxification. Residential rehabilitation is highly structured with minimal free time afforded to the clients. Clients receive education, therapy, and medical care while in treatment.

I. Introduction

The transition programs provide therapeutic school programs, residential programs for methadone clients, juvenile justice services and outpatient drug and alcohol services.

Children, youth, and family services included in the scope of the Agreement include the provision of residential, shelter, and group home services. Clients housed in the residential facilities are referred to Pyramid by the Allegheny County Office of Children, Youth, and Families (“CYF”) or are court-ordered. The Group home program serves a maximum of 25 children. Group home clients also may be referred to Pyramid or court-ordered. Clients receiving group home services utilize community services including the public school system, recreation, and employment. The shelter program serves the youth referred by CYF in an emergency shelter and provides residential care and supervision for a period not to exceed 30 consecutive days for a child. Youth served are those whose immediate safety, protection, and well-being requires removal from the youth’s home and those who would present a danger to themselves or others.

II. Scope and Methodology

We applied contract compliance procedures to Agreement #102806 between Pyramid Healthcare, Inc. and Allegheny County DHS to ensure that Pyramid was in compliance with the scope and terms of the Agreement. Our contract compliance procedures covered the period from July 1, 2009 through June 30, 2010.

Specifically, we performed the following procedures:

- Interviewed Pyramid personnel to gain an understanding of the processes in place to ensure accountability for contract services and compliance with its County contracts, laws and regulations, and any other applicable requirements.
- Examined records of Pyramid that were relevant to the administration of the Agreement to determine compliance with the Agreement.
- Examined (on a test basis) documentation supporting costs claimed for reimbursement under the Agreement to determine whether costs related to program-funded programs were allowable costs incurred to satisfy the objectives described in the scope of services.
- Examined (on a test basis) documentation supporting units of service billed under the Agreement to determine that clients served were authorized to be served by the Allegheny County Department of Human Services (“DHS”), that the services actually provided were in accordance with the contract scope of services, and that the units of service were billed properly at the established rates.
- Tested, on a limited basis, Pyramid’s compliance with applicable laws and regulations and the provisions of Agreement #102806.

We performed these procedures during March 2011. We provided a draft copy of this report to the Department of Human Services and Pyramid Healthcare, Inc. for comment. The response from Pyramid begins on page 11 and the response from DHS begins on page 13.

III. Findings and Recommendations

Finding #1

Improper Determination of Client Liabilities

The Commonwealth of Pennsylvania Bureau of Drug and Alcohol Programs (“BDAP”) *Fiscal Manual*, Part 7 (Liability for Addiction Treatment Services), Section 7.03 states that “the liability for a SCA-funded (Single County Authority funded) client may not exceed the SCA established rate for the services provided”.

Under the Agreement, Pyramid provides halfway house services to clients who are Allegheny County residents. We selected 32 halfway house units of service that were billed to DHS for testing. We determined that for all 32 units tested (100%), the client liability which was determined by Pyramid and documented on the client liability form maintained in the client case file exceeded the rate established by DHS for the service. Specifically, the assessed client liability was either \$7.95 (28 units) or \$16 (4 units) higher than the established rate for the service.

It appears that this condition occurred because Pyramid failed to identify the client liability determination requirement contained in the BDAP *Fiscal Manual*. The effect of this condition is that Pyramid is not in compliance with the aforementioned requirement.

Recommendations

We recommend that Pyramid:

- Review the client liabilities assessed for all current clients, and lower the client liability for each client for whom the liability assessed exceeds the rate established for the service by DHS. Clients subject to those reassessments of their liability should be informed of their redetermined liability.
- Review the guidance in the BDAP *Fiscal Manual* to help ensure the proper determination of client liabilities in the future.

III. Findings and Recommendations

Finding #2

Overpayment Due to Improper Client Liability Reporting

Some clients who receive drug and alcohol treatment services are responsible for all or a portion of the cost of their treatment. DHS requests service providers that provide drug and alcohol services to submit an “Allegheny County Liability Report” on a quarterly basis. This report is intended to identify the clients who are responsible for all or a portion of their treatment as well as the number of units of service that have been provided so that DHS can reduce its payment to the provider by the amounts that the provider is required to collect from its clients.

We examined the Allegheny County Liability Report submitted to DHS by Pyramid for the fiscal year ended June 30, 2010 and noted that the Report was not completed properly. The Report listed a large number of clients served, but indicated that each client had no liability. However, during performance of our procedures, we noted that the case files of 4 clients we selected for testing had Client Liability Forms included therein which reflected amounts due from those clients. We noted Pyramid billed DHS \$4,345 for 218 units of service (32 halfway house, 144 intensive outpatient, and 42 outpatient) for these 4 clients for the period to which we applied our procedures. Had Pyramid properly reported the client liabilities associated with these clients to DHS, Pyramid would have been paid only \$1,470 (the allowable amount for the services provided).

