

**Pressley Ridge Report on
Contract Compliance Procedures
For the Period
July 1, 2008 through June 30, 2009
(*Non-Audit Service*)**

February 24, 2010

Contents

Letter	1
Executive Summary	3
Introduction	7
Scope & Methodology	8
Findings and Recommendations:	
Finding #1: Pressley Ridge Needs to Reimburse Two Clients \$366 for Room and Board and Other Service Fees	10
Finding #2: Pressley Ridge Charged Allegheny County \$9,875 More than the Approved PAP Maximum for Two Employees' Salaries	12
Finding #3: Pressley Ridge's Year-End Reporting for MH and MR Does Not Accurately Reflect Revenue and Expenditures for the Year	14
Finding #4: Pressley Ridge Allocated Direct Expenditures	18
Response from Pressley Ridge	20
Response from the Department of Human Services	23



MARK PATRICK FLAHERTY
CONTROLLER

COUNTY OF ALLEGHENY

OFFICE OF THE CONTROLLER

104 COURTHOUSE • 436 GRANT STREET
PITTSBURGH, PA 15219-2498
PHONE (412) 350-4660 • FAX (412) 350-3006

GUY A. TUMOLO
DEPUTY CONTROLLER

January 5, 2010

Mr. Marc Cherna
Director
Department of Human Services
One Smithfield Street
Fourth Floor
Pittsburgh, PA 15222

Subject: Pressley Ridge Report on Contract Compliance Procedures
For the Period July 1, 2008 through June 30, 2009

Dear Mr. Cherna:

We performed certain procedures to determine Pressley Ridge's compliance with its contracts #89984 and #91346 with the Allegheny County Department of Human Services for the period July 1, 2008 through June 30, 2009. These procedures were performed as a non-audit service. Therefore, this engagement is not covered by Generally Accepted Government Auditing Standards. Our purpose was to analyze and review Pressley Ridge's expenses funded by Allegheny County.

For the period July 1, 2008 through June 30, 2009, Allegheny County paid Pressley Ridge \$4,317,308 for Children, Youth and Family, Mental Retardation and Mental Health services.

Our procedures revealed that Pressley Ridge billed, and was paid by Allegheny County, \$31,692 more than net eligible costs for the MH/MR program funded programs. This is a preliminary calculation since the final reconciliation cannot be performed until the County receives its final allocation from the State and Pressley Ridge's final MH/MR audit report. In addition, the salaries paid by Pressley Ridge to two employees exceeded the maximum allowed in its contract by a total of \$9,875 and Pressley Ridge overcharged two clients \$366 for room and board and respite services.

Mr. Marc Cherna
January 5, 2010

We would like to thank the management and staff of Pressley Ridge for their courtesy and cooperation during our review.

Very truly yours,



Lori A. Churilla
Assistant Deputy Controller, Auditing



MARK PATRICK FLAHERTY
Controller

cc: Honorable Rich Fitzgerald, 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
Mr. Randolph Brockington, Deputy Director, Department of Human Services
Mr. William Pagonis, Administrator, Department of Human Services
Mr. B. Scott Finnell, Ph. D., LCSW, President and CEO, Pressley Ridge
Mr. Douglas A. Mullins, CPA, Senior Director of Financial Management & Contracts, Pressley Ridge
Mr. John D. Culbertson, Chairperson, Pressley Ridge Board of Directors
Ms. Amy Griser, Budget Director, Allegheny County
Mr. Joseph Catanese, Director of Constituent Services, County Council
Ms. Jennifer Liptak, Budget Director, County Council
Mr. Guy A. Tumolo, Deputy Controller, County Controller's Office
Ms. Pamela Goldsmith, Communications Director, County Controller's Office

EXECUTIVE SUMMARY

Purpose: Our purpose was to analyze and review Pressley Ridge's expenditures funded by Allegheny County for the period July 1, 2008 through June 30, 2009.

Background: Founded in 1832, Pressley Ridge currently operates programs in eight states and two foreign countries. Pressley Ridge serves children with serious emotional and behavioral problems through four key service areas: Foster Care Services, Residential Services, Community-based Services, and Education. Continued innovation in services has led to fewer children in residential facilities and more children being served in their own homes, schools, and communities. The following is a brief description of each program funded by the Allegheny County Department of Human Services (DHS):

Treatment Foster Care / Family Living, Individual Residential Treatment and Family-based Shelter Care – Children and youths are placed in the homes of professionally trained treatment parents on a long-term or emergency short-term basis.

