



CHAPTER 4300. COUNTY MENTAL HEALTH AND MENTAL RETARDATION FISCAL MANUAL

GENERAL PROVISIONS

Sec.

- 4300.1. [Purpose.](#)
- 4300.2. [Applicability.](#)
- 4300.3. [Legal base.](#)
- 4300.4. [Definitions.](#)

GENERAL REQUIREMENTS

- 4300.11. [Waivers.](#)
- 4300.12. [Required licensure, certification or approval.](#)
- 4300.13. [Related parties.](#)

DEPARTMENT GRANTS AND PAYMENTS

- 4300.21. [Departmental powers.](#)
- 4300.22. [Departmental financial participation.](#)
- 4300.23. [Percentage of expenditures reimbursable.](#)
- 4300.24. [Provision of services.](#)
- 4300.25. [Direct provision of services.](#)
- 4300.26. [Unit of service funding](#)
- 4300.27. [Program-funding.](#)
- 4300.28. [Reimbursable costs.](#)

COUNTY AND COUNTY JOINDER ALLOWABLE COST STANDARDS

- 4300.41. [Applicability.](#)
- 4300.42. [Personnel expenses.](#)
- 4300.43. [Compensation.](#)
- 4300.44. [Employee benefits.](#)
- 4300.45. [Staff development.](#)
- 4300.46. [Purchased personnel services.](#)
- 4300.47. [Advisory and incorporated boards.](#)
- 4300.48. [Occupancy.](#)
- 4300.49. [Supplies.](#)
- 4300.50. [Communications.](#)
- 4300.51. [Travel.](#)
- 4300.52. [Equipment and furnishings rental.](#)
- 4300.53. [Repairs and maintenance.](#)
- 4300.54. [Bonding.](#)
- 4300.55. [County indirect costs.](#)
- 4300.56. [Library expenses.](#)
- 4300.57. [Membership fees.](#)
- 4300.58. [Moving expenses.](#)
- 4300.59. [Recruitment.](#)
- 4300.60. [Interest expense.](#)
- 4300.61. [Auditing expense.](#)
- 4300.62. [Insurance.](#)
- 4300.63. [Commitment procedures.](#)
- 4300.64. [Real estate.](#)
- 4300.65. [Renovations, improvements, repairs and maintenance.](#)
- 4300.66. [Equipment and furnishings.](#)
- 4300.67. [Motor vehicles.](#)
- 4300.68. [Title to fixed assets.](#)
- 4300.69. [Ownership responsibilities.](#)

CONTRACTED AGENCY ALLOWABLE COST STANDARDS

- 4300.81. [Applicability.](#)
- 4300.82. [Personnel expenses.](#)
- 4300.83. [Compensation.](#)
- 4300.84. [Consultants and contracted personnel.](#)
- 4300.85. [Advisory and incorporated boards.](#)
- 4300.86. [Staff development.](#)
- 4300.87. [Occupancy.](#)
- 4300.88. [Supplies.](#)
- 4300.89. [Communications.](#)
- 4300.90. [Travel.](#)
- 4300.91. [Equipment and furnishings rental.](#)

- 4300.92. [Repairs and maintenance.](#)
- 4300.93. [Bonding.](#)
- 4300.94. [Agency indirect costs.](#)
- 4300.95. [Library expenses.](#)
- 4300.96. [Membership fees.](#)
- 4300.97. [Moving expenses.](#)
- 4300.98. [Recruitment.](#)
- 4300.99. [Interest expense.](#)
- 4300.100. [Auditing expense.](#)
- 4300.101. [Insurance.](#)
- 4300.102. [Fixed assets.](#)
- 4300.103. [Equipment and furnishings.](#)
- 4300.104. [Motor vehicles.](#)
- 4300.105. [Depreciation allowances.](#)
- 4300.106. [Title to fixed assets.](#)
- 4300.107. [Ownership responsibilities.](#)
- 4300.108. [Retained revenue.](#)

UNIT OF SERVICE FUNDING

- 4300.111. [Applicability.](#)
- 4300.112. [Department participation.](#)
- 4300.113. [Responsibility of the county.](#)
- 4300.114. [Agency schedule of charges.](#)
- 4300.115. [Department established fees.](#)
- 4300.116. [County negotiated fees.](#)
- 4300.117. [Computation of reimbursement.](#)
- 4300.118. [Special limitations on unit of service funding.](#)

FISCAL MANAGEMENT OF THE COUNTY PROGRAM

- 4300.131. [Responsibility for general fiscal management.](#)
- 4300.132. [Accountability for expenditures of mental health and mental retardation funds for clients.](#)
- 4300.133. [Financial reporting requirements.](#)
- 4300.134. [Apportionment of administrator's office costs.](#)
- 4300.135. [Actual costs.](#)
- 4300.136. [Proportion of program costs.](#)
- 4300.137. [County joinder contracts.](#)
- 4300.138. [Purchase of service contracts.](#)
- 4300.139. [Contracting requirements.](#)
- 4300.140. [Conflict of interest.](#)
- 4300.141. [Nonprofit organizations.](#)
- 4300.142. [Profit organizations.](#)

- 4300.143. [Purchase of goods and services for profit and nonprofit organizations.](#)
- 4300.144. [Costs to related parties.](#)
- 4300.145. [Bidding and procurement.](#)
- 4300.146. [General accounting and reporting.](#)
- 4300.147. [Deficits.](#)
- 4300.148. [Uncollected revenue.](#)
- 4300.149. [Encumbrances.](#)
- 4300.150. [Advancements.](#)
- 4300.151. [Unexpended allocation.](#)
- 4300.152. [Invoicing.](#)
- 4300.153. [Fiscal year.](#)
- 4300.154. [Base allocation.](#)
- 4300.155. [Categorical funding.](#)
- 4300.156. [County matching funds.](#)
- 4300.157. [County coverage.](#)
- 4300.158. [Revenue.](#)
- 4300.159. [Restricted receipt account.](#)
- 4300.160. [County and county joinder audits.](#)
- 4300.161. [Contracted agency audits.](#)

Authority

The provisions of this Chapter 4300 issued under section 201(2) of the Mental Health and Mental Retardation Act of 1966 (50 P. S. § 4201(2)), unless otherwise noted.

Source

The provisions of this Chapter 4300 adopted January 2, 1987, effective July 1, 1987, 17 Pa.B. 35, unless otherwise noted.

Cross References

This chapter cited in 55 Pa. Code § 5221.31 (relating to responsibilities of providers); 55 Pa. Code § 5221.41 (relating to recordkeeping); 55 Pa. Code § 6000.783 (relating to condition of Department participation); and 55 Pa. Code § 6000.841 (relating to procedures for funding reserved hospital and leave days under 2176 waiver).

GENERAL PROVISIONS

§ 4300.1. Purpose.

This chapter specifies the fiscal requirements for county mental health and mental retardation programs.

§ 4300.2. Applicability.

This chapter applies to county mental health and mental retardation programs. County mental health and mental retardation programs shall use this chapter to reimburse providers of service.

§ 4300.3. Legal base.

The legal authority for this chapter is section 201(2) of the Mental Health and Mental Retardation Act of 1966 (50 P. S. § 4201(2)).

§ 4300.4. Definitions.

The following words and terms, when used in this chapter, have the following meanings, unless the context clearly indicates otherwise:

Act—The Mental Health and Mental Retardation Act of 1966 (50 P. S. §§ 4101—4704).

County—A county or a first class city.

County authority—The county official responsible for certain functions related to the administration of the county program. The responsibility and authority may be established by statute or the delegation of duties by the county commissioners, county executive, county councils or the city councils of first class cities or two or more of these acting in concert.

County program—A mental health and mental retardation program established by a county, or two or more counties acting in concert. The term includes a program which contains a variety of services and provides a continuum of care in the community for the mentally disabled.

Department—The Department of Public Welfare of the Commonwealth.

Direct costs—Costs that can be identified and immediately charged to a specific cost or service category.

Expensing—Payment for an item in full at the time of acquisition or within the fiscal period in which it was acquired.

Facility—An establishment, hospital, clinic, institution, center, day care center or other organizational unit, or part thereof, which is devoted primarily to the diagnosis and treatment of mentally disabled persons.

Fixed assets—Major items, excluding real estate, which can be expected to have a useful life of more than 1 year, or which can be used repeatedly without materially changing or impairing their physical condition by normal repair, maintenance or replacement of components with a purchase price of \$500 or more.

Indirect costs—Costs incurred for a common or joint purpose and not readily assignable to a specific cost or service category.

Joinder—Two or more counties acting in concert to establish a county program.

Modified Classification Review (MCR)—A personnel classification system whereby the county authority has the authority to crosswalk positions in contracted agencies into a structure of categorical position definitions developed by the Department.

Mortgaged real estate—A conveyance of real property subject to certain financial conditions or obligations which are satisfied by payment according to stipulated terms. The conveyance of real property through bonded indebtedness shall be considered as mortgaged real estate.

New program—A program initiated and approved by the Department that is not a mandated service identified in section 301 of the act (50 P. S. § 4301).

Personnel Action Plan (PAP)—A personnel classification system whereby the county authority has the authority to crosswalk positions in contracted agencies into a structure of categorical positions developed by the county within a broad structure developed by the Department.

Prevailing county practice for agencies funded by multiple counties—Policies agreed upon by the involved county programs, when two or more county programs fund an agency.

Prevailing county practice for joinders—A policy agreed upon by the counties in the joinder.

Related party—A party who meets the tests of common ownership or control.

Secretary—The Secretary of the Department.

GENERAL REQUIREMENTS

§ 4300.11. Waivers.

(a) The Secretary or a designee has the authority to waive this chapter. The Department may grant a waiver if the county program can demonstrate to the Department that a specific section of this chapter imposes an excessive financial burden on the county program, significantly interferes with the effective delivery of services or results in a situation where compliance is beyond the control of the county authority.

(b) Waiver requests shall be submitted in writing by the county to the Secretary or a designee. The request shall identify the specific section, subsection, paragraph or subparagraph to be waived, the period of time for which the waiver is requested, the justification for the waiver, and available documentation that may substantiate the need for the waiver.

(c) Waiver requests shall be submitted by the county and, if approved, waivers shall be granted to the county. Contract agencies may initiate the waiver process by submitting a request for review by the county and, with its endorsement, subsequent submission by the county to the Department.

Cross References

This section cited in 55 Pa. Code § 4300.83 (relating to compensation); and 55 Pa. Code § 4300.87 (relating to occupancy).

§ 4300.12. Required licensure, certification or approval.

Facilities and agencies that are subject to licensing, certification or approval by a State or local authority shall be in compliance with applicable regulations in order for the Department to financially participate in their costs.

§ 4300.13. Related parties.

(a) The provider is associated with or affiliated with and has control of or is controlled by the organization furnishing the services, facilities or supplies. A related party is treated as if it were part of the provider for the determination and reimbursement of costs.

(b) Common ownership exists when an individual possesses significant ownership or equity in the provider and the institution or organization serving the provider. Control exists where an individual or an organization has the power, directly or indirectly, to significantly influence or direct the actions or policies of an organization or institution.

DEPARTMENT GRANTS AND PAYMENTS

§ 4300.21. Departmental powers.

The Department has the power to make grants, pay subsidies, purchase service and provide reimbursement for mental health and mental retardation services under the act.

§ 4300.22. Departmental financial participation.

