

**An Audit of the
Beaver County Collaborative Action Network
For the period July 1, 2004
through April 30, 2007**

**Richard W. Towcimak
Beaver County Controller**

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RICHARD W. TOWCIMAK
CONTROLLER



VINCENT LaVALLE
DEPUTY CONTROLLER
ROBERT LEWIS, JR.
SOLICITOR

BEAVER COUNTY COURTHOUSE
THIRD STREET – BEAVER, PENNSYLVANIA 15009-2196
TELEPHONE: Area Code 724-728-5700

July 30, 2007

Mr. Victor Colonna, Chairman of the Board of Directors
Beaver County Collaborative Action Network c/o
Children and Youth Services
1080 Eighth Avenue
Beaver Falls, PA 15010

Dear Mr. Colonna:

We have audited the payments made by Beaver County to the Beaver County Collaborative Action Network (BCCAN) for the period July 1, 2004 through April 30, 2007. Based upon the audit we have issued our report thereon dated July 30, 2007.

We conducted our audit for the purpose of forming an opinion on the propriety of Beaver County disbursements only. The accompanying schedule for the period July 1, 2004 to April 30, 2007 has been prepared as a summary of the information reviewed for this audit and is not a comprehensive financial statement of receipts or disbursements for any entity. Based upon our review, we have made the following observations and recommendations as detailed in this report.

This report is intended solely for the information and use of the Office of the Controller, management, and others within the administration. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Richard W. Towcimak
Beaver County Controller

cc: Gerard Mike, Vice Chairman of the Board of Directors
Beaver County Collaborative Action Network c/o
Beaver County MH/MR
1080 Eighth Avenue
Beaver Falls, PA 15010

AUDIT SCOPE:

The scope of this audit encompasses the period from July 1, 2004 to April 30, 2007.

AUDIT OBJECTIVES:

Through the completion of internal control questionnaires, control tests, substantive tests, and observation, the following audit objectives were accomplished for this audit:

- Ensure that payments from Beaver County to BCCAN were appropriate
- Ensure that approvals for expenditures were obtained
- Ensure that resolutions and purchase orders were obtained when required
- Ensure that reimbursement funds were obtained and applied properly to the proper program
- Review pass-thru funds
- Review for compliance with grant agreements and program requirements
- Review the BCCAN portion of the Beaver County System of Care: Optimizing Resources, Education and Supports (BCSCORES) Grant
- Evaluate general office procedures

**BEAVER COUNTY COLLABORATIVE ACTION NETWORK
FINANCIAL SUPPORT FROM BEAVER COUNTY
FOR THE PERIOD JULY 1, 2004 THROUGH APRIL 30, 2007**

July 1, 2004 through June 30, 2005

ICSP		
CYS	\$	4,981.83
MH/MR		42,140.96
FSSR grant pass-thru		67,325.00
CYS contribution		25,000.00
Training fees		9,775.25

July 1, 2005 through June 30, 2006

ICSP		
CYS		5,000.00
MH/MR		43,654.12
FSSR grant pass-thru		55,000.00
CYS contribution		25,000.00
Training Fees		7,848.00

July 1, 2006 through April 30, 2007

ICSP		
CYS		5,000.00
MH/MR		10,300.00
ICSP grant pass-thru		38,251.00
CYS contribution		25,000.00
Training fees		<u>6,831.92</u>
Total		<u>\$371,108.08</u>

Note: Beaver County also indirectly funded BCCAN \$10,750.00 in February 2007 through The Prevention Network (TPN). BCCAN acts as a subcontractor of TPN performing training and technical assistance for the BCSCORES program.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1: Payments made without Beaver County Resolutions

There were no Beaver County resolutions authorizing \$235,576 paid by Children and Youth Services (CYS) to BCCAN from July 2004 through April 2007. Of this total, \$122,325 was Cross-System Collaborative Infrastructure Family Service System Reform (FSSR) grant funds. The Beaver County Commissioners were named as the Grantee for these funds which passed through to BCCAN upon receipt. Pass-thru funds in the amount of \$38,251 from an Integrated Children's Service Plan (ICSP) infrastructure grant in fiscal year 2006-2007 are also included in this total. Finally, included in the total and not authorized by resolution, was the CYC contribution of \$25,000 per year for three years to BCCAN. These invoices were submitted for payment with erroneous references to incorrect resolution numbers. A portion of this \$75,000 was used by BCCAN as "local cash matching funds" submitted on state grant expenditure reports. In FY 04-05 the total FSSR cash match expenditure was \$20,063, and in FY 05-06 the match requirement and expenditure for the FSSR program totaled \$13,750. In FY 06-07, FSSR funds were not available and an ICSP grant required \$7,650 local cash match. [Note: On March 8, 2007 a resolution was passed by the Beaver County Commissioners approving financial support in the amount of \$160,000 for BCCAN for the period April 1, 2007 through September 30, 2008. No further Federal or PA State Grant funding is anticipated.]