Residential Services – Children and youths with mental health and/or delinquency issues are placed in homelike facilities overseen by Pressley Ridge.

Family-Based Mental Health Services and Intensive Case Management – Non-placement services provide intensive, short-term, individualized, enhanced mental health services to children and families.

Employment Services - Direct and indirect services are provided to maintain disabled individuals in jobs of their choice.

Respite - Therapeutic summer program for children with autism.

As of the date of this report, Pressley Ridge was paid \$4,317,308 for fiscal year 2008/2009 by Allegheny County.

Results in Brief: Our testing disclosed:

Finding #1:

Pressley Ridge inadvertently overcharged two clients a total of \$231 for room and board. Pressley Ridge used total

EXECUTIVE SUMMARY

income, instead of the SSI maximum income as required by the Public Welfare regulations, to calculate the room and board charge.

Also, respite services totaling \$135 were incorrectly paid from one client's funds. This expense should have been paid from Pressley Ridge's operations account.

Finding #2:

In accordance with regulations, Pressley Ridge submits, and Allegheny County approves, a Personnel Action Plan (PAP) that limits the amount paid for benefits and individual salaries as part of the contract. The salaries paid by Pressley Ridge to two employees exceed the limit by a total of \$9,875.

Finding #3:

Pressley Ridge submitted a year-end report of net eligible costs (AC-17) for FY 2008/2009 for three MH/MR programs: Community Residential, Respite, and HS-HSS-Staff & Other Support (Housing Support). The figures on these reports did not agree with supporting ledgers. Expenditures did not agree because they were based on preliminary account totals which did not include all year-end adjustments. In addition, Pressley Ridge did not include all third party revenue which should be used to offset expenditures submitted to Allegheny County.

Therefore, we calculated the net eligible costs using expenditures and revenues from Pressley Ridge's pre-audit general ledger and compared these costs to the amount paid by Allegheny County. We found that Allegheny County's payments exceeded the net eligible costs by \$31,692 (See Table 1 on page 16). This is a preliminary calculation since the final reconciliation cannot be performed until the County receives its final allocation from the State and Pressley Ridge's final MH/MR audit report.

Finding #4:

Pressley Ridge operates approximately ten group homes as part of its residential / home places program. Various revenue sources fund the clients in these homes. Instead of tracking the expenditures by home, Pressley Ridge combines all of the costs for all of the homes into one cost center. As a result, Pressley Ridge is unable to determine

EXECUTIVE SUMMARY

the direct cost for each client, home, or funding source. Therefore, it must manually allocate a portion of the total cost to each funding stream.

Starting with fiscal year 2009/2010 all MH and MR programs began to be funded on a fee-for-service basis. Therefore, the cost-benefit of a change in procedures and accounting needs to be considered. However, being able to accurately record the direct costs of the program by funding stream could impact future unit rates negotiated with the County.

Recommendations:

We recommend that Pressley Ridge:

Recommendation #1:

- Refund to clients the total of \$366.
- Adjust the client's room and board to 72% of the SSI maximum rate, unless at anytime the client's total income falls below that rate. Also, ensure that all contracts contain the proper information.
- Reinforce training on the proper use of client funds and review of documentation to prevent errors occurring in the future.

Recommendation #2:

- Ensure that the salaries reported on the final cost reconciliations do not exceed the PAP maximum approved by the County. If the salaries are not adjusted, Pressley Ridge must refund to Allegheny County \$9,875 for the salaries in excess of the approved PAP maximum.
- Review the MH/MR regulations as well as the PAP guidelines to ensure compliance.
- Update the PAP on a yearly basis to ensure that employee PAP codes and salary amounts are correctly stated.

We recommend that the Department of Human Services:

- Ensure that Pressley Ridge revises the salaries reported on the final cost reconciliations or reimburses the County \$9,875 for salaries in excess of the approved PAP amounts.