A service shall qualify for Departmental financial participation if it is authorized by the act and is specifically provided for in this chapter or approved by the Department in advance of its incorporation in the county plan as training, research or another service or program designed to prevent mental disability or the necessity of admitting or committing the mentally disabled to a facility.

§ 4300.23. Percentage of expenditures reimbursable.

(a) Subject to the appropriation of funds and under the act and this chapter, the Department will participate at 100% of the approved expenditures for the following:

- (1) Diagnosis, evaluation and care in Commonwealth-operated facilities, or in a facility with which the Commonwealth may contract.
- (2) Payments for inpatient care and partial hospitalization for persons financially ineligible for care under public assistance law.
- (3) Licensed community mental retardation residential programs for the mentally retarded.
- (4) Other obligations that may arise under a new program established by the Department.

(b) The Department will participate at 90% of the approved expenditures for other services or activities qualifying for financial support under the county program. The remaining 10% is the county obligation or the local match of the county program.

Notes of Decision

Funding

The Commonwealth is responsible for 100% of the treatment, care and costs of residents at State psychiatric facilities, and for 90% of the same at community-based mental health services. *Frederick L. v. Department of Public Welfare*, 157 F. Supp. 2d 509 (E.D. Pa. 2001).

§ 4300.24. Provision of services.

Services may be provided by the county or county joinder either directly or by purchase of service. Purchase of service may occur by unit of service funding, program funding or another funding method having the prior written approval of the Secretary.

§ 4300.25. Direct provision of services.

Direct provision of services is the provision of mental health and mental retardation services by county employees under the supervision of the county authority. Costs associated with the direct provision of services, subject to the limitations contained in this chapter, are eligible for Departmental participation.

§ 4300.26. Unit of service funding.

Unit of service funding is the procedure used to fund facilities based on a charge per unit of service. Unit of service funding applies to facilities which are administered separately from the county or county joinder and which receive reimbursement by a contracted per diem or fee rate. Funding is based on a charge per service.

(1) The following services shall be purchased only by the unit of service:

- (i) Inpatient care.
- (ii) Partial hospitalization.
- (iii) Laboratory services.
- (iv) Drugs.
- (v) Respite care.
- (vi) Interim care.

(vii) Services where the provision of the service is not limited to the mentally disabled, such as a workshop service or day care.

(2) An exception to paragraph (1) will be allowed when a regional mental health official authorizes, in writing, the initiation of a new partial hospitalization program and determines that it is necessary to expend funds to staff and equip the program prior to providing services to clients. The Department will then authorize program-funding of this particular partial hospitalization program for a period not to exceed 1 year from the initial date of funding.

(3) Domiciliary care placement agencies shall be funded only by unit of service funding after the initial year of operation. During the initial full year of operation, domiciliary care may be purchased by unit of service funding or program-funding.

(4) During the first year, the county or county joinder may program-fund a share of the cost of operating the domiciliary care placement agency. After the first year, these services shall be purchased on a unit of service basis. Payment may be made either by cash or in-kind contribution.

§ 4300.27. Program-funding.

Program-funding is the procedure used to fund the total eligible expenditures for a publicly or privately administered and staffed facility as predetermined by the county authority. The funding may apply to the total agency operation or to a portion thereof.

§ 4300.28. Reimbursable costs.

(a) The Department will financially participate only in expenditures which are necessary and proper for the operation of the program and the provision of services. Expenditures shall be reasonable to the extent that they are of the same nature as expenditures which would be made by a cost-conscious and prudent buyer in the market place. The lowest possible rate shall be negotiated, consistent with good program quality.

(b) This chapter defines the maximum allowable expenditures for Departmental participation and may not be construed as mandated rates of expenditures. The Department will participate in actual expenditures not to exceed the allowable cost standards. Expenditures beyond these approved levels are the responsibility of the county authorities.

(c) The allowable cost standards in this chapter identify costs eligible for reimbursement. Costs which have not been included are considered ineligible for Departmental financial participation unless necessary to provide services to clients.

(d) The Department will not financially participate in county program costs associated with hiring attorneys, consultants or expert witnesses for the purpose of appealing Departmental decisions or policies arising from interpretations of this chapter, unless the county program wins the appeal.

COUNTY AND COUNTY JOINDER ALLOWABLE COST STANDARDS

§ 4300.41. Applicability.

The allowable cost standards for claiming Departmental participation in county administration expenses and services provided directly by the county are specified in §§ 4300.42—4300.69.

§ 4300.42. Personnel expenses.

The Department will participate in the cost of personnel, including salaries, benefits and other related expenses as defined in this chapter. The Department will only participate in the cost of personnel hired in under merit system procedures.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.43. Compensation.

(a) The Department will participate in compensation up to the combined prevailing Commonwealth salaries and benefits for functionally equivalent positions.

(b) The County Civil Service Personnel Compensation Board authorized counties to create a compensation plan which insures to each local county autonomy in setting salaries for civil service employees. The compensation plans shall be signed by the county commissioners and submitted to the Department for approval. The Department will participate in the cost of salaries of approved plans under the authority of the act and the 1973 agreements between the Department, the county commissioners and the Civil Service Commission. Reimbursement will be made on the basis of the approved county compensation plan. The portion of salaries exceeding the Commonwealth's rate will not be reimbursed.

(c) The Department's Office of Personnel Services will monitor and verify the civil service personnel appointments. Appointments and

changes, such as filling vacancies for approved positions for full-time, part-time and temporary employees are processed under the procedures contained in the personnel action guide.

(d) State participation in salaries is not guaranteed until the action is processed under current personnel procedures.

(e) Fees charged to local authorities by the Civil Service Commission are allowable expenses and eligible for Departmental participation.

(f) A part-time employee is an employee who on a continuing basis works less than the county's/joinder's standard work week. The Department will participate in wages paid for the actual number of hours worked. The Department will participate at the appropriate hourly rate for the job classification as provided in the county civil service personnel compensation plan.

(g) The Department will participate in the cost of salaries/wages for personnel hired as temporary help. The Department will participate at the appropriate rate for the job classification as provided in the county civil service personnel compensation plan. Temporary employees may not be maintained on the payroll for a period longer than 9 months.

(h) The Department will participate in the cost of overtime. The appropriate county authority shall be responsible for approving overtime plans, and for ensuring that adequate controls are maintained to prevent the excessive use of overtime. The appropriate county authority may delegate authority for the implementation of the approved overtime and the determination of whether employees will receive pay or compensatory time off.

(i) The Department will participate in the cost of compensation for employees who are required to be available for emergencies. The appropriate county authority is responsible for approving standby time plans, and for ensuring that adequate controls are maintained to prevent the excessive use of standby time. The appropriate county authority may delegate the authority for the implementation of the approved plan.

(j) The Department will participate in the cost of compensation for employees who are called to work outside of their regular work schedule and who are not on standby. The appropriate county authority shall be responsible for approving call time plans, and for ensuring that adequate controls are maintained to prevent the excessive use of call time. The appropriate county authority may delegate the authority for the implementation of the approved plan.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.44. Employee benefits.

(a) The Department will participate in the cost of employee benefits subject to subsections (b)—(g).

(b) The benefits eligible for Departmental participation include the benefits provided under prevailing county practice. The combination and level of eligible benefits provided are at the discretion of the appropriate county authority.

(c) The percentage benefit rate to be applied in determining maximum compensation will be published annually by the Department. The actual percentage rate for a fiscal year shall be the budgeted percentage of benefits to salaries for the majority of Commonwealth employees.

(d) Consultants and personnel obtained through contracts are considered independent contractors engaged for specified services on a fee-for-service or contractual basis and are not eligible for employee benefits.

(e) The combination and level of eligible benefits provided to part-time employees are at the discretion of the appropriate county authority subject to subsections (b) and (c).

(f) The combination and level of eligible benefits provided to temporary employees are at the discretion of the appropriate county authority subject to subsections (b) and (c).

(g) With regard to leave and holidays, the county/joinder shall adhere to prevailing county practice. The Department will participate in these costs if the local authorities have a plan for the payment of these costs.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.45. Staff development.

(a) Staff development includes the training of personnel through inservice instruction and recognized professional education programs, or through attendance at State, regional and national meetings, seminars or conferences.

(b) The Department will participate in the cost of training of staff to the extent that the training is related to the objectives of the county program or is essential for the continuation or improvement of the program.

(c) Training for staff shall be in or directly related to the fields of mental health and mental retardation, or the administration of these programs.

(d) Expenses for staff development shall be approved by the appropriate county authority or a designee.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.46. Purchased personnel services.

(a) Purchased personnel services are allowable expenses for justifiable programmatic or administrative reasons. A written agreement shall state the services to be provided, the rate of compensation and the method of payment. Consultant fees shall be determined in accordance with prevailing county practice. Participation in the cost for fees and expenses of professional practitioners and consultants, who are board members, directors, commissioners, county elected officials or regular employees requires the prior approval of the Department.

(b) County employes may not receive remuneration for acting as consultants or in another capacity to facilities with which the county/joinder contracts for mental health and mental retardation services, or with Commonwealth agencies.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.47. Advisory and incorporated boards.

(a) The Department will not participate in compensation for members of boards, other than reimbursement for actual expenses incurred in connection with meetings and authorized work of the board.

(b) Allowable expenses for board members include meals, lodging and transportation. The rates and requirements for Departmental participation in reimbursement for board members will be published annually as a Departmental bulletin.

(c) The Department will participate in the cost of providing liability insurance coverage for claims against board members resulting from their official duties.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.48. Occupancy.

(a) The Department will participate in the cost of occupancy expenses.

(b) The Department will participate in the costs for buildings and offices rented by the county/joinder for use by the county program. The amount of rent charged to a given program shall be prorated in direct relation to the amount of space utilized by the program. The cost of rent may not exceed the rental rate for similar space and use in that geographical area.

(c) The Department will participate in maintenance, housekeeping and utility costs for county-owned buildings. The amount charged shall be on a pro rata basis.

(d) Mortgaged real estate which is owned and utilized by a county/joinder may be charged to the Department, except that no charge may be made for the refinancing of buildings unless a lower interest rate is available. The original amortization period may not be extended. Departmental participation is limited to the mortgaged cost associated with acquisition or renovation/improvement/repair/maintenance, or both, of property. The amount of these charges shall be the lesser of the fair rental value of the space and use, or the actual cost of the principal and interest incurred in the mortgage amortization, including any amortized minor or major renovation/improvement/repair/maintenance costs. The amount charged shall be prorated in relation to the percentage of space used by the program.

(1) The Department will participate in closing costs and downpayments required by lending institutions for the acquisition of real estate to be used for the county mental health and mental retardation program. The Department will participate in a downpayment not to exceed 25% of the property value. Real estate purchased with a downpayment reimbursed by the Department shall be used in the county program for at least 5 years.

(2) If the real estate is not used for 5 years, the part of the downpayment funded by the Department, proportionately equal to the remaining unused time in the 5 year period, shall be refunded by the county to the Department.

(e) The purchase price or the total mortgaged value of the property—that is, the sum of mortgages on the real value—at the time of purchase may not exceed the fair market value of similar real estate in the geographic area. Fair market value will be determined by appraisal and the Department will not participate in that portion of mortgage cost which exceeds the limits established by an appraisal.

(f) Fair rental value shall be determined by securing an estimate from a licensed real estate appraiser. Calculation of the fair rental value of real estate may not include the value of minor renovations, assets or operating costs paid with Departmental funds. Appraisals shall be in writing and specify the valuation approach and other components used in the estimation of the fair rental value.