Recommendation:

We recommend that care be taken to obtain Beaver County Resolutions for all financial support to BCCAN including any passed through State Grant Funding. Also, care should be taken by CYC personnel that accurate resolution numbers be referenced on all invoices submitted to the Controller's Office for payment processing.

Observation 2: Billing error

A \$10,000 payment to BCCAN for Phase 2 of the Integrated Children's Service Plan was to be split equally between CYC and MH/MR. In January 2005 BCCAN submitted two \$5,000 invoices to MH/MR and both were processed for payment and paid by Beaver County on February 9, 2005. CYC received no invoice from BCCAN for Phase 2 however review of the BCCAN financial statements revealed that CYC receipts were overstated by \$5,000. Although Beaver County did not pay more than the contracted amount, confusion was created by the practice of combining the CYC and MH/MR

expenditures into one contract and resolution with BCCAN. MH/MR uses a manual tracking method to assure that invoice amounts paid to providers do not exceed the total authorized by resolution. The tracking sheets showed the total amount of the resolution including the CYS portion and therefore the established control did not highlight the payment error.

Recommendation:

Distinct resolutions should be prepared for CYS and MH/MR specifically detailing their individual payment responsibilities as they relate to BCCAN.

Observation 3: Beaver County's funding contribution understated

Due to clerical errors in the preparation of 6 resolutions, Beaver County's funding contribution of 10% of the contracted amount for MH/MR was understated by a total of \$8,240.

Recommendation:

Care should be taken when preparing resolutions to assure that the funding requirements of Beaver County are clearly and accurately stated.

Observation 4: CYS Pass-thru Account not Reconciled

In 2006 the amount of pass thru-expenditures [account number 260.5260.7854] exceeded the amount of pass-thru revenues [account number 260.5260.4360] by \$10,120.25

The following were charged as pass-thru expenditures without corresponding revenues in the pass-thru account:

The Prevention Network received \$7,479.17 from CYS for Family Group Decision Making Training in July 2006.

BCCAN received a \$2,101.92 payment from CYS for the "Fundamentals of Family Preservation Practice" training seminar in October 2006.

Beaver County Children and Youth Services personnel received a \$539.16 petty cash reimbursement from CYS for hotel expenses relating to BCSCORES program training in September 2006.

Auditor investigation of the offsetting revenue of \$7,479.17 and \$2,101.92 revealed that the two amounts were posted to the Children and Youth Cash Receipts Account 260.0088 rather than the pass-thru revenue account. CYS was still awaiting the receipt of \$539.16 from BCSCORES to offset this charge.

Recommendation:

Adjusting entries should be processed for the two receipts of \$7,479.17 and \$2,101.92.

Pass-thru revenues should be reconciled to pass-thru expenditures to assure that all funds are properly receipted.

An exit conference was held on August 23, 2007 at Beaver County Children and Youth Services for the purpose of discussing the items presented in this report. Those in attendance were:

Children and Youth Services

Victor Colonna – Director

Beaver County Behavioral Health

Gerard Mike – Director

Beaver County Controller's Office

Cheryl Spagnola - Auditor

The results of the audit were discussed in their entirety during this conference.

A form has been enclosed with this report to be completed by the BCCAN Chairman of the Board of Directors. This form restates all findings noted in the audit. The Chairman is requested to complete the corrective action section for each finding. If no corrective action has been taken, please state this. Return this form to the Office of the Controller within thirty days of receipt. This form will be incorporated and become a part of this report. As a part of the Office of the Controller's normal reporting procedure, a copy of this report along with your responses will be posted in the Controller's section of the Beaver County website.

**BEAVER COUNTY
CHILDREN
& YOUTH
SERVICES**

PHONE: (724) 891-5800
1-800-615-7743
FAX: (724) 891-5801
www.co.beaver.pa.us

County Commissioners: Dan Donatella, Chairman • Charles A. Camp • Joe Spanik

Victor Colonna, M.Ed.
Administrator

September 28, 2007

Richard Towcimak
Beaver County Controller
Beaver County Courthouse
Third Street
Beaver, PA

Re: Audit Responses

Dear Rick:

Enclosed please find BCCYS' response to the recent audit findings regarding the Beaver County Collaborative Action Network.

I apologize for the delay in getting these responses to you.

If you have any questions or need additional information please call me.