EXECUTIVE SUMMARY

Recommendation #3:

- Provide a deadline for year-end pre-audit adjustments to ensure that personnel have the most accurate expenditure and revenue amounts to report on the AC-17 within the required time frame.
- Revise review procedures to ensure that all applicable revenue is recognized and reported on the AC-17s.

We recommend that the Department of Human Services:

- Review the amount paid in excess of eligible costs once it receives its final allocation from the state and Pressley Ridge receives its final audit to ensure that the final cost reconciliation is accurate.

Recommendation #4:

- Analyze the cost-benefit of implementing procedures to track expenditures by home and by child, if applicable, in order to better capture costs to each funding source.

I. Introduction

Background:

Founded in 1832, Pressley Ridge currently operates programs in eight states and two foreign countries. Pressley Ridge serves children with serious emotional and behavioral problems through four key service areas: Foster Care Services, Residential Services, Community-based Services, and Education. Continued innovation in services has led to fewer children in residential facilities and more children being served in their own homes, schools and communities. The following is a brief description of each program funded by the Allegheny County Department of Human Services (DHS):

Treatment Foster Care (TFC) / Family Living, Individual Residential Treatment (IRT) and Family-based Shelter Care (Shelter) – Children and youths are placed in the homes of professionally trained treatment parents on a long-term or emergency short-term basis.

Residential Services – Children and youths with mental health and/or delinquency issues are placed in homelike facilities overseen by Pressley Ridge.

Family-Based Mental Health Services and Intensive Case Management (ICM) – Non-placement services provide intensive, short-term, individualized, enhanced mental health services to children and families.

Employment Services - Direct and indirect services are provided to maintain disabled individuals in jobs of their choice.

Respite - Therapeutic summer program for children with autism.

As of the date of this report, Pressley Ridge was paid \$4,317,308 for fiscal year 2008/2009 by Allegheny County. Payments were made from the following funding sources for the programs listed:

Funding Source	Programs	Amount
CYF	TFC, IRT, Shelter, Residential	\$ 2,643,442
MR Title XIX	Residential, Respite, Employment Services	1,384,443
MH	Family-Based, ICM, Residential	224,906
MR	Residential	64,517
TOTAL		\$ 4,317,308

II. Scope & Methodology

Our procedures evaluated Pressley Ridge's compliance with its contracts #89984 and #91346 for the period July 1, 2008 through June 30, 2009. Specifically, we performed the following:

- Interviewed Pressley Ridge personnel involved in the operations of the various programs to gain an understanding of the programs and billing processes.
- Reviewed applicable Regulations, Pressley Ridge's agreements with Allegheny County, Board minutes, the 990 tax return, organizational charts, and the policies and procedures manual.
- Reviewed prior audit reports to identify revenue, expenditures and other financial data, as well as any concerns associated with Pressley Ridge's program and services, internal control, and the status of recommendations to correct them.
- Analyzed the bank account to ensure that Allegheny County payments were properly deposited by Pressley Ridge.
- Examined Pressley Ridge's records and documentation to support amounts charged to Allegheny County.
- Performed detail testing of a sample of expenditures for CYF and MH fee-for-service funded programs. This included comparing units to supporting service documentation and rates to the contract.
- Performed detail testing of a sample of expenditures for program funded mental health and mental retardation services that included a review of supporting invoices and a cost allocation plan.
- Performed sample testing to verify that salaries were paid in accordance with an approved PAP plan.
- Performed sample testing of client funds and room and board charges.

II. Scope & Methodology

- Examined clearances and documentation of minimum requirements for a sample of employees.
- Examined clearances and training documentation for a sample of professional parents.

We conducted our procedures from September 2009 through December 2009. We provided a draft copy of this report for comment to Pressley Ridge and the Department of Human Services. Pressley Ridge's response begins on page 20. The response from the Department of Human Services begins on page 23.

III. Findings and Recommendations

Finding #1

Pressley Ridge Needs to Reimburse Two Clients \$366 for Room and Board and Other Service Fees

The *PA Title 55: Public Welfare, Chapter 6200 Room and Board Charges* states “If a client has earned wages, personal income from inheritance, social security or other types of income, the provider shall assess the client for room and board according to the standard room and board contract ... not to exceed the 72% of the SSI maximum rate.” In other words, the client should be charged 72% of the lesser of total income or the Supplemental Security Income (SSI) maximum rate in effect for the time period.