(g) Purchase real estate shall be amortized for a minimum of 10 years.

(h) Costs as specified in § 4300.65 (relating to renovations, improvements, repairs and maintenance) may be included as an expense to the Department as described in subsection (d). The total expense—the amortized cost of both the mortgage and the renovations, improvements, repairs and maintenance—may not exceed the fair rental value of the space that is utilized.

(i) The Department will participate in the cost of utilities, such as heat, electric, water, sewage and fuel necessary for occupancy of a building.

(j) The Department will participate in the cost of required occupancy related taxes. The Department will not participate in penalties resulting from delinquent tax payments, including legal fees.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability); 55 Pa. Code § 4300.64 (relating to real estate); and 55 Pa. Code § 4300.87 (relating to occupancy).

§ 4300.49. Supplies.

The Department will participate in the cost of office and program supplies, including medical drugs, food and clothing, related to the delivery of a service or the administration of a program.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.50. Communications.

The Department will participate in the costs of services and supplies for communications including, but not limited to, telephones, postage, stationery, public communications and printing.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.51. Travel.

(a) The Department will participate in travel expenses for the purpose of conducting official business of the county program. Allowable expenses include transportation, lodging and subsistence. Departmental participation for transportation and subsistence will be at the prevailing county rate but may not exceed the rates paid by the Commonwealth for its employees. Departmental participation for lodging will be at the prevailing county rate.

(b) The Commonwealth rates and limitations for Commonwealth employe travel reimbursement will be published periodically as a Departmental bulletin.

(c) Staff transportation includes necessary travel on railroads, streetcars, buses, airplanes, taxicabs and automobiles. Transportation costs on common carriers are allowable with the limitation that travel may not be authorized as first class unless lesser accommodations are not available. Travel shall be by the most direct route. Out-of-State travel shall require the prior written approval of the appropriate county authority. Advance written approval for out-of-State travel is not required when travel is performed for routine administrative reasons in border areas of the Commonwealth.

(d) Reimbursement for transportation expenses is based on the premise that the place of departure is the headquarters of the employe. If the trip is begun or ended at a place other than headquarters, reimbursement is allowed from the starting point only when the cost from the starting point to the destination is less than the cost from headquarters to the destination.

(e) Local transportation, such as taxicabs, airport limousines, car rentals, and the like are allowable when justified by the travel assignment.

(f) The Department will participate in a mileage allowance to reimburse employes for the use of personal automobiles when on official business.

(g) Parking charges, toll bridges, toll roads, tunnels, ferries and the like are reimbursable to employees operating authorized motor vehicles for official business.

(h) Departmental participation in lodging and subsistence costs will be under prevailing county practice as covered by written policy.

(i) The Department will participate in a subsistence allowance for meals and personal expenses of employees on travel status. The subsistence allowance covers expenses not specifically provided for elsewhere in connection with lodging and transportation.

(j) Employees may be reimbursed for luncheon or dinner meetings which they are required to attend in connection with their official duties, if they are not reimbursed under this chapter.

(k) Travel expenses will be paid upon the submission of an expense voucher which shall be reviewed for compliance with county/joinder requirements, and retained by the appropriate county authority or a designee for auditing purposes. On travel expense vouchers, regardless of the distance traveled, a separate entry shall indicate the amount to be reimbursed for each item or expense—transportation, lodging, meals and miscellaneous. Receipts shall be attached as required by prevailing county practice.

(l) The Department will participate in the cost of providing transportation to clients receiving services. Departmental participation in transportation provided by personal vehicles or motor vehicle pools shall be on a mileage basis as contained in subsection (f). Participation in transportation provided by county owned or leased vehicles is outlined in § 4300.67 (relating to motor vehicles). Logs containing records and details of other types of transportation provided shall be maintained.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability); and 55 Pa. Code § 4300.59 (relating to recruitment).

§ 4300.52. Equipment and furnishings rental.

The Department will participate in the rental cost of equipment and furnishings when normal usage does not warrant its purchase or when renting is a cheaper option.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.53. Repairs and maintenance.

The Department will participate in the cost of necessary repairs and maintenance.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.54. Bonding.

The Department will participate in the cost of surety and fidelity bonds for staff and incorporated board members engaged in the financial affairs of the county.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability); and 55 Pa. Code § 4300.62 (relating to insurance).

§ 4300.55. County indirect costs.

(a) The Department will participate in indirect costs for counties. These costs are for supportive activities which are necessary to maintain the direct effort involved in providing the services.

(b) The Department will participate in county indirect costs which are identified and claimed under the Department's published guidelines for cost allocation plans and indirect costs.

(c) Departmental participation in county indirect costs will not exceed 2.0% of the amount reimbursed by the Department for the county program. Counties/joinders requesting reimbursement of indirect costs which exceed 2.0% shall submit their cost allocation plan to the Department for review and approval prior to claiming these costs.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.56. Library expenses.

The Department will participate in the purchase of books, documents and subscriptions to journals pertaining to mental health, mental retardation and other relevant topics.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.57. Membership fees.

Costs of agency membership in organizations serving the county program are allowable for Departmental participation if the membership is in a nonprofit organization and the services provided are related to the county program. The Department will not participate in the cost of individual/personal membership or in memberships to an organization defined as a lobbying group under the Lobbying Registration and Regulation Act (46 P. S. § § 148.1—148.9).

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.58. Moving expenses.

The Department will participate in the costs associated with the relocation of a facility. The Department will not participate in the payment of moving expenses for employees.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.59. Recruitment.

(a) The Department will participate in the costs incurred in recruitment activities such as help wanted advertising or the use of employment agencies.

(b) The Department will participate in the travel expenses of job applicants if it is the prevailing county practice. Departmental participation will be at the prevailing county rate but will not exceed the allowable costs identified in § 4300.51 (relating to travel).

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.60. Interest expense.

Interest paid for funds borrowed from a lending institution is an allowable expense in the case where funds are borrowed to meet the actual cash flow requirements of ongoing programs, and it can be documented that the actual cash flow requirements are such that obligations could not be met without borrowing funds.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.61. Auditing expense.

The Department will participate in the costs of independent audits.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.62. Insurance.

(a) The Department will participate in the cost of insurance premiums to protect against casualty losses, theft losses and liability.

(b) The Department will participate in the cost of insurance to protect against casualty losses. Casualty losses are damage to or the destruction of property resulting from an identifiable event of a sudden, unexpected or unusual nature. Examples of events include a storm, hurricane, tornado, flood, fire, earthquake and vandalism.

(c) The Department will participate in the cost of burglary insurance. Burglary insurance protects against losses from theft not involving employees. For thefts by employees or corporate officers, the Department will participate in the cost of fidelity bonds as identified in § 4300.54 (relating to bonding).

(d) The Department will participate in the cost of liability insurance to cover claims arising out of official duties and to protect items which are used in the performance of this duty.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.63. Commitment procedures.

(a) The Department will participate in costs incurred by counties for the commitment of individuals under the Mental Health Procedures Act (50 P. S. § § 7101—7503) and mental retardation commitments under the act.

(b) The following costs are allowable:

(1) Mental health review officer time and related costs.

(2) Attorney for the county mental health and mental retardation program or the facility.

(3) Examination and expert medical testimony by the examining physician.

(4) Cost of client transportation to or from hearing.

(5) Client's expert witness as provided under section 304(d) of the Mental Health Procedures Act (50 P. S. § 7304).

(6) Commitment delegate expenses.

(c) The following costs are not allowable:

(1) Court costs or fees.

(2) Court clerical costs.

(3) Transcription costs.

(4) Client's attorney.

(5) Court reporter.

(6) Attorney for the petitioner when the petitioner is not the county administrator.

(7) Fees for testimony by witnesses other than expert medical and client's expert witnesses.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.64. Real estate.

The cost of land or buildings or the construction of buildings may not be expensed using Departmental funds. Mortgaged real estate which is owned by a county and used for the county program may be charged as an expense until it is debt free as outlined in § 4300.48(d)—(f) (relating to occupancy).

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.65. Renovations, improvements, repairs and maintenance.

Renovations are considered to be an adaptation of available space within a completed structure. Improvements extend the life or increase the productivity of the asset. Repairs and maintenance are considered to be those activities which either restore an asset to, or maintain it at, its normal or expected service life.

(1) The Department will participate in costs classified as renovations, improvements or repairs and maintenance. A classification is further defined for reimbursement purposes as minor if the cost is \$10,000 or less, and major if the cost exceeds \$10,000. Within a classification, the determination of costs as minor or major shall be on a per property basis. For example, renovation costs for an individual property may not otherwise be broken down to avoid being defined as major renovations.

(2) Minor renovations, improvements or repairs and maintenance may be expensed or amortized.

(3) Major renovations, improvements or repairs and maintenance may be amortized or expensed. In either case, they shall be used in the county program for at least 5 years. If they are not used for 5 years, part of the major renovations, improvements or repairs funded by the Department, proportionately equal to the remaining unused time in the 5 year period, shall be refunded by the county to the Department.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability); and 55 Pa. Code § 4300.48 (relating to occupancy).

§ 4300.66. Equipment and furnishings.

The Department will participate in the cost of equipment and furnishings through expensing or the amortization of loans for their purchase. Only items which are essential to the operation of the county program are

allowable. The purchase of equipment and furnishings shall be in accordance with the bidding and procurement requirements as contained in § 4300.145 (relating to bidding and procurement). When approved government rates are used by the county for the purchase of equipment and furnishings, the county may purchase at those rates in lieu of the procedure in § 4300.145.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.67. Motor vehicles.

(a) The Department will participate in the purchase or lease of motor vehicles, and the operating costs of the vehicles. The Department encourages the utilization of general transportation resources.

(b) The following guidelines apply in the purchase or lease of vehicles:

(1) Counties/joinders are encouraged to minimize costs by purchasing vehicles under the act of July 9, 1971 (P. L. 201, No. 31) (71 P. S. § 633), which allows counties to take advantage of special prices given the Commonwealth by making purchases in cooperation with State purchases.

(2) Where purchases or vehicles are not made through cooperative purchase, the purchase of motor vehicles shall be in accordance with the bidding and procurement requirements contained in § 4300.145 (relating to bidding and procurement).

(3) The Department will participate in the cost of vehicles either through expensing or the amortization of loans for their purchase.

(4) The personal use of motor vehicles is prohibited unless a procedure for pay-back is established and the employe reimburses the program for the use of the vehicle.

(5) A daily log detailing the use of vehicles, as well as maintenance or service activities, shall be maintained.

(6) Cost differentials between leasing and purchase of vehicles shall be explored and the most feasible economic alternative selected. Documentation showing the options that were explored shall be maintained.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability); and 55 Pa. Code § 4300.51 (relating to travel).

§ 4300.68. Title to fixed assets.

(a) Title to fixed assets, excluding real estate, acquired with mental health and mental retardation funds shall remain with the county/joinder.

(b) Income received by the county program when disposing of fixed assets obtained with mental health and mental retardation funds shall be used to reduce gross expenditures submitted by the county program for Departmental participation. The county may reimburse the Department in direct proportion to the Department's participation in the purchase of the fixed assets—either 90% or 100%.

(c) Fixed assets acquired with mental health and mental retardation funds shall be solely for the benefit of the mental health and mental retardation program. If fixed assets are transferred from the mental health and mental retardation program, the county/joinder shall reimburse the Department for its percentage of the remaining value of the equipment based on an independent appraisal of the value of the fixed assets. The county program may not transfer fixed assets purchased with categorical funding to another component of the county program without the prior written approval of the appropriate program deputy secretary.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

§ 4300.69. Ownership responsibilities.

In accordance with sound business practice, the person in possession of fixed assets shall do all of the following:

(1) Maintain a fixed assets ledger or equivalent document. A method for separately identifying the ownership of assets shall be maintained.

(2) Maintain and administer a program for the maintenance, protection, repair, preservation and insurance of fixed assets to assure their full availability and usefulness.

(3) Utilize reimbursement for loss, destruction or damage of fixed assets by using the proceeds to repair, renovate or replace the fixed assets involved; and crediting the proceeds as an income source to be applied against the cost of services rendered or forwarding the proceeds to the funding source.

(4) Perform an annual physical inventory at the end of the funding period/fiscal year by sighting and verifying the inventory listings. Discrepancies shall be documented and kept on file with the invoices, inventory reports and other papers which are subject to audits.

Cross References

This section cited in 55 Pa. Code § 4300.41 (relating to applicability).

CONTRACTED AGENCY ALLOWABLE COST STANDARDS

§ 4300.81. Applicability.

The allowable cost standards for claiming Departmental participation in expenditures of contracted agencies are specified in §§ 4300.82—4300.108. Sections 4300.82—4300.108 apply to services purchased on a unit of service and program-funded basis.

§ 4300.82. Personnel expenses.

The Department will participate in personnel costs for full-time, part-time, temporary employes and contracted personnel. This includes salaries, benefits, one-time payments under formally established and consistently applied agency policies and other related personnel expenses as defined in this chapter and included in the contract.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.83. Compensation.

(a) 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 amounts specified in subsections (b) and (c). The Department recognizes the responsibility and authority of the board of directors of each agency for establishing employe salaries and benefits. Compensation exceeding the amounts eligible for Departmental

participation shall be the financial responsibility of the county or the agency.

(b) The Department will participate in compensation for employees of program funded agencies up to the combined prevailing Commonwealth salaries and benefits for functionally equivalent positions. The county program will use a crosswalk, such as the MCR System or PAP, to determine functionally equivalent positions. The crosswalks will incorporate the chief executive officer reimbursement grid methodology identified in subsection (c). The Department will perform an initial review of job descriptions and organizational information and crosswalk the positions into the appropriate structure. The appropriate county authority will have the ongoing responsibility to maintain the crosswalk. The Department will also review these actions by post audit using as its standard of review a set of functional job categories and their corresponding salary levels.

(c) The Department will participate in the costs of compensation for employees of agencies funded on a unit of service basis. The Department will participate in compensation for the chief executive officers of these agencies up to the combined salaries and benefits approved for these positions. A chief executive officer reimbursement grid methodology will be used to determine eligible salaries. It classifies agencies according to total expenditures, and as multiple or single service providers. Multiple service providers are those providers for which counties reported expenditures of at least \$100,000 in at least two cost centers. Single service providers are those providers for which counties reported expenditures of at least \$100,000 in a single cost center. Total provider expenditures and expenditures by cost center will be based on annual county program income and expenditure reports submitted by counties under § 4300.133 (relating to financial reporting requirements) and the cost reports submitted to the Department by intermediate care facilities for the mentally retarded. The Department will entertain waiver requests submitted under § 4300.11 (relating to waivers) to include other expenditures, not normally reported to the Department, for classifying agencies.

(1) The reimbursement grid is as follows:

<i>Pay Range</i>	<i>Multiple Service Providers</i>	<i>Single Service Providers</i>
# 54	\$7,000,000	
# 53		\$7,000,000
# 52	\$5,000,000	
# 51		\$5,000,000

# 50	\$3,000,000	
# 49		\$3,000,000
# 48	\$1,000,000	
# 47		\$1,000,000
# 46	\$ 500,000	
# 45		\$ 500,000
# 44	\$ 300,000	
# 43		\$ 300,000
# 42		
# 41		\$ 100,000

(2) The salary corresponding to a pay range which is eligible for reimbursement by the Department shall be based on the Commonwealth schedule of salaries for its management employees.

(d) The benefit percentage rate to be applied in determining maximum compensation costs in subsections (b) and (c) will be published annually in a Departmental bulletin.

(e) The following agency expenses are considered employee benefits eligible for Departmental participation:

(1) Workman's compensation insurance.

(2) Social Security.

(3) Unemployment compensation.

(4) Retirement.

(5) Hospital and medical insurance.

(6) Supplemental health and welfare benefits such as pharmaceutical, dental and vision care.

(7) Life insurance.

(f) The Department will participate in expenses for other benefits not specified in subsection (e) to the extent they are under formally established and consistently applied agency policies.

(g) The Department will participate in the cost of overtime paid under formally established and consistently applied agency policies.

(h) The Department will participate in the cost of compensation for employees who are required to be available for emergencies if the standby time is paid under formally established and consistently applied agency policies.

(i) The Department will participate in the cost of compensation for employees who are called to work outside of their regular work schedule if the call time is paid under formally established and consistently applied agency policies.

(j) The Department will participate in the cost of leave and holidays to the extent they are under formally established and consistently applied agency policies.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.84. Consultants and contracted personnel.

The Department will participate in the cost of consultants and contracted personnel when justifiable for programmatic or administrative reasons. Consultants and personnel obtained through contracts are considered independent contractors engaged for specified services on a fee-for-service or contractual basis. A written agreement shall state the services to be provided, the rate of compensation and the method of payment. Consultant fees shall be determined in accordance with prevailing rates.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.85. Advisory and incorporated boards.

(a) The Department will not participate in compensation for members of boards, other than reimbursement for actual expenses incurred in connection with meetings and authorized work of the board.

(b) Allowable expenses for board members include meals, lodging and transportation. The rates and requirements for Departmental participation in reimbursement for board member expenses will be published periodically.

(c) The Department will participate in the cost of providing liability insurance coverage for claims against board members resulting from their official duties.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.86. Staff development.

(a) The Department will participate in the cost of training of staff to the extent that the training is essential for the continuation or improvement of the program.

(b) Training for staff shall be in or directly related to the fields of mental health and mental retardation, or the administration of these programs.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.87. Occupancy.

(a) The Department will participate in the cost of occupancy expenses.

(b) The Department will participate in the costs for buildings and offices rented or leased by an agency for use by programs operated under contract with the county.

(1) The parties shall be unrelated and continue to be unrelated. If an agency enters into a sale and leaseback agreement with an unrelated purchaser, the Department will not participate in the cost of rent under this subsection.

(2) The amount of rent charged to a given program shall be prorated in direct relation to the amount of space utilized by the program. The cost of rent for any facility may not exceed the rental charge published for the general public for similar space in that geographical area.

(3) If it does exceed the rental charge to the general public, the Department will participate in these costs only if the rental charge is explicitly approved by the appropriate county authority.

(c) The Department will participate in payments in lieu of rent for offices and buildings owned by an agency or related party and used for programs operated under contract with the county or county joiner. The amount charged to a given program shall be prorated in direct relation to the amount of space and time utilized by the program.

(1) The policies for reimbursing payments in lieu of rent are intended to accomplish three general purposes:

(i) To recognize and participate in the costs of an agency acquiring real estate.

(ii) To encourage the continued use of owned real estate in the county program.

(iii) To participate in the acquisition costs of a property only once, based on the property value when originally purchased or constructed by the agency.

(2) The Department will financially participate in payments in lieu of rent for agency owned real estate, for which the agency holds title. The payments may include costs related to down payments, closing costs, principal and interest for mortgaged real estate and continuing participation allowances. The Department will financially participate in lease-purchase agreements and seller financed mortgages between unrelated parties when the costs conform to the same kind or type of costs allowable for mortgaged real estate.

(i) The Department will participate in the cost of a downpayment required by a lending institution for obtaining a mortgage for the purchase of real estate. The mortgage shall be based on a property value not to exceed the lesser of cost or fair market value at the time of original purchase or construction by the agency. The fair market value shall be determined by an appraisal from an individual who holds at least one of the following designations approved by the Society of Real Estate Appraisers: Senior Real Property Appraiser, Senior Residential Appraiser,

Senior Real Estate Analyst or Member of the American Institute of Real Estate Appraisers.

(ii) The Department will participate in a downpayment not to exceed 25% of the property value. Real estate purchased with a downpayment reimbursed by the Department shall be used in the county program for at least 5 years. If the real estate is not used for 5 years, the part of the downpayment funded by the county, proportionately equal to the remaining unused time in the 5 year period, shall be refunded by the agency to the county program.

(iii) Agencies may fund downpayments for real estate from their own resources. The Department will participate in an allowance to recognize the agency's equity in the properties. The allowance may not exceed an amount equal to an 8.0% rate of return on the original downpayment. The Department will participate in an allowance during the period in which principal and interest are reimbursed for the amortization of a mortgage. See subparagraph (iv). The Department will not participate in this downpayment allowance for debt-free real estate, but will participate in an allowance under subparagraph (vii).

(iv) The Department will participate in the costs of principal and interest related to the amortization of a mortgage. The mortgage shall be based on a property value determined under subparagraph (i).

(v) For a mortgage with a term of 15 years or more, the Department will participate in the actual cost of principal and interest.

(vi) For a mortgage with a term of less than 15 years, the Department will participate in the actual cost of principal and interest less the amount which the total cost of principal, interest and major renovations and improvements exceeds the fair rental value of the property. The fair rental value shall be determined by appraisal. It shall be the average of two independent appraisals obtained by the provider, with the approval of the county. Appraisals shall be in writing and specify the valuation approach, as well as other components, used in the estimation of fair rental value. The appraisal shall be obtained from an individual holding at least one of the designations identified in subparagraph (i). In situations where providers are required to locate in deteriorating or blighted areas and shall comply with costly licensing requirements and after good faith efforts were made to secure a mortgage of 15 years or more, the Department will entertain requests for waivers of this subparagraph when submitted under § 4300.11 (relating to waivers).

(vii) The Department will reimburse a continuing participation allowance for the use of space in debt-free real estate. The continuing

participation allowance may not exceed an amount equal to an 8.0% rate of return on the total of the property value as determined according to subparagraph (i) plus the cost of renovations and improvements to the property. The cost of renovations and improvements shall be the documented actual cost of the renovation or improvement at the time of its completion.

(viii) The Department will participate in principal and interest or a continuing participation allowance when an agency discontinues operations of a facility and commences operations at a new facility. The Department's participation is limited to principal and interest on debt in excess of the property value of the new facility less the net equity most recently determined for the old facility. Property value is determined under subparagraph (i). Net equity is obtained by reducing property value by the documented selling costs and outstanding debt.

(ix) The Department will participate in the costs of refinancing real estate when the purpose is to reduce real estate debt expenses. The Department's participation in new mortgages is limited to principal and interest payments on a principal amount not exceeding the remaining principal balance of the previous mortgage. The Department will not participate in remortgage costs which exceed the costs to the county program under the previous mortgage, either during the contract period or over the term of the mortgage. This subparagraph applies to transactions which are executed after July 1, 1987. The Department will participate in the cost of refinancing real estate for purposes other than reducing real estate debt expenses only with the prior written approval of the Secretary or a designee.

(x) The Department will participate in the cost of liquidating debt prior to completion of the term of a mortgage. The agency shall obtain approval of the appropriate county authority and commit the property to continued use by the county program over the life of the original mortgage. The Department will not participate in a continuing participation allowance according to subparagraph (vii) for the property until after the life of the original mortgage. If a property reimbursed under this subparagraph is removed from use in the county program before the end of the original mortgage life, the agency shall reimburse the county program a part of the cost of liquidating the debt which is proportionately equal to the remaining unused time in the life of the original mortgage.

(d) Renovations are considered to be an adaptation of available space within a completed structure. Improvements extend the life or increase the productivity of the asset. Repairs and maintenance are considered to be those activities which either restore an asset to, or maintain it at, its normal or expected service life.

(1) The Department will participate in costs classified as renovations, improvements or repairs and maintenance. A classification is further defined for reimbursement purposes as minor if the cost is \$10,000 or less, and major if the cost exceeds \$10,000. Within a classification, the determination of costs as minor or major shall be on a per property basis. For example, renovation costs for an individual property may not otherwise be broken down to avoid being defined as major renovations.

(2) Minor renovations, improvements or repairs and maintenance may be expensed or amortized.

(3) Major renovations, improvements or repairs and maintenance may be amortized or expensed and shall be used in the county program for at least 5 years. If they are not used for 5 years, that part of the major renovations, improvements or repairs funded by the county, proportionately equal to the remaining unused time in the 5 year period, shall be refunded by the agency to the county program.

(e) The Department will participate in the cost of utilities such as heat, electric, water, sewage and fuel necessary for occupancy of a building.

(f) The Department will participate in the cost of required occupancy related taxes. The Department will not participate in penalties resulting from delinquent tax payments, including legal fees.

(g) The Department will participate in the costs of real estate purchased and owned by counties, authorities or nonprofit corporations created by counties to acquire and manage real estate, and made available to contracted agencies for use in providing services. The Department will participate in the costs according to the allowable cost standards identified in § 4300.48 (relating to occupancy) for occupancy and occupancy related costs.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.88. Supplies.

The Department will participate in the cost of office and program supplies, including medical drugs, food and clothing, related to the delivery of a service or the administration of a program.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.89. Communications.

The Department will participate in the costs of services and supplies for communications including, but not limited to, telephones, postage, stationery, public communications and printing.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.90. Travel.

(a) The Department will participate in travel expenses for the purpose of conducting official business of programs operated under contract with the county. Allowable expenses include transportation, lodging and subsistence.

(b) Transportation costs on common carriers are allowable with the limitation that travel may not be authorized as first class unless accommodations are not available. Mileage reimbursement for use of personal vehicles and motor vehicle pools may not exceed the Internal Revenue Service allowance for business deductions for mileage.

(c) Department participation for lodging will be at the prevailing county rate.

(d) Department participation in subsistence will be at the prevailing county rate not to exceed the rates paid by the Commonwealth for its employees. The Commonwealth rate and limitations will be published periodically.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.98 (relating to recruitment); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to negotiated fees).

§ 4300.91. Equipment and furnishings rental.

The Department will participate in the rental cost of equipment and furnishings when normal usage does not warrant its purchase or when renting is a cheaper option.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.92. Repairs and maintenance.

The Department will participate in the cost of necessary repairs and maintenance.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.93. Bonding.

The Department will participate in the cost of surety and fidelity bonds for staff and incorporated board members engaged in the financial affairs of the agency.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.101 (relating to insurance); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department

established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.94. Agency indirect costs.

(a) Indirect costs are costs for supportive activities which are necessary to maintain the direct effort involved in providing services. The Department will participate in indirect costs if the agency has a cost allocation plan and indirect costs are an approved component of the contract.

(b) There is no general rule for classifying costs as either direct or indirect. A cost may be direct with respect to a specific service or organization, but indirect with respect to another. Once classified, each item of cost shall be treated consistently either as a direct or indirect cost.

(c) The overall objective of the allocation process is to distribute the indirect costs of the agency to its various services or cost categories in reasonable proportion with the benefits provided to these services or cost categories.

(d) The cost allocation plan is the document for identifying, accumulating and distributing costs to consuming levels or cost categories within the agency and for identifying the allocation methods used. The agency shall maintain a complete file regarding the cost allocation plan and supporting documentation.

(e) The apportionment of indirect costs may be treated in two ways:

(1) Indirect costs may be specifically identified and apportioned into the direct cost of services provided. These costs become a direct cost when properly identified, documented and allocated.

(2) Indirect cost pools or centers may be established to accumulate expenditures. These costs may be distributed to service or cost categories based on a rate identified in the cost allocation plan. A line item may be identified for indirect costs for each service or cost category.

(f) Distributing indirect costs to the appropriate services requires the development of an allocation methodology. This methodology shall logically apportion these costs among services receiving a benefit. The methodology is at the discretion of the agency; however, it shall result in a fair and equitable distribution of costs, and shall be in direct relation to actual benefits accruing to the services to which costs are charged. The agency shall obtain an opinion from a public accounting firm on the equitableness of its cost allocation plan.

(g) To be allowable for Departmental participation, indirect costs shall meet the following criteria:

(1) Be necessary and reasonable for the proper and efficient operation and administration of the contract.

(2) Be authorized under statutes and regulations.

(3) Conform to limitations, exclusions or allowable cost standards for items of expenditure as included in this chapter if more than 50% of the agency's indirect costs are allocated to mental health or mental retardation programs, or both, funded by a county/joinder or a combination of Commonwealth counties/joinders.

(4) Be accorded consistent treatment as either a direct or indirect cost.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.95. Library expenses.

The Department will participate in the purchase of books, documents and subscriptions to journals pertaining to mental health, mental retardation and other relevant topics.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.96. Membership fees.

Costs of agency membership in organizations serving programs operated under contract with the county are allowable for Departmental participation if the membership is in a nonprofit organization and the services provided are related to the program operated under contract with the county. The Department will not participate in the cost of individual/personal membership or in memberships to any organization

defined as a lobbying group under the Lobbying Registration and Regulation Act (46 P. S. § § 148.1—148.9).

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.97. Moving expenses.

The Department will participate in the costs associated with the relocation of a facility. The Department will participate in the payment of moving expenses for employees only when used as part of a recruitment effort by the agency and when approved by the appropriate county authority. The maximum amount in which the Department will participate is \$1,000 per employe being moved.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.98. Recruitment.

(a) The Department will participate in the costs incurred in recruitment activities, such as help wanted advertising or the use of employment agencies.

(b) The Department will participate in the travel expenses of job applicants if it is the prevailing county practice. Departmental participation will be at the prevailing county rate but will not exceed the allowable costs identified in § 4300.90 (relating to travel).

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.99. Interest expense.

Interest paid for funds borrowed from a lending institution is an allowable expense in the case where funds are borrowed to meet the actual cash flow requirements of ongoing programs, and it can be documented that the actual cash flow requirements are such that obligations could not be met with the advance for the specific contract program. Where no advance is given, interest is reimbursable.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.100. Auditing expense.

The Department will participate in the costs of annual independent audits.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.101. Insurance.

(a) The Department will participate in the cost of life insurance, payable to the corporation, where the death of a principal or key person may threaten the continuation of the service.

(b) The Department will participate in the cost of insurance premiums to protect against casualty losses, theft losses and liability.

(c) The Department will participate in the cost of insurance to protect against casualty losses. Casualty losses are damage to or the destruction of property resulting from an identifiable event of a sudden, unexpected or unusual nature. Examples of the events include a storm, hurricane, tornado, flood, fire, earthquake and vandalism.

(d) The Department will participate in the cost of burglary insurance. Burglary insurance protects against losses from theft not involving

employees. For thefts by employees or corporate officers, the Department will participate in the cost of fidelity bonds as identified in § 4300.93 (relating to bonding).

(e) The Department will participate in the cost of liability insurance to cover claims arising out of official duties and to protect items which are used in the performance of this duty.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.102. Fixed assets.

The Department will participate in the costs of fixed assets as specified in §§ 4300.103—4300.107 (relating to equipment and furnishings; motor vehicles; depreciation allowances; title to fixed assets; and ownership responsibilities).

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.103. Equipment and furnishings.

The Department will participate in the cost of equipment and furnishings through depreciation, expensing or amortization of loans for their purchase. Only items which are essential to the operation of the programs operated under contract with the county are allowable. The purchase of equipment and furnishings shall be in accordance with the bidding and procurement requirements as contained in § 4300.145 (relating to bidding and procurement).

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.102 (relating to fixed assets); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating

to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.104. Motor vehicles.

(a) The Department will participate in the purchase or lease of motor vehicles and the operating costs of the vehicles. The Department encourages the utilization of general transportation resources.

(b) The following guidelines shall apply in the purchase or lease of vehicles:

(1) The purchase of motor vehicles shall be in accordance with the bidding and procurement requirements as contained in § 4300.145 (relating to bidding and procurement).

(2) The Department will participate in the cost of vehicles through depreciation, expensing or amortization of loans for their purchase.

(3) The personal use of motor vehicles by employees is prohibited unless a procedure for pay-back is established and the employee reimburses the program for the use of the vehicle.

(4) A daily log detailing the use of vehicles, as well as maintenance or service activities, shall be maintained.

(5) Cost differentials between leasing and purchase of vehicles shall be explored and the most feasible economic alternative selected. Documentation showing the options that were explored shall be maintained.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.102 (relating to fixed assets); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.105. Depreciation allowances.

The Department will participate in a usage payment for fixed assets which were not expensed to the Department or paid for with Departmental funds. To claim a depreciation allowance, the following conditions shall be met:

(1) The straight-line method of depreciation shall be used. The amount of annual depreciation shall be determined by first reducing the cost of the asset by a salvage value and then dividing by the number of years of useful life of the asset. The useful life may be shorter than the physical life depending upon the usefulness of the particular asset to the provider. A useful life may not be less than the relevant useful life published by the Internal Revenue Service or the Uniform Chart of Accounts and Definitions for Hospitals published by the American Hospital Association for the particular asset on which the depreciation is claimed. Once the agency selects using the information published by the Internal Revenue Service or the Uniform Chart of Accounts and Definitions for Hospitals, it shall be consistently applied for assets.

(2) For the year of acquisition and the year of disposal, the number of months of depreciation may not exceed the number of months that the asset was in service.

(3) The method and procedure, including the assigned useful lives, for computing depreciation shall be applied from year-to-year on a consistent basis and may not be changed, even if the agency is purchased as an ongoing operation.

(4) Assets shall be recorded at cost. Donated assets shall be recorded at the current appraisal value. If an asset is acquired by a trade-in, the cost of the new asset is the sum of the book value of the old asset and cash or issuance of debt as consideration paid.

(5) Agencies that previously did not maintain fixed asset records and did not record depreciation in prior years may be reimbursed for straight-line depreciation of the remaining useful life of the asset. The depreciation shall be based on the cost of the asset at the time of original purchase. No depreciation may be taken on an asset that would have been fully depreciated if it had been properly recorded at the time of acquisition.

(6) Gains on the sale of assets are considered to be equal to the salvage value which shall be established prior to the sale of the item. Gains on the sale of assets shall offset the agency's total depreciation expense for the last 12 months prior to the date the asset was sold or retired from service. Losses incurred on the sale or disposal of assets may be reimbursed.

(7) The cost basis for depreciable assets is determined as follows:

(i) The cost basis for assets acquired as used shall be computed as follows:

(A) The lower of the purchase price or the fair market value shall be established at the time of sale based on the lowest of two or more bona fide appraisals at the time of sale.

(B) Depreciation that was taken or could have been taken by prior owners shall be subtracted.

(ii) The cost basis for assets of an agency transferred between related parties shall be the net book value of the seller at the date of transfer.

(iii) The cost basis for assets of an agency acquired through stock purchase will remain unchanged from the cost basis of the previous owner.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.102 (relating to fixed asset); 55 Pa. Code § 4300.106 (relating to title to fixed assets); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.106. Title to fixed assets.

(a) Title to fixed assets which are depreciated under § 4300.105 (relating to depreciation allowances) shall remain with the contracted agency.

(b) Title to fixed assets which are expensed or loans amortized using county mental health and mental retardation funds shall remain with the county/joinder or the provider.

(c) If title remains with the county/joinder, contracted agencies may not sell, leave, donate or dispose of county fixed assets without written permission from the appropriate county authority. Upon termination or cancellation of the contract and within a fixed period determined in that contract, the county shall at its discretion:

(1) Retain possession for county use or permit the use of fixed assets by another provider of services.

(2) Dispose of fixed assets purchased with mental health and mental retardation funds upon obtaining an independent appraisal of the fixed assets.

(3) Allow the contracted agency to purchase the fixed assets upon obtaining an independent appraisal of the fixed assets.

(d) If title remains with the provider under subsection (b), the fixed asset shall be made available by the provider for use in the county program for its useful life. If the provider holds title to the asset, the provider may pledge the asset as collateral for loans necessary to the agency.

(e) Income received when disposing of fixed assets, or received by the county in refunds from agencies, shall be used to reduce gross eligible expenditures in determining the amount eligible for Departmental participation.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.102 (relating to fixed assets); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.107. Ownership responsibilities.

In accordance with sound business practice, the person in possession of fixed assets shall do all of the following:

(1) Maintain a fixed assets ledger or equivalent document. A method for separately identifying the ownership of assets shall be maintained.

(2) Maintain and administer a program for the maintenance, protection, repair, preservation and insurance of fixed assets to assure their full availability and usefulness.

(3) Utilize reimbursement for loss, destruction or damage of fixed assets by using the proceeds to repair, renovate or replace the fixed assets involved; and crediting the proceeds as an income source to be applied against the cost of services rendered or forwarding the proceeds to the funding source.

(4) Perform an annual physical inventory at the end of the funding period/fiscal year by sighting and verifying the inventory listings. Discrepancies shall be documented and kept on file with the invoices, inventory reports and other papers which are subject to audits.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.102 (relating to fixed assets); 55 Pa. Code

§ 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.108. Retained revenue.

(a) The Department will participate in an allowance for service providers to retain revenues, accruing at the close of the contract period, in excess of eligible expenses realized under the contract.

(b) The Department's participation will be limited to an amount not to exceed 3.0% of the total gross revenues applicable to the contract.

(c) The Department will participate in an allowance for retained revenue only when the county explicitly approves retained revenue by including specific provisions in the contract. Retained revenue may be included in the contract budget, be allowed as an incentive for agencies to operate efficiently and pursue third-party revenues or allowed in combination as a budget item and efficiency incentive.

(d) The contract shall identify the accounting unit or entity for computing revenues in excess of eligible expenditures. It may be an organizational unit, service or activity. It shall include only those expenditures and revenues associated with providing services under the contract and to which the retained revenue allowance applies. The objective is to match revenues and expenses with the accounting entity and the provision of services.

Cross References

This section cited in 55 Pa. Code § 4300.81 (relating to applicability); 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); 55 Pa. Code § 4300.116 (relating to county negotiated fees); and 55 Pa. Code § 4300.139 (relating to contracting requirements).

UNIT OF SERVICE FUNDING

§ 4300.111. Applicability.

Requirements for unit of service funding, in addition to the allowable cost standards included in § § 4300.82—4300.108, are specified in § § 4300.112—4300.118.

§ 4300.112. Department participation.

The Department will participate in the cost of purchasing services on a fee per unit of service basis.

Cross References

This section cited in 55 Pa. Code § 4300.111 (relating to applicability).

§ 4300.113. Responsibility of the county.

The county authorities shall be responsible for determining the best possible fee for the purchase of services. The availability of alternative methods for purchasing services may not be construed as mandating the payment of a fee which is higher than necessary and reasonable for the service. The county/joinder shall be responsible for the effective execution of each purchase of service agreement.

Cross References

This section cited in 55 Pa. Code § 4300.111 (relating to applicability).

§ 4300.114. Agency schedule of charges.

(a) The Department will not participate in a county negotiated fee or a Department established fee which exceeds an agency schedule of charges.

(b) Where the county/joinder or a combination of Commonwealth counties/joinders are not funding the majority of the provider's clientele receiving the service and the Department has not established a fee for the service, the Department will participate in the fee charged the general public as evidenced by a schedule of charges officially adopted by the agency. The county/joinder and provider are not required to negotiate or determine unit costs based on the allowable cost standards in § § 4300.82—4300.108.

(c) The Department will participate in the cost of reimbursement to unit of service providers under this section subject to § § 4300.117 and 4300.158(b) (relating to computation of reimbursement; and revenue).

Cross References

This section cited in 55 Pa. Code § 4300.111 (relating to applicability).

§ 4300.115. Department established fees.

(a) Rates or fees per unit of service may be published as a Departmental bulletin by the Department for selected services. These published fees are considered to be a reasonable cost for the services covered by the fee schedules. They represent the maximum amount in which the Department will participate for the identified services. When payment is based on established fees, the county/joinder and provider are not required to negotiate or determine unit costs based on the allowable cost standards in § § 4300.82—4300.108.

(b) The Medical Assistance program fee schedule and Chapter 1150 (relating to Medical Assistance program payment policies), identify psychiatric services and fees reimbursed by the medical assistance program. This fee schedule shall establish the maximum level of reimbursement by the Department to county programs for the following services: Outpatient psychiatric clinic services, psychiatric outpatient partial hospitalization services and hospital visits by a psychiatrist.

(c) The maximum level of reimbursement by the Department to county programs for short-term psychiatric inpatient services is the audited Blue Cross rate for the facility. Counties/joinders may negotiate lower rates based on the actual cost of providing psychiatric inpatient services. If there is no Blue Cross rate for a facility, the maximum rate of reimbursement shall be the medical assistance interim payment rate.

(d) The Department will participate in the cost of reimbursement to unit of service providers under this section subject to § § 4300.117 and 4300.158(b) (relating to computation of reimbursement; and revenue).

Source

The provisions of this § 4300.115 amended September 30, 1988, effective October 1, 1988, 18 Pa.B. 4418. Immediately preceding text appears at serial page (114674).

Cross References

This section cited in 55 Pa. Code § 4300.111 (relating to applicability).

§ 4300.116. County negotiated fees.

(a) The allowable cost standards in § § 4300.82—4300.108 shall be used by counties/joinders for negotiating rates for unit of service contracts. The

Department will not participate in the portion of a rate which contains disallowed costs or exceeds maximum levels of reimbursement established by the Department in this title. If regulations exist for a particular service, they shall be incorporated by reference in a contract negotiated by the appropriate county authority.

(b) In addition to other required contract provisions, contracts for negotiated fees shall comply with the following:

(1) The contract budget on which the rate is based and method used to compute the rate shall be included. The contract budget shall include, as a minimum, subtotals for major objects—personnel expenses, operating expenses and fixed assets.

(2) If the Department has established productivity standards for services—occupancy/use—the county program shall incorporate the standards into the rate determination.

(3) The contract shall be audited under § 4300.161 (relating to contracted agency audits) and shall include the following:

(i) Verification that the units of service billed were provided and were billed at the proper rate.

(ii) Establishment of actual unit costs.

(c) The Department will participate in the cost of reimbursement of unit of service providers under this section subject to § 4300.117 (relating to computation of reimbursement).

(d) Departmental participation in payments based on negotiated rates shall be adjusted for reported or audited actual costs, or both, and compliance with §§ 4300.82—4300.108 and 4300.158 (relating to revenue). The allowances provided under § 4300.87(c)(2)(iii) and (vii) (relating to occupancy) and § 4300.108 (relating to retained revenue) are considered costs under this subsection. Audits shall be conducted under § 4300.161.

(e) The county/joinder in which the facility is located shall be responsible to negotiate the rate for counties/joinders which are purchasing services from the facility.

Cross References

This section cited in 55 Pa. Code § 4300.111 (relating to applicability).

§ 4300.117. Computation of reimbursement.

(a) The Department will participate in the cost of reimbursement to unit of service providers when computed according to the following procedure.

(b) The potential reimbursement by the county is computed as follows:

(1) Multiply each unit of service provided during a given month to a client by one of the following:

(i) The county program rate of reimbursement for that service if the provider's client fee schedule rate—as defined in § 4305.3 (relating to definitions)—for that service is equal to or exceeds the county program rate of reimbursement.

(ii) The provider's client fee schedule rate for that service, if the provider's client fee schedule rate is less than the county program rate of reimbursement for the same service.

(2) Total the products found under paragraph (1). This sum is the potential reimbursement by the county.

(3) If the sum of the net charge to the liable person—as defined in § 4305.3—and the net charge to a third party—as defined in § 4305.3—is less than the potential reimbursement by the county, the Department will participate in reimbursing the provider for the difference between the potential reimbursement by the county and the sum of the net charge to the liable person and the net charge to a third party.

(4) If the sum of the net charge to the liable person and the net charge to a third party is greater than or equal to the potential reimbursement by the county, the Department will not participate in reimbursement to the provider.

(5) If collection has been pursued according to Chapter 4305 (relating to liability for community mental health and mental retardation services), the Department will participate in reimbursement to a provider of the uncollectable net charge to the liable person or the uncollectable net charge to a third party up to the potential reimbursement by the county.

Cross References

This section cited in 55 Pa. Code § 4300.111 (relating to applicability); 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.118. Special limitations on unit of service funding.

(a) Costs of partial hospitalization services provided under this title shall be limited to 240 3-hour sessions (720 total hours) in a consecutive 365-day period per patient. Six hours of partial hospitalization equals one day of partial hospitalization.

(b) A benefit period begins with the first day of inpatient hospital care and includes a maximum of 60 days of care in one consecutive stay or in a number of lesser stays that add up to 60 days. If the Department pays for part of a day, the day shall be counted as a full day in the benefit period. A patient's benefit period ends after 60 consecutive days on which he is not hospitalized, regardless of the number of days of hospitalization he has had. After one benefit period ends, a new benefit period begins with the first day of hospitalization and is subject to appropriate utilization review standards.

(c) The payment for hospital visits by a psychiatrist, when the fee is not included in the inpatient rate, shall be allowed.

(d) The Department will participate in the cost of drugs according to Chapter 4220 (relating to reimbursement for medications).

(e) Charges to clients of the county program shall be in accordance with Chapter 4305 (relating to liability for community mental health and mental retardation services). A facility may not seek reimbursement from a client of the county program above that provided for under this title.

(f) The Department of Labor and Industry, Office of Vocational Rehabilitation, establishes fees for selected vocational program services. The Department will financially participate in the costs of county programs purchasing these same services at the established fees.

Cross References

This section cited in 55 Pa. Code § 4300.111 (relating to applicability).

FISCAL MANAGEMENT OF THE COUNTY PROGRAM

§ 4300.131. Responsibility for general fiscal management.

