



COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF PUBLIC WELFARE  
**BUREAU OF FINANCIAL OPERATIONS**  
3<sup>rd</sup> Floor Bertolino Building  
Harrisburg, Pennsylvania 17105-2675

FEB 22 2007

JOHN H. BUNGO, CGFM, CFS  
DIRECTOR

TELEPHONE NUMBER  
(717) 787-9200  
FAX NUMBER  
(717) 705-6334

Ms. Sarah Drob, Executive Director  
United Cerebral Palsy of NEPA  
425 Wyoming Avenue  
Scranton, Pennsylvania 18503-1227

Dear Ms. Drob:

Enclosed is the final audit report of United Cerebral Palsy of NEPA's Early Intervention Program completed by this office. Your agency elected not to have an exit conference. Your revised written response has been incorporated into the final report and labeled Appendix A.

The final report will be forwarded to the Department of Public Welfare's (DPW) Office of Child Development to begin the DPW's resolution process concerning the report contents. The staff of the Office of Child Development 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 my staff during the course of the fieldwork.

Please contact Richard Polek of the Audit Resolution Section at (717) 787-8890 if you have any questions concerning this matter.

Sincerely,

John H. Bungo, CGFM, CFS

Enclosure

cc: Ms. Harriet Dichter  
Mr. Todd Klunk  
Ms. Maureen Cronin



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JOHN H. BUNGO, CGFM, CFS  
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TELEPHONE NUMBER  
(717) 787-9200  
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Ms. Harriet Dichter  
Deputy Secretary for Child Development  
Health and Welfare Building, Room 521  
Harrisburg, Pennsylvania 17105

Dear Ms. Dichter:

In response to a request made by the Office of Child Development's (OCD) Northeast Regional Office, the Bureau of Financial Operations (BFO) conducted a performance audit of the Early Intervention (EI) Program at United Cerebral Palsy of Northeastern Pennsylvania (UCP). The purpose of this audit was to determine the impact of the Department of Public Welfare's Maximum Fee Schedule for State and County Funded EI Services (New Rate Structure or NRS) on UCP's EI operations.

The mission of the BFO, accomplished through its audit and review activities, is to assist DPW management to administer human services programs of the highest quality, at the lowest cost, with integrity.

**Results in Brief**

- Labor costs, generous leave allowances, a reduction in units provided and the provision of service to children in remote areas have contributed to UCP's inability to provide services with the funds provided. UCP's cost per unit of EI services exceed the new standard rates by amounts ranging from \$4.12 to \$8.33 per unit.
- The actual loss incurred by UCP during Fiscal Year 2005-06 was \$1,961. Without the benefit of the nine month waiver the FY 2005-06 deficit would have increased to \$106,349.
- UCP staff efficiency levels are limited by travel time as well as staff leave allowances. Staff travel and leave time accounted for approximately 40 percent of staff paid time.

## **Background**

The DPW's OCD rate schedule was changed during Fiscal Year 2005-06. Rates were substantially increased. This increase was due to a change in the way rates were developed rather than the customary increase to reflect rising costs. This change involved increasing the rates dramatically to incorporate travel cost in the rate as opposed to the previous policy that allowed a separate rate for therapist travel. During Fiscal Year 2004-05 the Lackawanna-Susquehanna-Wayne Counties Mental Health/Mental Retardation Program paid \$739,613 to fund the early intervention services provided by UCP. UCP also received EI Funding of \$90.631 from Medical Assistance and other sources. This funding included \$257,500 in travel subsidies and resulted in an excess of revenue over expenses of \$8,559. the County MH/MR Program at the behest of UCP requested a waiver to delay implementing the NRS. The waiver was granted and the implementation of the NRS was delayed until December 31, 2005. This waiver was subsequently extended to March 31, 2006.