We tested the room and board charged to all 12 of the clients for which Pressley Ridge was the representative payee and found that Pressley Ridge charged the incorrect room and board for two of the 12 (17%) clients. For these two clients, the total income exceeded the SSI maximum because they also receive Social Security Benefits. Pressley Ridge used total income instead of the SSI maximum to calculate room and board and therefore overcharged these two clients a total of \$231. Client A was overcharged \$173 for the period 7/1/07 through 6/30/08, and client B was overcharged \$58 for the period 7/1/08 through 10/31/08.

Additionally, we reviewed the room and board contracts for three of these 12 clients and found the contract contained incorrect information for one of the three (33%) clients tested. The room and board amount was incorrect in one of client A’s annual contracts. We also found that client A’s contract included \$25 a month for guaranteed spending money instead of the \$30 required by the regulations. We did note that the client was always correctly provided with more than \$30 in monthly spending money.

We also tested client fund activity over the entire fiscal 2008/2009 year for these three clients and found only one exception. Respite services totaling \$135 were incorrectly paid from client A’s funds. Pressley Ridge’s policy requires respite services to be paid from its operations account and not through client funds. Pressley Ridge has already indicated that the client will receive a refund.

III. Findings and Recommendations

RECOMMENDATIONS

We recommend that Pressley Ridge:

- Refund clients A and B the respective amounts of \$308 and \$58.
- Adjust client A's room and board to 72% of the SSI maximum rate, unless at anytime client's total income falls below that rate. Client B has since left Pressley Ridge.
- Review all room and board contracts to ensure that all charges stated agree with the actual collection amount and the contract reflects the correct minimum monthly spending allowance of \$30.
- Reinforce training on the proper use of client funds and review of documentation to prevent errors from occurring in the future.

III. Findings and Recommendations

Finding #2

Pressley Ridge Charged Allegheny County \$9,875 More than the Approved PAP Maximum for Two Employees' Salaries

The PA Title 55: Chapter 4300 County Mental Health and Mental Retardation Fiscal Manual section 83 states that compensation costs eligible for Departmental participation shall be the lesser of the amounts negotiated and approved by the county as part of the contract or the combined prevailing Commonwealth salaries and benefits for functionally equivalent positions. The Department recognizes the responsibility and authority of the board of directors of each agency for establishing employee salaries and benefits. Compensation exceeding the amounts eligible for Departmental participation shall be the financial responsibility of the county or the agency.

Each MH/MR provider is required to submit a Personnel Action Plan (PAP) including job descriptions, number of positions, salary ranges, and fringe benefits for County approval. The PAP submitted by and approved for Pressley Ridge included maximum salaries that were lower than the prevailing Commonwealth salaries. Therefore, we tested salaries against the PAP maximums and found that two employees were paid in excess of the maximums. The salaries exceeded the maximum by \$9,875. Pressley Ridge is permitted to pay its employees above the approved PAP rates, but is financially responsible for the difference.

The final cost reconciliations for the MH/MR programs have not been performed, and Pressley Ridge has not received its final allocation for the fiscal year ended June 30, 2009. Therefore, when Pressley Ridge submits its final costs, it should ensure the reported salaries do not exceed the PAP maximum approved by the County. If an adjustment is not made to the salary amounts, Allegheny County should be reimbursed \$9,875.

III. Findings and Recommendations

RECOMMENDATIONS

We recommend that Pressley Ridge:

- Ensure that the salaries reported on the final cost reconciliations do not exceed the PAP maximum approved by the County. If the salaries are not adjusted, Pressley Ridge must refund to Allegheny County \$9,875 for the salaries in excess of the approved PAP maximum.
- Review the MH/MR regulations as well as the PAP guidelines to ensure compliance.
- Update the PAP on a yearly basis to ensure that employee PAP codes and salary amounts are correctly stated.

We recommend that the Department of Human Services:

- Ensure that Pressley Ridge revises the salaries reported on the final cost reconciliations or reimburses the County \$9,875 for salaries in excess of the approved PAP amounts.

III. Findings and Recommendations

Finding #3

Pressley Ridge's Year-End Reporting for MH and MR Does Not Accurately Reflect Revenue and Expenditures for the Year

Pressley Ridge submitted three year-end reports of net eligible costs (AC-17s) for FY 2008/2009.

- *Community Residential* includes costs for the Mental Retardation (MR) funded Home Places Residential, Family Living, and Employment Services programs.
- *Respite* includes costs for the MR funded summer program for autistic children.
- *HS-HSS-Staff & Other Support* (Housing Support) includes Home Places Residential costs funded through Mental Health (MH).

Pressley Ridge combines all of the costs by program and allocates the expenditures to its various funding streams (see Finding #4). Therefore, we applied these allocation percentages to the expenditures and revenues on the pre-audit general ledger provided by Pressley Ridge in order to calculate the pre-audit actual costs for Allegheny County. These pre-audit actual amounts were compared to the figures on the AC-17s and to the amount paid by Allegheny County through the date of this report (see Table 1). Since Pressley Ridge's financial audit had not been completed as of the date of this report, we do not refer to the totals as final figures.

The AC-17s submitted by Pressley Ridge were inconsistent with supporting ledgers and did not include all third party revenue which should be used to offset expenditures submitted to Allegheny County.

The main cause of the expenditure discrepancies was timing differences. Pressley Ridge is required to submit the AC-17 within 45 days of year end and therefore completes the AC-17 using preliminary account totals which do not include all year-end adjustments.

III. Findings and Recommendations

Specifically:

For *Community Residential*, Pressley Ridge reported \$49,542 as revenue on the AC-17. It over reported room & board collected by \$315 but did not report undesignated third party revenue from Pressley Ridge Foundation, a grant, and other miscellaneous sources in the amount of \$38,794, for a net difference of \$38,479. Our calculated pre-audit expenditures of \$1,510,342, less revenue of \$88,021, result in net eligible costs totaling \$1,422,321. Allegheny County paid \$1,441,704 as of the date of this report. Therefore, the County's payments exceeded net eligible costs by \$19,383. See Table 1 below.

For *Respite*, Pressley Ridge was paid \$7,256 on a fee for service basis based on units of service submitted to PROMISE, the PA Department of Public Welfare claims processing and management information system for mental retardation services. However, *Respite* is program funded. Since actual expenditures totaled \$6,946, Pressley Ridge received an overpayment of \$310. See Table 1 below.

For *Housing Support*, Pressley Ridge did not report undesignated third party revenue from the Pressley Ridge Foundation and a grant in the amount of \$1,117 on the AC-17. This revenue needs to be deducted from pre-audit expenditures of \$69,350 resulting in net eligible costs of \$68,233. As of the date of this report, Allegheny County paid \$80,232 resulting in an overpayment of \$11,999. See Table 1 below.

The County's payments were based on monthly expenditure submissions. The final cost reconciliation does not occur until after the County receives its final allocation from the State and Pressley Ridge's audit of MH/MR services is completed; neither of which had occurred as of the end of fieldwork. However, based on the pre-audit general ledger, allocation methodology, and supporting documents provided by Pressley Ridge, we found that Allegheny County paid \$31,692 in excess of net eligible costs. See Table 1 below.

Pressley Ridge should make every effort to submit pre-audit account totals on their AC-17s and should report the proportionate share of all undesignated third party revenue in order to offset Allegheny County expenses.

III. Findings and Recommendations

Table 1

	Reported on AC-17	Pre-Audit Actual
<u>Community Residential</u>		
Expenditures	\$ 1,497,830	\$ 1,510,342
Less: Revenue	<u>49,542</u>	<u>88,021</u>
Net Eligible Costs	\$ 1,448,288	\$ 1,422,321
	Allegheny County Paid	<u>\$ 1,441,704</u>
Payment in excess of Eligible Costs		\$ 19,383
<u>Respite</u>		
Expenditures	\$ 13,645	\$ 6,946
Less: Revenue	<u>-</u>	<u>-</u>
Net Eligible Costs	\$ 13,645	\$ 6,946
	Allegheny County Paid	<u>\$ 7,256</u>
Payment in excess of Eligible Costs		\$ 310
<u>Housing Support</u>		
Expenditures	\$ 81,631	\$ 69,350
Less: Revenue	<u>-</u>	<u>1,117</u>
Net Eligible Costs	\$ 81,631	\$ 68,233
	Allegheny County Paid	<u>\$ 80,232</u>
Payment in excess of Eligible Costs		\$ 11,999
	Total Allegheny County Paid	\$ 1,529,192
	Total Net Eligible Costs	<u>1,497,500</u>
Total Paid in excess of Eligible Costs		<u>\$ 31,692</u>

RECOMMENDATIONS

We recommend that Pressley Ridge:

- Provide a deadline for year-end pre-audit adjustments to ensure that personnel have the most accurate expenditure and revenue amounts to report on the AC-17 within the required timeframe.

III. Findings and Recommendations

- Revise review procedures to ensure that all applicable revenue is recognized and reported on the AC-17s.

We recommend that the Department of Human Services:

- Review the amount paid in excess of eligible costs once it receives its final allocation from the State and Pressley Ridge receives its final audit to ensure the final cost reconciliation is accurate.

III. Findings and Recommendations

Finding #4

Pressley Ridge Allocates Direct Expenditures

Pressley Ridge operates approximately ten group homes as part of its residential / home places program. Various revenue sources fund the clients in these homes. Instead of tracking the expenditures by home, Pressley Ridge combines all of the costs for all of the homes into one cost center. As a result, Pressley Ridge is unable to determine the actual cost for each client, home, or funding source. Therefore, it must manually allocate a portion of the total cost to each funding stream.

Pressley Ridge uses one of two allocation methods, depending on the type of expenditure. An allocation based on the housing placement for each client is used for occupancy expenditures such as utilities of administrative buildings, grounds/building maintenance, and property insurance. An allocation based on child days is used for expenditures related to the direct care of the clients such as salary and benefits, housing utilities, client supplies, and food.

By allocating direct costs, Pressley Ridge is essentially treating all direct costs as indirect costs for funding source reporting. This can potentially result in over or under reporting expenses for a particular funding stream. For example, the purchase of a furnace for one house will be distributed across all the homes even though it benefits only one home. Allegheny County would be charged an allocated portion of the furnace, even if there are not any Allegheny County funded clients in the home.

Pressley Ridge should capture direct costs by home and then distribute the costs to the funding streams based on the funding of the clients residing in the home. Similarly, any direct costs that are specific to a unique client should be captured as such and then reported under the client's specific funding stream. This methodology would allow Pressley Ridge to better capture costs by individual funding source and reduce the risk of over or under reporting expenses to one or more funding sources. However, due to the change in the funding basis for mental health and mental retardation programs in fiscal year 2009/2010 and

III. Findings and Recommendations

future years, the cost-benefit of a change in procedures and accounting needs to be considered.

Starting with fiscal year 2009/2010 all MH and MR programs began to be funded on a fee-for-service basis rather than the program funded basis used in fiscal year 2008/2009 and prior years. Under fee-for-service, the provider receives a set fee for each unit of service provided and is not required to report actual costs at year end. Therefore, Pressley Ridge's current internal methodology of tracking and allocating costs will not impact the payments from Allegheny County and other funding sources. However, being able to accurately show the actual costs of the program by funding stream could potentially impact future per unit rates negotiated with the counties and the State.

RECOMMENDATIONS

We recommend that Pressley Ridge:

- Analyze the cost-benefit of implementing procedures to track expenditures by home and by child, if applicable, in order to better capture costs for each funding source.



Serving Children and Families Since 1832

Pressley Ridge
Route 5, Box 697
Clarksburg, WV 26301

304.624.9875 MAIN
304.624.9871 FAX
1.800.457.7933 TOLL FREE

Lori Churilla, Assistant Deputy Controller, Auditing
Office of the Controller
County of Allegheny
104 Courthouse, 436 Grant Street
Pittsburgh, PA 15219-2498

Ms. Churilla:

I have received and reviewed the "Pressley Ridge Report on Contract Compliance Procedures for the period July 1, 2008 through June 30, 2009". I offer the following in response to the four findings in the report.

Finding #1 Pressley Ridge needs to reimburse two clients \$366 for Room and Board and Other Service Fees.

Response: A refund has been made to Client A in the amount of \$308 and Client B in the amount of \$58. Client A's room and board contract has been updated to reflect 72% of SSI only excluding the other Social Security Benefits. A review of all the other room and board contracts was conducted to ensure that each client's contract contains the proper room and board charge and language relating to monthly spending allowance and no other discrepancies were found. Also, the program will be reviewing with staff the proper use of client funds and the importance of ensuring that the client contracts contain the proper documentation.

Finding #2 Pressley Ridge charged Allegheny County \$9,875 more than the approved PAP maximum for two employees' salaries.

Response: This finding is a result of the timing required for submittal of the year-end report, the timelines required for completion of the audit which requires the receipt of the final allocation from the County. The year-end reports are due mid August but the audit is not due until December 31. The audit timeline is typically extended as the final allocation letters from the County usually are issued in January each year. Thus preliminary account totals are used to complete the year-end reports. In this instance, the salaries in questions are typically reconciled as a part of the audit process. The two salaries noted as well as any others that exceed the maximums allowed will be adjusted as a part of the final MH/MR audit.

Also, noted in the review was a salary that was listed in the PAP plan less than the allowable maximum. This was an oversight and the PAP plan will be updated annually to ensure PAP codes and salaries are correctly stated.

Finding #3 Pressley Ridge's year-end reporting for MH and MR does not accurately reflect revenue and expenditures for the year.

Response: As stated above, this finding also is related to the timing required for submittal of the year-end report, the timelines required for completion of the audit which requires the receipt of the final allocation from the County. The year-end reports are due mid August but the audit is not due until December 31. The audit timeline is typically extended as the final allocation letters from the County usually are issued in January each year. Therefore preliminary account totals are used for completion of the year-end reports and all cost reconciliations are completed during the audit process. As there has been for many years there is a final settlement once the audit has been certified by the County.

As noted in the review, the program received grant funding during the period under review. This grant funding was omitted when completing the year-end reporting. This should have been included and will be a part of the final cost reconciliation when the audit is completed.

Finding #4 Pressley Ridge allocates direct expenditures.

Response: The Home Places Residential program consists of multiple small group homes managed by one program director. These small group homes are treated as one residential program rather than a small program for each home or licensed bed. Each of the homes is of similar size and staffing is relatively consistent across the homes. For this reason we expect that the costs per home should be approximately the same within a reasonable range. However, if a specific client requires something unique, such as an additional support, that cost is charged directly to that funding source. All other costs are shared equally across the homes and clients. Therefore to be more efficient in tracking staff time, purchases etc we treat all the group homes as one program.

If you have any questions please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Doug Mullins", written in a cursive style.

Douglas A. Mullins, CPA
Senior Director of Financial Management & Contracts

ALLEGHENY COUNTY DEPARTMENT OF HUMAN SERVICES

Marc Cherna, Director

Office of Administration
Human Services Building – Suite 500
One Smithfield Street
Pittsburgh, PA 15222-2225



Dan Onorato, Allegheny County Executive

Phone: 412-350-3536
Fax: 412-350-5100
www.alleghenycounty.us/dhs

February 23, 2010

Mark Patrick Flaherty, Controller
104 Courthouse, 436 Grant Street
Pittsburgh, PA 15219-2498

Re: Pressley Ridge, Controller's Compliance Review for 08/09, Finding #2

Dear Mr. Flaherty,

After a review of the Pressley Ridge Roster of Personnel submitted for our Mental Retardation and Mental Health programs, along with a review of the PAP plan approved by DHS for PAP codes M-1 and SA-3, DHS has determined the Controller's review is correct. Pressley Ridge overcharged DHS for the salaries of two staff positions. Position SA-3 was approved at \$31,000.00 for MH (2%) and was approved at \$31,000.00 for MR (35%), and position M-1 was approved for \$54,592.00 for MR (35%) and MH (2%).

Corrective Action Plan:

DHS will require Pressley Ridge to reimburse the County \$9,872.00 overcharged for the salaries of two employees. As part of our year end 2009/2010 expenditure, DHS will also review the provider personnel roster to insure compliance with approved PAP maximums.

Sincerely,


Randolph W. Brockington
Deputy Director

Cc Marc Cherna, Director
Catherine Adekoya, Administrator
William J. Pagonis, Administrator
✓ Lori Churilla, Assistant Deputy Controller, Auditing