The appropriate county authority is responsible for the general fiscal management of the county program. This includes maintaining fiscal records of expenditures and revenues of the program, providing data for

budgeting and expenditure reporting to the Department, monitoring the financial activities of the program and other activities related to fiscal operations of the program.

§ 4300.132. Accountability for expenditures of mental health and mental retardation funds for clients.

(a) The appropriate county authority is responsible for the accounting of funds expended through the county program, and the authorization of expenditures consistent with this chapter. Service provided without proper authorization or accountability, or both, may not be considered as reimbursable. Services purchased on a fee per unit of service basis shall have prior authorization of the administrator or designee.

(b) The county program and providers with whom the county contracts for services shall maintain books, records, documents and other evidence according to standard accounting procedures and practices, sufficient to reflect properly direct and indirect costs claimed to have been incurred and anticipated to be incurred for funds supported by the act and for which reimbursement is claimed. Records shall be kept for a minimum of 4 years after the close of the fiscal year.

(c) Time and attendance and payroll distribution records shall be maintained for each employe. Any method of keeping the records is acceptable as long as it is complete and accurate.

§ 4300.133. Financial reporting requirements.

(a) The Department will prescribe the format, instruction and time at which county programs shall submit to the Department annual plans, annual estimates of expenditures and revisions, and expenditures and income reports.

(b) The county program shall report their expenditures annually.

(c) The reporting period shall cover the time period July 1—June 30 of the following year.

(d) By September 15, local authorities shall submit to the Department an annual report of expenditures for the county program for the preceding fiscal year.

(e) The annual expenditure report shall be submitted on forms supplied by the Department.

Cross References

This section cited in 55 Pa. Code § 4300.83 (relating to compensation).

§ 4300.134. Apportionment of administrator's office costs.

The costs of the administrator's office as defined in this chapter are funded from both mental health and mental retardation allocations. Two alternatives are available for apportioning these costs. The costs of the administrator's office may be apportioned according to the actual cost incurred for the administration of each program or as a proportion of program costs. Documentation supporting the apportionment of these costs shall be retained by the county program.

§ 4300.135. Actual costs.

The intention of this method is to determine and assign the actual costs related to the provision of mental health or mental retardation services. Once a county program has developed and implemented a methodology for apportionment based on actual costs, it may not assign costs according to a proportion of program costs methodology. Costs shall be assigned as follows:

- (1) Costs which can be readily identified as mental health or mental retardation shall be appropriately assigned.
- (2) Time records or a random time study shall be used to apportion individual staff salaries, benefits and operating and fixed asset expenses related to staff. Time which cannot be assigned, not to exceed 25% of available time, can be ignored in developing an apportionment ratio.
- (3) Other costs shall be apportioned based on the overall ratio resulting from the assignment of costs in paragraphs (1) and (2).

§ 4300.136. Proportion of program costs.

The Department's grants to county programs include base allocations, categorical allocations and allocations of Federal funds. The ratios of the mental health and mental retardation allocations to the total allocation received from the Department shall be used to assign the costs of the administrator's office when using this method.

§ 4300.137. County joinder contracts.

When a mental health and mental retardation program is administered by two or more counties, the local authorities acting in concert shall enter into a contract to establish the policies of that program.

(1) The contract shall provide for proportionate costs of the program to be borne by each participating county.

(2) A separate bank account shall be established into which funds received from the Department and from the participating counties for the purposes of the program shall be paid and out of which payments for the program shall be made.

(3) The contract shall designate the person authorized to sign checks, indicate services and facility operation to be administered jointly and address other matters necessary or proper for the accomplishment of program objectives.

(4) The contract shall include a description of policies agreed to by the counties as prevailing county practice for the mental health and mental retardation program. These include the policies of leave, travel, recruitment and consultant fees.

(5) Contracts shall be reviewed at least once every 10 years.

§ 4300.138. Purchase of service contracts.

(a) The county shall maintain a written contract with each provider (fee-for-service and program-funded) to which clients are regularly referred or with which the county/joinder has a continuing relationship. The contract may not be for more than 1 year.

(b) The contract shall provide for conformity with the act and the regulations or procedures promulgated thereunder. The contract shall specify the types of service provided by the agency as part of the county program.

(c) The rate of reimbursement for service shall be cited in fee-for-service facilities.

§ 4300.139. Contracting requirements.

(a) Purchased services shall be by contract bearing the signature of the appropriate county authority and the authorized representative of the provider. Purchased service contracts shall, at a minimum, include the following components:

(1) Contracting parties and addresses.

(2) Effective date and term of the contract.

- (3) Contracted amount or unit price and payment schedule.
- (4) Provisions for cash advances.
- (5) Provisions for contract modification and amendments.
- (6) Termination clause.
- (7) Provisions for the reimbursement of the county/joinder by the provider for overpayments resulting from any reason, including but not limited to errors, contract limitations, actual or audited cost adjustments or noncompliance with applicable policies and procedures.
- (8) Prohibition against assignment of the contract without permission of the county.
- (9) Work statement, including the service provider's location and hours of operation.
- (10) Provisions for budget modification or amendment.
- (11) Provision for the procurement of fixed assets.
- (12) Property title rights for fixed assets purchased or materials, plans or procedures developed through the agreement.
- (13) Procurement of real estate, fixed asset and liability insurance.
- (14) Client liability, fee collection and abatement responsibilities.
- (15) Required reports for the county and the Department.
- (16) Maintenance and retention of required reports, documents and accounting books.
- (17) Audit rights on the records and inspection rights of performance by the county and the Department.
- (18) Copyright and publication rights of the funding source.
- (19) Client confidentiality and rights of privacy.
- (20) Restrictions on human experimentation.
- (21) Definition of the units of service to be provided.

(22) A budget and fiscal statement of how the fees or costs were determined, including the identification of the revenues and accounting unit or entity for the purpose of § 4300.108 (relating to retained revenue).

(23) A provision that the parties to the contract will not discriminate against an employee, client or other person on account of race, color, sex, religious creed, National origin, age or handicap.

(24) A listing of board members.

(b) Contract negotiations shall be based upon full disclosure by the service provider of information and data concerning budgets, position classification and salary schedules, rates of occupancy or utilization, percent of staff time in direct service, surpluses and deficits from prior years or previous contract periods, audited financial statements and unit cost information and other information that is reasonably available and related to financial reimbursement.

(c) A signed contract becomes the authorization for the expenditure of funds for services identified by the agreement. County mental health and mental retardation funds cannot be expended for provider expenses until a contract exists. For licensed inpatient and authorized partial hospital providers, an authorization for service form may be used, in lieu of a contract, to purchase services.

(d) Counties shall establish a procedure to provide contract agencies with an opportunity to be heard by the county mental health and mental retardation board, or a committee thereof, regarding contract disputes arising under this chapter. The purpose shall be for the board to hear the issues and arguments involved in the dispute and develop recommendations to the appropriate county authority.

(e) A county/joinder may purchase services from a facility within the jurisdiction of another county program. The services shall be purchased by written contract with the provider. If the provider is a program-funded facility, the payments received for the services shall be reported as income and subtracted from the gross expenses billed to the county/joinder of which it is part.

(f) Contracts with out-of-State providers shall have the prior approval of the appropriate program deputy.

(g) Contracts between county programs and providers of vocational rehabilitation or habilitation services may exclude costs and revenues of production-related activities. The contracts shall clearly identify the program component or service being purchased by the county program

and establish the separate accounting entities for the purpose of determining reimbursement. If there is a proper accounting and matching of revenues and expenses for an entity, revenues from production activities not reimbursed by the county program need not be applied to reduce eligible rehabilitation or habilitation costs. Shared costs shall be allocated according to a methodology which results in a fair and equitable distribution of costs to benefiting services. A complete file including the cost allocation plan and supporting documentation for shared costs shall be maintained.

Cross References

This section cited in 55 Pa. Code § 4300.145 (relating to bidding and procurement).

§ 4300.140. Conflict of interest.

The appropriate county authority may not make a contract or agreement with the following:

- (1) An elected or appointed county official.
- (2) A person, company or organization in which a member of the county staff has a financial interest.
- (3) A member of the county staff or their immediate family, except with the prior written approval of the regional office.

§ 4300.141. Nonprofit organizations.

(a) A voting member of the governing board of a nonprofit organization shall disclose in writing to the county a contract or agreement for compensation with the provider in which the voting member has a personal interest.

(b) If a voting member receives compensation from the provider, the compensation shall be excluded from allowable costs if both of the following apply:

- (1) The voting member votes on the payment of compensation to himself or fails to disclose his interest to other members of the governing board.
- (2) The organization fails to disclose the interest of the voting member.

(c) Compensation includes salaries, consultation fees or services provided by the program, but does not include care provided to a resident of the program.

(d) Travel and related expenses, such as the cost of attending educational seminars, are allowable for members of the governing board if the expense is related to the operation of the program and if the expense is documented in the provider's records.

§ 4300.142. Profit organizations.

(a) If a proprietor of an organization organized for profit performs services as a salaried employe of the organization, a reasonable allowance of compensation for these services is an allowable cost if both of the following apply:

- (1) The services are actually performed in a necessary function.
- (2) The person is qualified to perform these services.

(b) A reasonable allowance for compensation means that the compensation allowance is an amount that would ordinarily be paid.

(c) A necessary function means that if the owner had not rendered the services, another person would have to be employed to perform them. A necessary function also means that the function be pertinent to the operation and sound conduct of the organization.

(d) Compensation to voting members of an organization organized for profit is subject to the requirements for directors of nonprofit organizations in order for the cost to be included as an allowable expense.

§ 4300.143. Purchase of goods and services for profit and nonprofit organizations.

(a) Unless made under competitive bidding procedures, the purchase of goods and services from a person having an interest in the organization that operates the program is not allowable.

(b) For the purpose of subsection (a), an interest shall include:

(1) A managing employe, such as a general manager, business manager, administrator, director or other individual who exercises operational or managerial control over, or who directly or indirectly is in charge of, the day-to-day operation of the program.

(2) A partnership or corporation organized for profit in which the managing employe of the program is an officer, director or trustee or in which the manager or employe has an ownership interest equal to more than 10% of the partnership or corporation.

§ 4300.144. Costs to related parties.

(a) Costs of goods or services furnished to a program by a related organization are allowable at the lower of the allowable cost to the related organization or the market price of comparable goods or services available in the provider's Departmental region.

(b) Interest expense is not allowable if it is paid to a lender related through control, ownership or personal relationship to the borrowing organization. The Department will participate in the cost of an interest expense only with the prior written approval of the Secretary or a designee.

§ 4300.145. Bidding and procurement.

(a) The county/joinder shall obtain supplies and services at the lowest practicable cost and use a system of competitive bidding or written estimates as required by the applicable County Code (16 P. S. § § 1802, 5001 and 7377).

(b) Fixed assets for which the county/joinder will hold the title shall be obtained at the lowest practicable cost using a system of competitive bidding or written estimates as required by the applicable county code.

(c) Fixed assets for which the contracted agency will hold the title shall be obtained at the lowest practicable cost. Provisions for accomplishing this objective, such as competitive bidding, written estimates, sole source purchases and required justifications, shall be included in the contract under § 4300.139(a)(10) (relating to contracting requirements).

(d) Purchases made by the county through the Commonwealth shall be acceptable. The purchase of items through this mechanism is encouraged by the Department.

Cross References

This section cited in 55 Pa. Code § 4300.66 (relating to equipment and furnishings); 55 Pa. Code § 4300.67 (relating to motor vehicles); 55 Pa. Code § 4300.103 (relating to equipment and furnishings); and 55 Pa. Code § 4300.104 (relating to motor vehicles).

§ 4300.146. General accounting and reporting.

(a) Generally accepted accounting principles shall be followed by counties, county jointers and contracted agencies in reporting for the county program. Counties and county jointers shall adhere to the accepted concepts of governmental accounting and establish those funds, account groups or crosswalks necessary for proper reporting to the Department. If there are conflicts between applicable regulations and generally accepted accounting principles, counties, county jointers and contracted agencies shall comply with the regulations.

(b) The accrual basis of accounting requires the reporting of expenses, purchases and other bills in the period when incurred—regardless of when paid—and the reporting of revenues, fees and contributions in the period when earned—regardless of when received. The account structure and reporting to the Department for the county program, including contracted agencies, are based on accrual accounting with the following modifications:

(1) Revenue is recognized when received in cash, except those revenues that are susceptible to accrual. Revenue shall be measurable and available to pay current liabilities to be susceptible to accrual. Revenue is measurable if there is sufficient information to provide a reasonable estimate of the amount of revenue to be received. Available revenue means earned revenue collectible within the fiscal period or within 60 days thereafter to pay liabilities of the current period, except that contract agencies shall consider receivables from the county as revenues regardless of when collected.

(2) Expenditures for employe leave are recognized in the fiscal period in which they are actually paid.

(c) The expenditure reports shall be completed to reflect costs incurred in operations and service delivery. The amount includes those sums actually paid for incurred expenses, as well as those other accrued liabilities payable during the reporting period. The revenue accounts shall reflect total income earned, including the amount which is received, as well as that portion which is due as accounts receivable.

(d) Ledgers shall be maintained in sufficient detail for necessary fiscal management. Transactions entered in the records shall be identified to permit them to be traced back to their source.

§ 4300.147. Deficits.

(a) When a county program reports a deficit at the end of the year, the county shall be responsible for providing the necessary funds. The Department is not responsible for an incurred deficit on the part of the county program.

(b) Departmental funds allocated for a county program in the current fiscal year may not be used to pay for a deficit incurred during the prior year without the approval of the Secretary.

§ 4300.148. Uncollected revenue.

Income referred to as accounts receivable may be adjusted for uncollected revenues when a request for abatement or write-off has been approved under Chapter 4305 (relating to liability for community mental health and mental retardation services).

§ 4300.149. Encumbrances.

(a) Funds may not be encumbered out of a current fiscal year's allocation for purchases in the succeeding fiscal year. This applies to purchases and services supported in part or in whole by Department funds on the part of the county/joinder or its providers.

(b) If a contractual agreement is entered into which extends beyond the end of one funding period, the time portion of the agreement after the end of the funding period shall be treated as a charge against the next funding period.

§ 4300.150. Advancements.

(a) It is the Department's intent that its advances to counties/joinders be used to meet the specific cash flow requirements of program funded and unit of service funded providers. Advanced money may not be considered an expenditure of the county program and subsequent payments to the provider shall be adjusted to reflect the previous advance.

(b) Adjustments shall occur within 30-calendar days of the end of the fiscal year for which the advance was given. Funds unexpended at the end of the year are considered unexpended allocation.

§ 4300.151. Unexpended allocation.

Money not expended at the end of the fiscal year shall be considered unexpended funds available for consideration by the Department in the computation of the allocation for the next fiscal year.

§ 4300.152. Invoicing.

(a) Invoices for expenses or services performed shall be submitted by a facility to the county authority for payment. The invoices shall be maintained for auditing and accountability purposes by the county authority.

(b) For program-funded services payment shall be based on invoices for the actual allowable costs of the services. Facilities shall report total costs and revenues to the county authority and shall be reimbursed on net expenditures. Allowable costs shall be determined within the context of Departmental regulations and policies.

(c) For facilities reimbursed on a unit of service basis, payment to the facility shall be based on invoices for the units of service provided according to the contractual rate.

§ 4300.153. Fiscal year.

The county program shall comply with the fiscal year utilized by the Department in its financial administration. The fiscal year begins on July 1 and continues through June 30 of the next year.

§ 4300.154. Base allocation.

This allocation represents the annual grant to defray the cost of operating the county program authorized by the act and approved by the Department. This allocation includes the funds to meet the Commonwealth's obligation for the provision of the services specified by the act and approved by the Department.

§ 4300.155. Categorical funding.

(a) Categorical funding is the identification of a certain dollar amount in a county mental health and mental retardation allocation to be used for a specific component of the county program. The funding may occur as the result of an authorization by the Secretary. The funds shall be considered restricted and available for the stated purpose only. This also applies to the base program allocation as a whole.

(b) Unexpended categorical funds may not be used to offset a deficit incurred in the base program or another categorical program unless approved by the Secretary.

(c) Unexpended categorical funds are carried over into the next fiscal year and considered by the Department in the computation of the allocation for the next fiscal year.

§ 4300.156. County matching funds.

(a) Funds which are restricted or obligated for the county program are income to that program and are used to reduce gross approved expenditures prior to the computation of the State-county shares.

(b) General county revenue, regardless of source, may be used to meet the 10% county match. Funds entering the general county treasury, which lose their separate identity which may be used at the discretion of the local authorities for appropriate county obligations, are considered general county revenue.

§ 4300.157. County coverage.

Expenditures above the level of Departmental participation and services funded without Department approval shall be the fiscal responsibility of the county authorities. The allowable expenditure requirements included in this chapter refer to maximum levels of reimbursement in which the Department will participate. The county may fund programs, services and facilities at a rate they elect. Expenditures above the approved levels shall be the responsibility of the county.

§ 4300.158. Revenue.

(a) Allocations from the Department are to defray part of the cost of county programs authorized by the act and approved by the Department. Income from the amounts paid for the same purpose from a public or private source directly to participating counties, facilities or individuals shall be deducted from approved expenditures to determine the amount eligible for Departmental participation.

(b) The Department will not participate in costs for a mentally disabled person until the person, who has been admitted or committed, or is receiving services or benefits under the act, has exhausted his eligibility and receipt of benefits under other private, public, local, Commonwealth or Federal programs.

(c) Unrestricted donations and gifts shall be considered as income to reduce gross eligible expenditures in arriving at expenditures eligible for Departmental participation. Since donations and gifts are a revenue of the county or contracted agency, they are available for use by the county or contracted agency to increase the level of eligible expenditures.

(d) Donations and gifts may be used for paying expenses which are eligible or ineligible for Departmental participation if given or restricted by the donor for that purpose. This includes income from fund raising activities which publicly identify the purpose for which contributions are solicited and their restricted use.

(e) Donations and gifts from fund-raising organizations may be used for paying expenses which are eligible or ineligible for Departmental participation if given or restricted by the fund-raising organization for that purpose. A fund-raising organization shall be separate from the contract agency in that it is not involved in the delivery of service and is not funded directly or indirectly by Department grants.

(f) Interest earned on Departmental funds shall be considered as other income to reduce total expenditures in arriving at eligible expenditures for Departmental participation. Since interest is considered a legitimate revenue of the county program, it is available for use by the program to increase the level of service provided. Interest may not be used to offset the county's 10% matching share, to fund nonmental health/mental retardation services, or to fund general county expenses not properly apportioned to the mental health/mental retardation program.

Cross References

This section cited in 55 Pa. Code § 4300.114 (relating to agency schedule of charges); 55 Pa. Code § 4300.115 (relating to Department established fees); and 55 Pa. Code § 4300.116 (relating to county negotiated fees).

§ 4300.159. Restricted receipt account.

The funds for the county mental health/mental retardation program shall be used for this specific purpose and accounted for separately from other monies. This may be accomplished by maintaining separate bank accounts or by fund accounting. Monies may be combined if the following exist:

- (1) Clear audit trails are established.
- (2) Earnings for each account are individually computed, credited and recorded.
- (3) Receipts, disbursements and transfers are processed through separate accounts.
- (4) The general principles of fund accounting are observed.

§ 4300.160. County and county joinder audits.

(a) The county or county joinder is subject to audit by Federal or Commonwealth agencies or their authorized representatives.

(b) The county or county joinder shall be audited by an independent auditor under the Single Audit Act of 1984 (31 U.S.C.A. § § 7501—7507), United States Office of Management and Budget (OMB) Circular No. A-128 and applicable Federal and Commonwealth regulations.

(c) The Department will accept an audit made in accordance with the Single Audit Act, OMB Circular No. A-128 and applicable Department audit supplements in lieu of another Federal or Commonwealth requirement to conduct an audit. The Department reserves the right for Federal and Commonwealth agencies or their authorized representatives to perform additional audits of a financial/compliance, economy/efficiency or program results nature, if deemed necessary.

(d) The requirements of this section do not exempt a county or county/joinder from maintaining records or from providing access to records to Federal or Commonwealth agencies or their authorized representatives, upon request.

(e) The county or county/joinder shall provide written notification to the Commonwealth as to its intent to perform a single audit or other audit as required by the Single Audit Act and OMB Circular No. A-128. The written notification shall include the specific auditor selection, audit starting date and a schedule of Federal and Commonwealth financial assistance to be audited. If a single audit or other audit will not be performed as required, written justification shall be provided to the Commonwealth. Written notification shall be transmitted to the Governor's Office of the Budget, Bureau of Audits, on a timely basis, immediately upon determination, but prior to the initiation of audit performance. A copy of the written notification shall also be transmitted to the county's or county/joinder's cognizant Federal agencies.

(f) Within 30 days after completion of the single audit—or another audit performed in compliance with the Single Audit Act and the OMB Circular No. A-128—copies of the single audit report (or other audit report) shall be distributed under the Single Audit Act, OMB Circular No. A-128, or other relevant Federal and Commonwealth policy and regulations. The Department will periodically publish detailed distribution instructions in a Department bulletin.

§ 4300.161. Contracted agency audits.

(a) The audits performed on contracted agencies shall contribute to the county audit. The county may require the agency to retain an independent certified/registered public accountant to perform the audit, contract for an independent certified/registered public accountant directly to perform the audit, perform the audit using qualified county auditors who meet the independence requirements and professional standards in the “Standards for Audit of Governmental Organizations, Programs, Activities and Functions” promulgated by the Comptroller General of the United States, General Accounting Office. Under generally accepted auditing standards, contracted agency audits will be evaluated for the rendering of an opinion on total county funding.

(b) The purpose of the provider audit is to ensure that reimbursement is based on the reasonable costs of contracted services, to provide verified financial information for making a final determination of allowable costs, and to develop other information as counties/joinders may need to fulfill their responsibilities. It shall include an examination of financial transactions, accounts and reports, an evaluation of the adequacy of accounting and administrative controls and an evaluation of compliance with provisions of the contract, including applicable statutes and regulations. It shall be of sufficient depth and detail for the auditor to render an opinion that invoicing is based upon the terms and conditions negotiated by the county/joinder and provider in developing the contract budget or unit costs, or both.

(c) This chapter may not be construed to limit the authority of the Department, the Department’s Comptroller’s Office, the Auditor General, Federal auditors or other authorized agencies to perform audits of contracted agencies. The county or its agents shall have access to and the right to examine records of contracted agencies involving transactions related to mental health and mental retardation funding.

Cross References

This section cited in 55 Pa. Code § 4300.116 (relating to county negotiated fees).

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