It appears that this condition occurred because Pyramid may not have been aware of the purpose of the Allegheny County Liability Report or how to complete it. Because the Allegheny County Liability Report was not completed properly by Pyramid, DHS paid Pyramid in excess of the allowable amount for services provided.

Recommendations

We recommend that Pyramid:

- Immediately repay to DHS \$2,875, the amount Pyramid was paid in excess of the allowable amount for the services provided that pertains to the sample we tested.

III. Findings and Recommendations

- Properly complete and resubmit to DHS the Allegheny County Liability Report for the fiscal year ended June 30, 2010, so that DHS can recover the entire amount it paid for services in excess of the allowable amount.
- Establish a process to ensure that client liabilities are properly reflected in the Allegheny County Liability Report in future fiscal years.

We recommend that DHS:

- Develop a payment plan to ensure that the \$2,875 in disallowed costs is received from Pyramid.



CORPORATE OFFICE

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May 30, 2011

Mark Flaherty, Controller
Allegheny County Controller's Office - Audit Division
436 Grant Street
Room 219 Courthouse
Pittsburgh, PA 15219

Dear Mr. Flaherty:

Please accept this as the written response to the contract compliance findings applied to Agreement #102806 between Pyramid Healthcare, Inc and the Allegheny County Department of Human Services for the Period of July 1, 2009 through June 30, 2010.

Recommendation #1

Review the client liabilities assessed for all current clients, and lower the client liability for each client for whom the liability assessed exceeds the rate established for the service by DHS. Clients subject to those reassessments of their liability should be informed of their re-determined liability.

Response

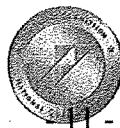
We have reviewed the determination of client liabilities for all current DHS clients and will be initiating the process of modifying the records for these clients and collecting the proper client liability as so indicated.

Recommendation #1

Review the guidance in the Commonwealth of PA BDAP Fiscal Manual to help ensure the proper determination of client liabilities in the future.

Response

We have reviewed the BDAP Fiscal Manual.



Recommendation #2

Immediately repay to DHS \$2,875, the amount Pyramid was paid in excess of the allowable amount for the services provided that pertains to the sample we tested.

Response

We will send a check to DHS in the amount of \$2,875 by June 8, 2011.

Recommendation #2

Properly complete and resubmit to DHS the Allegheny County Liability Report for the fiscal year ended June 30, 2010 so that DHS can recover the entire amount it paid for services in excess of the allowable amount

Response

Prior to the end of the fiscal year the 2009-10 client liability report will be completed again and sent to DHS.

Recommendation #2

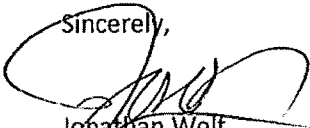
Establish a process to ensure that the client liabilities are properly reflected in the Allegheny County Liability Report in future fiscal years.

Response

An internal process for determining client liabilities has been established as a result of this audit.

Please feel free to contact me with any questions

Sincerely,



Jonathan Wolf
Chief Executive Officer

Cc: Jeffrey N. Vargas, CPA
Audit Manager

ALLEGHENY COUNTY DEPARTMENT OF HUMAN SERVICES

Marc Cherna, Director

Dan Onorato, Allegheny County Executive

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May 10, 2011

Ms. Lori Churilla
Assistant Deputy, Auditing
Allegheny County Controllers Office
219 Courthouse
436 Grant Street
Pittsburgh, PA 15219

Re: Compliance procedures applied to Agreement #102806 between Pyramid Healthcare and Allegheny County DHS for the period July 1, 2009 through June 30, 2010

Dear Ms. Churilla:

The Department of Human Services (DHS) has reviewed the finding and recommendation contained in the Pyramid Healthcare report on Contract Compliance Procedures as performed by your office for the period July 1, 2009 through June 30, 2010 and offers the following response:

Finding #2 Overpayment Due to Improper Client Liability Reporting

DHS Response: The DHS will meet with Pyramid staff to review the regulations relevant to Client Liability and to discuss the purpose and preparation of the Quarterly Client Liability reporting requirements.

The DHS will also contact Pyramid Healthcare for the purpose of recovering \$2,875 in unallowed costs.

The DHS will also conduct periodic reviews of Pyramid Client Liability reporting to ensure all matters have been properly addressed.

Should you have any questions, please contact Randolph W. Brockington at (412) 350-5203.

Sincerely,

A handwritten signature in black ink, appearing to be "M. Cherna", written over a horizontal line.

Marc Cherna
Director

Cc. Randolph W. Brockington, Deputy Director
Catherine Adekoya, Administrator
William J. Pagonis, Administrator