Sincerely,



Victor Colonna, M.Ed.
Administrator

Beaver County Collaborative Action Network
Audit Responses
July 1, 2004 through April 30, 2007 Audit

Summary of Observations:

Observation 1: Payments made without Beaver County Resolutions

There were no Beaver County resolutions authorizing \$235,576 paid by Children and Youth Services (CYS) to BCCAN from July 2004 through April 2007. Of this total, \$122,325 was Cross-System Collaborative Infrastructure Family Service System Reform (FSSR) grant funds. The Beaver County Commissioners were named as the Grantee for these funds which passed through to BCCAN upon receipt. Pass-thru funds in the amount of \$38,251 from an Integrated Children's Service Plan (ICSP) infrastructure grant in fiscal year 2006-2007 are also included in this total. Finally, included in the total and not authorized by resolution, was the CYC contribution of \$25,000 per year for three years to BCCAN. These invoices were submitted for payment with erroneous references to incorrect resolution numbers. A portion of this \$75,000 was used by BCCAN as "local cash matching funds" submitted on state grant expenditure reports. In FY 04-05 the total FSSR cash match expenditure was \$20,063, and in FY 05-06 the match requirement and expenditure for the FSSR program totaled \$13,750. In FY 06-07, FSSR funds were not available and an ICSP grant required \$7,650 local cash match. [Note: On March 8, 2007 a resolution was passed by the Beaver County Commissioners approving financial support in the amount of \$160,000 for BCCAN for the period April 1, 2007 through September 30, 2008. No further Federal or PA State Grant funding is anticipated.]

Audit Recommendation:

We recommend that care be taken to obtain Beaver County Resolutions for all financial support to BCCAN including any passed through State Grant Funding. Also, care should be taken by CYC personnel that accurate resolution numbers be referenced on all invoices submitted to the Controller's Office for payment processing.

Corrective Action Implemented:

CYS will obtain current year resolutions for all contracts. In the case of multi-resolutions for any provider, CYC will assure that the correct resolution number is used on all invoices.

Date Corrective Action Was Implemented:

July 1, 2007

Beaver County Collaborative Action Network
Audit Responses
July 1, 2004 through April 30, 2007 Audit

Observation 2: Billing error

A \$10,000 payment to BCCAN for Phase 2 of the Integrated Children's Service Plan was to be split equally between CYS and MH/MR. In January 2005 BCCAN submitted two \$5,000 invoices to MH/MR and both were processed for payment and paid by Beaver County on February 9, 2005. CYS received no invoice from BCCAN for Phase 2 however review of the BCCAN financial statements revealed that CYS receipts were overstated by \$5,000. Although Beaver County did not pay more than the contracted amount, confusion was created by the practice of combining the CYS and MH/MR expenditures into one contract and resolution with BCCAN. MH/MR uses a manual tracking method to assure that invoice amounts paid to providers do not exceed the total authorized by resolution. The tracking sheets showed the total amount of the resolution including the CYS portion and therefore the established control did not highlight the payment error.

Audit Recommendation:

Distinct resolutions should be prepared for CYS and MH/MR specifically detailing their individual payment responsibilities as they relate to BCCAN.

Corrective Action Implemented:

Separate and distinct contracts will be issued in the next fiscal year.

Date Corrective Action Was Implemented:

Fiscal year 2008-09

Beaver County Collaborative Action Network
Audit Responses
July 1, 2004 through April 30, 2007 Audit

Observation 3: Beaver County's funding contribution understated

Due to clerical errors in the preparation of 6 resolutions, Beaver County's funding contribution of 10% of the contracted amount for MH/MR was understated by a total of \$8,240.

Audit Recommendation:

Care should be taken when preparing resolutions to assure that the funding requirements of Beaver County are clearly and accurately stated.

Corrective Action Implemented:

Not applicable to BCCYS

Date Corrective Action Was Implemented:

Beaver County Collaborative Action Network
Audit Responses
July 1, 2004 through April 30, 2007 Audit

Observation 4: CYS Pass-thru Account not Reconciled

In 2006 the amount of pass thru-expenditures [account number 260.5260.7854] exceeded the amount of pass-thru revenues [account number 260.5260.4360] by \$10,120.25

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Auditor investigation of the offsetting revenue of \$7,479.17 and \$2,101.92 revealed that the two amounts were posted to the Children and Youth Cash Receipts Account 260.0088 rather than the pass-thru revenue account. CYS was still awaiting the receipt of \$539.16 from BCSCORES to offset this charge.

Audit Recommendation:

Adjusting entries should be processed for the two receipts of \$7,479.17 and \$2,101.92.

Pass-thru revenues should be reconciled to pass-thru expenditures to assure that all funds are properly receipted.

Corrective Action Implemented:

CYS made the adjusting entries for the passthru account. Due to the transition to the New World System, the entries were incorrectly posted to the wrong account. The adjustments have been made through the Controller's Office and the account is reconciled.