The UCP service area includes 2,011 square miles of which 77 percent is rural. UCP is headquartered in the service areas lone urban cluster, Scranton, Pennsylvania. Although the majority of clients are located in the Scranton area, UCP also serves Lackawanna and Wayne Counties. A limited number of clients in Susquehanna County are also served by UCP. UCP also provides day program, residential, and home-based services. EI services comprise roughly 30 percent of UCP's operations.

## **Objectives, Scope and Methodology**

The objective of the audit was:

To determine the impact the new rate schedule would have on the provider's Early Intervention Program.

The scope of the audit was limited to procedures necessary to satisfy this objective. The BFO examined accounting records, documents, reports, contracts, budgets and projections at UCP for Fiscal Years 2004-05 and 2005-06. We also conducted interviews and discussions with UCP management as well as County Mental Health/Mental Retardation personnel and OCD Regional Office staff.

Government auditing standards requires 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 compliance with generally accepted accounting principles. Based on our understanding of the controls, no significant deficiencies came to our attention.

### **Objectives, Scope and Methodology (Continued)**

The audit fieldwork, conducted intermittently between March 23, 2006 and May 9, 2006, was performed in accordance with generally accepted governmental auditing standards. This report, when presented in its final form, is available for public inspection.

### **Results of Fieldwork**

#### **Issue No. 1 - UCP's Unit Costs for Early Intervention Services, Exceeds the Rates Allowed on the Fee Schedule**

The BFO analyzed UCP's EI cost centers and identified three key factors that contribute to higher than average unit costs. The primary factor is directly related to the most significant cost of delivering services which is labor. UCP has been successful at retaining EI therapists. This success has produced a higher paid workforce at UCP with more generous leave. This compensation package alone, makes it almost impossible for UCP to provide services within the financial constraints of the NRS.

The second factor contributing to UCP's high EI cost per unit is a function of its service area. Part of the UCP service area is rural. Consequently, therapists often find themselves spending two to three hours or more per day traveling.

The third and final factor causing cost per unit to be high is that UCP's EI units dropped 9.45 percent between Fiscal Years 2003-04 and 2004-05. Units for Fiscal Year 2005-06 are projected to be 3.67 percent lower than Fiscal Year 2004-05. This drop could in part be attributed to increased competition by a new organizational provider of EI services in the area.

An analysis of units of service for the five fiscal years between July 1, 2002 and June 30, 2006 shows that except for Fiscal Year 2003-04, EI units have been falling from one year to the next. If UCP fails to address its labor costs and the decline in units being provided, their operating loss for Fiscal Year 2006-07 could reach \$150,000.

The combination of these three factors has resulted in a high cost per unit. Cost per unit is the simple ratio of costs divided by units. As discussed above, the first factor resulted in UCP's costs being high, while factors two and three pushed units lower. Hence, the pure mathematical function of a large numerator over a small or decreasing denominator force a higher cost per unit.

UCP's general and administrative costs, which include administrative staff salaries, rent etc., did not seem unreasonable or out of line considering the size of the annual budget. These expenses account for less than 12 percent of EI program costs.

**Results of Fieldwork (Continued)**

The following table compares the Fiscal Year 2004-05 and Fiscal Year 2005-06 projected unit costs to the NRS:

<u>Service</u>	<u>FY 2004-05 Actual Cost/Unit</u>	<u>FY 2005-06 Cost/Unit (Thru 12/31/05)</u>	<u>Maximum Allowable Rate-NRS</u>
Occupational Therapy	\$33.95	\$36.49	\$30.03
Physical Therapy	34.27	38.36	30.03
Speech Therapy	31.82	35.59	30.03
Special Instruction	30.26	30.58	26.46
Center Based OT	22.24	22.93	23.25
Collateral	20.67	32.85	N/A
Travel	40.19	20.98	N/A

A review of the schedule above identifies variances between the Fiscal Year 2005-06 actual cost and the NRS ranging from \$4.12 to \$8.33 per unit.

**Recommendations**

The BFO recommends that UCP review alternatives to increase billable units of service. One such alternative would be to expand its targeted client base to individuals over three years of age (i.e. stroke victims, individuals recovering from surgery or injury). Such expansion could be accomplished by contracting with rural health care clinics and/or school districts. Another would be to contract to provide EI services along the borders of neighboring counties. These suggestions would increase units and revenues.

The BFO also recommends that UCP aggressively review their costs in an effort to reduce the cost of services. UCP should also look into using more sub-contracted therapists instead of employing "on-staff" therapists. This will provide UCP with more flexibility in an uncertain market.

**Issue No. 2 – UCP Needs to Improve Staff Efficiency Levels**

The BFO analyzed the efficiency rate of the ten "on-staff" therapists. This was accomplished by simply converting each employee's weekly hours into the equivalent units of service by multiplying their hours by a factor of four (each unit being a quarter hour). The product of this computation would represent the maximum units of service a therapist could deliver if every minute worked was spent providing therapy, or if they were 100 percent efficient. This goal, of course, is not attainable due to paid time off

**Results of Fieldwork (Continued)**

(leave) and other non-billable time such as travel, paper work, training seminars, cancellations and no-shows.

The months of July 2005 and November 2005 were used to measure the efficiency of the UCP on-staff therapists. The BFO developed two statistics, a billable efficiency and time spent traveling. The former is the ratio of units provided over the maximum units of service a therapist could produce given their work schedule; the latter is the ratio of the equivalent units of service spent traveling over that same maximum.

Based on this two month sample, UCP's therapists billing efficiency is 38.23 percent with travel accounting for 17.58 percent. The BFO has a reasonable degree of confidence in the billing efficiency statistics but has some reservations about the travel time percentage, as it came in lower than expected.

The BFO took the travel units from the therapists' "Attendance Record". This document is a monthly, by-day, listing of the therapist's sessions. It records the consumer seen, service modifier, collateral units, and travel. Based on lower than expected travel percentage for travel, some travel units were back traced from the attendance record to individual mileage reports. We found some equivalent travel time units which, if accurate, would have the therapist traveling an average speed of 98.4 MPH; another incident yielded a more realistic but still suspect average speed of 72.9 MPH. Hence, the BFO has reason to believe the actual time spent in traveling between therapy sessions is actually higher than the 17.58 percent our analysis produced.

The general consensus is that EI therapists should achieve a billing efficiency in the 60-70 percent range. This would allow the independent therapist or agency employed therapist to cover the cost of operations. UCP's billing efficiency at 38.23 percent is significantly below this benchmark. To illustrate this point, we annualized the units of service based on July 1 – December 31, 2005 reported figures and projected Fiscal Year 2005-06 revenues using the new rates. Only two of ten staff therapists will generate revenues in excess of their costs (salary, benefits and administrative overhead). Of the other eight staff therapists, the closest and furthest from their break-even points were \$10,317 and \$46,161 respectively. Clearly, UCP cannot afford to operate under the new rate schedule without making significant changes.

**Recommendations**

The BFO recommends that UCP consider/pursue a contraction strategy to reduce costs.

**Results of Fieldwork (Continued)**

The BFO also recommends that UCP compute break even units of service for each therapist and use these levels as a target goal for each therapist.

In summary UCP should review its options and seriously consider all of the recommendations provided in this report. Given the severity of the annual losses projected and limited sources of "other" available funds UCP cannot continue to operate the EI program as it has in the past.

The final report reflects several changes made to the draft version based on our review of comments received during the draft report's limited distribution circulation period. UCP was furnished a copy of the revised draft and offered the opportunity to meet and discuss its contents. UCP elected not to meet and discuss the revised draft but did revise their written response which is attached to the report and labeled Appendix A.

In accordance with BFO established procedures, please provide a response within 60 days to the Audit Resolution Section concerning actions to be taken to ensure the report recommendations are implemented.

Please contact Richard Polek of the Audit Resolution Section at (717) 787-8890 if you have any questions concerning the audit or if we can be of any further assistance.

Sincerely,



John H. Bungo, CGFM, CFS

Attachment

cc: Mr. Todd Klunk  
Ms. Maureen Cronin  
Ms. Sarah Drob

**AUDITEE'S RESPONSE**

**APPENDIX A**



of Northeastern Pennsylvania

*Life without limits for people with disabilities™*

425 Wyoming Avenue  
570-347-3357

Scranton, Pennsylvania 18503  
1-877-UCP-TECH

Fax 570-341-5308  
Email [ucpnepa@epix.net](mailto:ucpnepa@epix.net)  
Website [www.ucpnepa.com](http://www.ucpnepa.com)

February 6, 2007

Mr. Thomas P. Crofcheck  
Department of Public Welfare  
Northeast Field Office  
Bureau of Financial Operations  
Room 325 Scranton State Office Bldg.  
100 Lackawanna Avenue  
Scranton, Pennsylvania 18503

Dear Mr. Crofcheck:

As per Mr. John Bungo, CGFM, CFS, correspondence dated January 3, 2007, I am enclosing United Cerebral Palsy of Northeastern, Pa response to the revised "draft" audit report of our Early Intervention Program.

Please disregard our comments to the original "draft" audit dated August 8, 2006.

Thank you for your time and consideration. If you have any questions please contact me at 347-3357.

Sincerely,

Sarah A. Drob  
Executive Director

Enclosure

United Cerebral Palsy is registered with the PA State Bureau of Charitable Organizations. A copy of the official registration and financial information may be obtained from the Pennsylvania Department of State by calling, toll free, within Pennsylvania, 1 (800) 732-0999. Registration does not imply endorsement.



of Northeastern Pennsylvania

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February 6, 2007

Ms. Harriet Dichter, Deputy Secretary  
Office of Child Development  
252 Health and Welfare Building  
Harrisburg, Pennsylvania 17105

Dear Deputy Secretary Dichter:

I am writing to respond to the "draft" audit report of United Cerebral Palsy of Northeastern, PA Early Intervention program. As you are aware the audit fieldwork was conducted intermittently between March 23, 2006 and May 9, 2006. A closing conference was conducted at UCP of NE PA on May 9, 2006 that included members of UCP and Bureau of Financial Operations. (BFO) We appreciate the time, effort and professionalism of the BFO audit specialist.

As clearly documented in the draft report the new Maximum Fee Schedule for State and County Funded EI Services (New Rate Structure or NRS) will have a negative impact on UCP of NE PA's Early Intervention Program. Our cost per unit for EI services exceeds the new standard rates from \$4.12 to \$8.33 per unit. As a point of clarification, at no time did we ask for an increase in the "allocation" to provide Early Intervention services. The new rate structure, including the elimination of paying for travel in a separate cost center, prohibits UCP of NEPA from drawing down enough revenue to cover the cost associated with providing Early Intervention services.

Since the completion of the audit in May 2006 and as a result of the new rate structure, and our projected deficit of \$110,000 for the year ending June 30, 2007, UCP of NE PA implemented a two-tier pay rate for our Early Intervention staff. Staff are paid a rate when they are providing a billable early intervention service. They are paid a lower rate for all other time, including but not limited to travel, paperwork and leave time. Through the implementation of the two-tier pay rate we anticipate reducing the projected 2006-2007 Early Intervention deficit to \$50,000. The extent of the deficit will also depend on the location of the units to be provided.

UCP of NEPA has been providing Early Intervention services for over 20 years. When the Department of Mental Retardation moved from center based programming to providing entitled Early Intervention services in the child's natural environment, UCP of NEPA supported and endorsed the initiative. As a result of the conversion of service

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Appendix A  
Page 2 of 4

model and knowing the large rural area that needed to be served, the Lackawanna/Susquehanna/Wayne County MH/MR office planned for and utilized travel allocations. As a result we were able to ensure that we would be capable of serving children and families in the outlying rural areas.

As noted, UCP of NE PA provides EI services in Lackawanna, Susquehanna and Wayne Counties. The combined service area of 2,011 square mile accounts for 4.5 percent of Pennsylvania's total geographic area while its population represents only 2.4 percent of the Commonwealth's total. This ratio would be even wider if not for Lackawanna County, which is, the smallest yet most populated of the three counties in our service area. Susquehanna and Wayne Counties comprise 3.5 percent of Pennsylvania land mass yet only contains 0.7 percent of its population. The United States Census Bureau identifies Lackawanna County as a micropolitan area (a core-based statistical area having at least one urban cluster of at least 10,000 but not more than 50,000 population); neither Susquehanna County nor Wayne County is so designated. This situation is further aggravated when the location of our main office is considered. UCP of NEPA headquarters is in our service area's lone urban cluster, Scranton, PA. Although a majority of our clients served are in the Scranton area, Scranton is located very near the southwestern most corner of the service area. This makes driving to the far reaches of our service areas longer than it would be from a centrally located base of operations. The travel issue becomes further complicated by the road network in the area. The three major roads, I-81, I-84, and US Route 6 run almost directly north-south (I-81) or almost directly east-west (I-84 and Route 6) forcing travelers to go up and over, over and up or to take secondary roads running diagonally throughout the service area. These secondary roads are often posted with speed limits of 35-25MPH as they often pass through small municipalities. These factors help explain why UCP's EI therapist spend so much time traveling. Although the audit reports that our units of service have been trending downward, the miles that our staff have traveled actually increased. During the fiscal year 2004-2005 our EI staff reported traveling 78,712 miles. In 2005-2006 that number increased to 83,350.

The audit accurately reports that UCP of NE PA has been successful in retaining our Early Intervention staff. Staff turn over has been a major, ongoing issue within Early Intervention and other direct service programs. Initiatives to enhance staff recruitment and retention have been implemented in many programs operated by DPW, including Early Intervention, over the last ten years. It is a credit to UCP and our staff that we have been able to reduce staff turnover. We have been able to ensure that the needs of children and families are met with well-trained, experienced staff. For many families, entry into Early Intervention is their first exposure to the "system". They are dealing with multiple issues that can be very stressful. Thankfully, dealing with changing staff and the "learning curve" that staff have when they meet new children and families, has not been issue. It is unfortunate that we are now being penalized for meeting the department's initiatives on staff recruitment and retention and family focused services. It should be noted that as a result of the implementation of the two-tier pay scale, one of the Early Intervention staff resigned.

In regard to the four recommendations outlined in the audit, it is recommended that UCP look to increase our units of service by expanding our client base. UCP is reviewing its options in regard to this recommendation. Although it should be noted that if we begin to provide services to other populations in an effort to offset the losses within EI, utilizing the existing staff, we will have less time to serve children needing EI services.

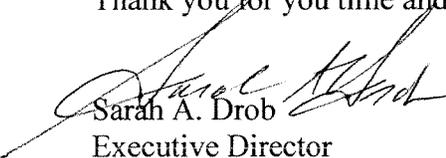
UCP will attempt to utilize more sub-contracted therapists as we move forward. In addition to the two-tier pay rate, we have also established specific days for services within the outlying rural areas.

UCP has instituted productivity goals for therapists. We are reviewing the "break even" units for each individualized service/therapist and the realistic ability that they can be reached.

Although the rates included in the State Established Maximum Fee Schedule for State and County Funded Early Intervention services are designed to be all inclusive and as such are considered to be full payment for services, we are requesting that the rates be re-evaluated and increased to cover the actual cost of providing community based Early Intervention Services.

We look forward to working with you, members of the OCD and the staff in our local MH/MR county offices to rectify this situation.

Thank you for your time and consideration.

  
Sarah A. Drob  
Executive Director