Any passthru account transaction will be made in conjunction with revenue and expense transactions. The account will be monitored monthly for all postings.

Date Corrective Action Was Implemented:

July 1, 2007

BEAVER COUNTY BEHAVIORAL HEALTH

www.bcbh.org

Gerard Mike
Administrator

County Commissioners
Joe Spanik
Dan Donatella
Charles A. Camp

September 24, 2007

Richard Towcimak
Beaver County Controller
Beaver County Courthouse
Third Street
Beaver, PA 15009-2196

RE: Beaver County Collaborative Action Network Audit Responses

Dear Mr. Towcimak:

Attached are the Beaver County Behavioral Health audit responses as requested. Should you have any questions, please do not hesitate to contact my office.

Sincerely,



Gerard Mike
Administrator
Beaver County Behavioral Health

Enclosure

CC: Lisa McCoy
Ron Markvan
David McComas
Frank Fantone

Beaver County Collaborative Action Network
Audit Responses
July 1, 2004 through April 30, 2007 Audit

Summary of Observations:

Observation 1: Payments made without Beaver County Resolutions

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Audit Recommendation:

We recommend that care be taken to obtain Beaver County Resolutions for all financial support to BCCAN including any passed through State Grant Funding. Also, care should be taken by CYC personnel that accurate resolution numbers be referenced on all invoices submitted to the Controller's Office for payment processing.

Corrective Action Implemented:

Not applicable to Beaver County Behavioral Health

Date Corrective Action Was Implemented:

Beaver County Collaborative Action Network
Audit Responses
July 1, 2004 through April 30, 2007 Audit

Observation 2: Billing error

A \$10,000 payment to BCCAN for Phase 2 of the Integrated Children's Service Plan was to be split equally between CYS and MH/MR. In January 2005 BCCAN submitted two \$5,000 invoices to MH/MR and both were processed for payment and paid by Beaver County on February 9, 2005. CYS received no invoice from BCCAN for Phase 2 however review of the BCCAN financial statements revealed that CYS receipts were overstated by \$5,000. Although Beaver County did not pay more than the contracted amount, confusion was created by the practice of combining the CYS and MH/MR expenditures into one contract and resolution with BCCAN. MH/MR uses a manual tracking method to assure that invoice amounts paid to providers do not exceed the total authorized by resolution. The tracking sheets showed the total amount of the resolution including the CYS portion and therefore the established control did not highlight the payment error.

Audit Recommendation:

Distinct resolutions should be prepared for CYS and MH/MR specifically detailing their individual payment responsibilities as they relate to BCCAN.

Corrective Action Implemented:

Separate and distinct contracts will be issued in the next fiscal year.

Date Corrective Action Was Implemented:

Fiscal Year 2008/2009

Beaver County Collaborative Action Network
Audit Responses
July 1, 2004 through April 30, 2007 Audit

Observation 3: Beaver County's funding contribution understated

Due to clerical errors in the preparation of 6 resolutions, Beaver County's funding contribution of 10% of the contracted amount for MH/MR was understated by a total of \$8,240.

Audit Recommendation:

Care should be taken when preparing resolutions to assure that the funding requirements of Beaver County are clearly and accurately stated.

Corrective Action Implemented:

See attached.

Date Corrective Action Was Implemented:

Fiscal Year 2008/2009 Contracts

Response to Observation 3:

Beaver County's funding contribution to a specific program (i.e. Drug and Alcohol, Mental Health or Mental Retardation) is determined on an overall program basis during the annual budget process as reviewed with Beaver County's Budget Director and is less than 10% of the program expenditures. The actual Beaver County funding contribution to a specific program may vary slightly from the budgeted contribution based upon the dollar level of the services provided to Beaver County individuals for the service categories that require a County Match and the funding sources that are used to pay for those services. Due to numerous restrictions/limitations on the use of the various funding sources within a overall program the final County match can not be determined until the fiscal year end report is completed and approved by the appropriate State and/or Federal office. Therefore the Beaver County funding contribution percentages initiated on County resolutions are only estimates and the actual percentages may vary widely on a contract by contract basis within a program but not on an overall program basis.

Recommendation: BCBH will identify the program or grant that a contract is for on the resolution request form and use the language "Beaver County's contribution to this contract will not exceed 10%"

Beaver County Collaborative Action Network
Audit Responses
July 1, 2004 through April 30, 2007 Audit

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Audit Recommendation:

Adjusting entries should be processed for the two receipts of \$7,479.17 and \$2,101.92.

Pass-thru revenues should be reconciled to pass-thru expenditures to assure that all funds are properly receipted.

Corrective Action Implemented:

Not applicable to Beaver County Behavioral Health

Date Corrective Action Was Implemented: