

**STATE OF WEST VIRGINIA  
SPECIAL REPORT**

**OF**

**PROBLEM GAMBLERS HELP NETWORK  
AS OPERATED BY  
FIRST CHOICE HEALTH SYSTEM, INC**

**FOR THE PERIOD**

**JULY 1, 2004- JUNE 30, 2007**



**OFFICE OF THE LEGISLATIVE AUDITOR**

**CAPITOL BUILDING**

**CHARLESTON, WEST VIRGINIA 25305-0610**

**STATE OF WEST VIRGINIA**  
**SPECIAL REPORT**  
**OF THE**  
**PROBLEM GAMBLERS HELP NETWORK**  
**AS OPERATED BY**  
**FIRST CHOICE HEALTH SYSTEMS, INC.**  
**FOR THE PERIOD**  
**JULY 1, 2004 - JUNE 30, 2007**

**WEST VIRGINIA LEGISLATURE**  
**Joint Committee on Government and Finance**

Stacy Sneed, CPA, Acting Director  
Legislative Post Audit Division  
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Charleston, WV 25305-0610



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To the Joint Committee on Government and Finance:

The objectives of this special report were to obtain an understanding of the scope of services to be provided by First Choice Health Systems, Inc. to operate the Problem Gamblers Help Network under the Grant Agreements with the Department of Health and Human Resources (DHHR) and to review expense transactions for which reimbursement was received by First Choice to ensure compliance with the terms and conditions of such Grant Agreements. Our report of the Problem Gamblers Help Network as operated by First Choice Health Systems, Inc. covered the period July 1, 2004 through June 30, 2007.

To achieve the above objectives, we performed the following:

- a. Obtained an understanding of First Choice's responsibilities under the Grant Agreements in operating the Problem Gamblers Help Network;
- b. Obtained a listing of expense transactions for which First Choice received reimbursement from DHHR during the examination period; and,
- c. Reviewed a sample of expense transactions to determine whether each transaction was properly reimbursed in accordance with the terms and conditions of the appropriate Grant Agreement.

The results of our work are contained in the General Remarks section of this Special Report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Stacy L. Sneed".

Stacy L. Sneed, CPA, Acting Director  
Legislative Post Audit Division

July 27, 2007

Auditors: Ethelbert Scott, Jr., CPA, Audit Manager  
Neil M. McEachron, Jr., CPA  
Gregory M. Rogers

**FIRST CHOICE HEALTH SYSTEMS, INC.**

**PROBLEM GAMBLERS HELP NETWORK**

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**FIRST CHOICE HEALTH SYSTEMS, INC.**  
**PROBLEM GAMBLERS HELP NETWORK**  
**EXIT CONFERENCE**

We held an exit conference on August 30, 2007 with the Chief Executive Officer and other representatives of First Choice Health Systems, Inc. and all findings and recommendations were reviewed and discussed. The responses of First Choice Health Systems, Inc. are included in bold and italics in the Executive Summary and after our findings in the General Remarks section of this report.

**FIRST CHOICE HEALTH SYSTEMS, INC.**

**PROBLEM GAMBLERS HELP NETWORK**

**INTRODUCTION**

**Background**

With the passage of House Bill 3029 during the 1999 Legislative Session, the Legislature created the “Compulsive Gambling Treatment Fund” to provide funds for compulsive gambling treatment programs in the State. This statute requires this fund is to be funded by transfers of lottery proceeds from the Lottery Commission’s Administrative Expense Account. The total amount of these transfers are not to exceed \$1,500,000.

Effective March 1, 2000, the Lottery Commission entered into a contract through the Division of Purchasing with First Choice Health Systems, Inc. (First Choice) to operate the Problem Gamblers Help Network of West Virginia. The Lottery Commission maintained this contractual relationship with First Choice from March 1, 2000 through February 28, 2003. Once this contract expired, the Lottery Commission entered into an Interagency Agreement with the Department of Health and Human Resources (DHHR) to award the operation of the Problem Gamblers Help Network through a grant which would be administered by DHHR and funded through transfers from the Compulsive Gambling Treatment Fund. First Choice was the recipient of this grant award and, thus, continued to operate the Problem Gamblers Help Network through June 30, 2007 via a grant awarded each fiscal year.

At the end of the 2007 fiscal year, the Lottery Commission opted not to renew its Interagency Agreement with DHHR and, instead decided to place the operation of the Problem Gamblers Help Network up for competitive bid through the Division of Purchasing. Once the

competitive bidding had been completed, First Choice was awarded the contract as the winning bid. Thus, Starting July 1, 2007, First Choice entered into a contract with the Lottery Commission under which First Choice would continue to operate the Problem Gamblers Help Network.

### **Problem Gamblers Help Network**

The Problem Gamblers Help Network of West Virginia (PGHNWV) provides general services in the area of outreach, assessment and referral, and treatment.

**Outreach.** In order to implement a statewide public education and outreach effort in which problem gamblers and/or their family members can self-identify and access services, the PGHNWV conducts a variety of education, outreach and advertising strategies that include paid television, radio and newspaper ads, as well as outdoor ads on panels and billboards. The PGHNWV also strives to maintain an ad in every “Yellow Page” section of state telephone directories and to provide brochures to each of the four state racetrack/gaming centers. The help network’s literature, posters and materials are made available at dozens of health fairs, conference exhibits and workshops each year. On a regular basis, the help network offers workshops on problem gambling to professional groups, public audiences, civic clubs and more. The PGHNWV also tries to secure free publicity and have earned hundreds of radio, television, and newspaper interviews. The help network also maintains a website ([www.1800gambler.net](http://www.1800gambler.net)) which problem gamblers and/or their family members can access to obtain additional information about the PGHNWV.

**Assessment and Referral.** The PGHNWV provides a 24 hour, seven days a week, toll free number (1-800-GAMBLER) staffed by trained, credentialed clinical professionals. When a caller accesses the help-line, he or she is asked to complete a preliminary clinical assessment and offered initial therapeutic treatment intervention by telephone. The professional help-line

clinicians also complete intakes from calls dialed from a (304) area code to the National Council on Problem Gambling whose help-line telephone number is 1-800-522-4700. The help-line's clinical staff provides all callers with crisis intervention, education, support, referrals to community services, and referral to a specially trained gambling addiction counselor in their community for a free two-hour face-to-face consultation.

**Treatment.** The PGHNWV currently has more than 80 clinicians statewide who are trained to help problem gamblers and their family members. This network of clinicians includes counselors, social workers, and psychologists. All are required to complete a minimum of 35 hours of gambling specific training. Training sessions are typically conducted at least once a year, and the program focuses on recruiting clinicians from areas where there is a need for more counseling services. The training is free to clinicians and continuing education units are provided.

Once a clinician becomes part of the program's network, the education process continues by providing on-going clinical supervision and advanced training sessions. The goal is to make sure that clinicians have the very latest knowledge and techniques to help problem gamblers and their families. Many of the clinicians who have entered this highly specialized field have garnered enough experience to pursue the status of Nationally Certified Gambling Counselor.

These counselors are trained in specific intervention techniques to produce positive outcomes for problem gamblers and their families. The PGHNWV will pay for up to 20 outpatient counseling sessions (10 for family members) for those who do not have insurance. The help network remains involved in the treatment process even after the initial referral by providing clinical consultation and feedback for clinicians and by providing follow-up services and support for gamblers and their family members who call the help line.

**FIRST CHOICE HEALTH SYSTEMS, INC.**  
**PROBLEM GAMBLERS HELP NETWORK**  
**ADMINISTRATIVE OFFICERS AND STAFF**  
**AS OF JUNE 30, 2007**

Scott Boileau ..... Chief Executive Officer  
Mia Moran-Cooper ..... Program Director/Co-Director  
Sheila Moran ..... Co-Director  
Steve Burton ..... Help-Line Coordinator  
Cynthia Black ..... Clinical Coordinator  
Kathleen O'Neil ..... Clinical Coordinator  
Danielle Green ..... Clinical Coordinator  
Gloria Kirk ..... Administrative Assistant

**FIRST CHOICE HEALTH SYSTEMS, INC.**

**PROBLEM GAMBLERS HELP NETWORK**

**EXECUTIVE SUMMARY**

**1. Reimbursement of Disallowed Costs**

During the period July 1, 2004 through June 30, 2007, we noted First Choice was reimbursed a total of \$17,818.25 by DHHR for various program expenses which we believe should have been disallowed for reimbursement based on the terms and conditions of the Grant Agreement between First Choice and DHHR. These disallowed costs included reimbursements for travel expenses incurred by First Choice staff and various clinicians traveling to NCPG National Conferences, cleaning services, floral purchases, food purchases for First Choice staff, alcoholic beverages purchased by First Choice staff, and other miscellaneous expenses. Of the total amount reimbursed, we noted \$8,486.54 of these program expenses were not properly supported by the appropriate source documentation.

**Auditors' Recommendation**

We recommend First Choice comply with the provisions of Exhibit A of the Grant Agreement with DHHR. We further recommend First Choice comply with the provisions of Sections 5.04 and 6.01 of the Grant Agreement.

**First Choice's Response**

*First Choice has reviewed the findings and agrees that some of these costs, while they may be reimbursable under the grant, may appear to be unacceptable and others are clearly not reimbursable or allowable under guidelines set forth in the grant agreement. Therefore, First Choice agrees to reimburse the funding source for costs deemed disallowed in the amount of \$16,198.41. We will also reimburse the indirect costs that are associated with these charges. (See pages 9-17)*

**2. Submission of Monthly Billing Detail Reports for Reimbursement**

During the period July 1, 2004 through June 30, 2007, we noted First Choice over billed DHHR by a total of \$19,896.08 as the result of the Monthly Billing Detail Reports submitted to DHHR not being properly adjusted for voided check transactions, over billings submitted by network clinicians for patient treatment, and data entry errors on the part of First Choice personnel responsible for preparing the monthly billings. Additionally, we noted a negative adjustment of \$28,515.00 had been made to the Monthly Billing Detail Report submitted to DHHR for May 2005 which First Choice personnel could not provide us with any documentation detailing the specific transactions comprising this adjustment amount.

### **Auditors' Recommendation**

We recommend First Choice comply with the provisions of Exhibit D of the Grant Agreement with DHHR. We further recommend First Choice comply with the provisions of Sections 6.01 and 8.02 of the Grant Agreement.

### **First Choice's Response**

*First Choice is undertaking a thorough review of its financial records regarding the voided checks mentioned in this section. First Choice will provide documentation negating this finding within 60 days of the date of this response. (See pages 17-23)*

## **3. Undocumented Program Expenses**

During our review of program expenses for which First Choice received reimbursement from DHHR, we noted \$44,390.75 of program expenses which were not properly documented. By not verifying the proper source documentation was present before approving program expenses for payment, First Choice may not be able to substantiate financial transactions for which reimbursement has been received from DHHR. Transactions involving inadequate documentation may also result in the State being billed for disallowed expenses charged to the Grant Program.

### **Auditors' Recommendation**

We recommend First Choice comply with the provisions of Sections 6.01 and 8.02 of the Grant Agreement with DHHR.

### **First Choice's Response**

*As stated previously, First Choice is making a thorough review of its financial records and believes it will discover documentation to validate the program expenses mentioned within 60 days. (See pages 23-27)*

## **4. Credit Card Charges Not Properly Documented**

We reviewed ten monthly credit card billings received from BB&T totaling \$47,149.61 which First Choice submitted for reimbursement from DHHR during the review period. Our testing indicated that \$17,973.13 of the \$47,149.61 of credit card charges reimbursed were not supported by any documentation. This represents 38% of the total amount of credit card charges incurred for these ten months. By not retaining the appropriate source documentation to support expenses incurred, First Choice may not be able to substantiate financial transactions for which reimbursement has been received from DHHR.

### **Auditors' Recommendation**

We recommend First Choice comply with the provisions of Sections 6.01 and 8.02 of the Grant Agreement with DHHR.

### **First Choice's Response**

*In order to investigate more thoroughly the \$17,973.13 the auditors questioned as undocumented credit card charges, First Choice respectfully requests an itemized list of "undocumented charges". This will allow First Choice the ability to provide appropriate documentation to validate these credit card charges within 60 days. (See pages 28-31)*

## **5. Misclassification of Program Expenses**

During our review we noted program expenses totaling \$49,782.37 which were submitted for reimbursement to DHHR by First Choice had been misclassified under the wrong budgeted line item on the Monthly Billing Detail Report. By misclassifying program expenses on the Monthly Billing Detail Report to an inappropriate budgeted line item, First Choice may not be able to prepare reliable Target Funding Budgets for future fiscal years. Also, misclassification of program expenses on the Monthly Billing Detail Reports submitted to DHHR may result in the preparation of misleading financial statements.

### **Auditors' Recommendation**

We recommend First Choice comply with the provisions of Section 6.01 of the Grant Agreement with DHHR.

### **First Choice's Response**

*We are in the process of reclassifying the thirty-two (32) entires over the thirty-six (36) month period that have been questioned. (See pages 32-35)*

**FIRST CHOICE HEALTH SYSTEMS, INC.**  
**PROBLEM GAMBLERS HELP NETWORK**  
**GENERAL REMARKS**

**INTRODUCTION**

We have completed a review of the Problem Gamblers Help Network of West Virginia (PGHNWV) as operated by First Choice Health Systems, Inc. The review covered the period July 1, 2004 through June 30, 2007.

**COMPLIANCE MATTERS**

We have reviewed the Grant Agreements in effect between the Department of Health and Human Resources (DHHR) and First Choice Health Systems, Inc. during the period July 1, 2004 through June 30, 2007 as they pertain to the operation of the Problem Gamblers Help Network of West Virginia. Our findings are discussed below.

**Reimbursement of Disallowed Costs**

During the period July 1, 2004 through June 30, 2007, we noted First Choice was reimbursed \$16,198.41 by DHHR for various program expenses which we believe should have been disallowed for reimbursement based on the terms and conditions of the Grant Agreement between First Choice and DHHR. These disallowed costs are detailed in the following schedule.

<u>Vendor</u>	<u>Transaction Date or Time Period</u>	<u>Transaction Amount</u>	<u>Purpose of Transaction</u>
<b>NCPG National Conference - New Orleans, LA, June 2005</b> (See Note 1 on page 13)			
Deanie's Seafood New Orleans	6/24/05	359.97	Dinner for staff, consultants & clinicians
Royal Carriages Inc.	6/24/05	<u>68.00</u>	Horse carriage tour of New Orleans
Subtotal		1,160.40	
<b>NCPG National Conference - St. Paul, MN, June 2006</b> (See Note 2 on page 13)			
AAA Travel Agency	5/01/2006	26.50	Agent fee for clinician travel
<b>Other Travel Expenses</b> (See Note 3 on page 13)			
Delta Air	3/05/05	1,573.60	Air fare to New York City for daughters of problem gambler
<b>Cleaning Services</b> (See Note 4 on page 13)			
Vendor (Housekeeping)	7/01/05 - 6/30/07	5,000.00	Cleaning services
<b>Miscellaneous Expenses</b>			
Charleston Department Store	9/26/05	33.90	Baby gift from University Shoppe for Executive Director of NCPG
First Choice Employee	12/13/06	31.75	Christmas cards to send to clinicians
First Choice Employee	7/01/04 - 6/30/05	675.40	Employee reimbursement for cell phone charges (cell phone bills were billed in name of employee's spouse)
First Choice Employee	10/11/06	18.92	Employee mileage reimbursement to attend cookout at home of DHHR Division Director
Mother's Intuition Massage	7/19/06	1,000.00	Provided onsite seated massage as part of recovery activities offered to problem gamblers & their families at weekend retreat sponsored by First Choice
Rea of Hope Fellowship Home	8/25/06	50.00	Donation (bereavement)
Sandy Sowell Entertainment	8/27/04	1,400.00	Entertainment provided for clinicians who attended training conference

<u>Vendor</u>	<u>Transaction Date or Time Period</u>	<u>Transaction Amount</u>	<u>Purpose of Transaction</u>
Three Quarts & A Pint	7/19/06	200.00	Musical entertainment (barbershop quartet) provided for problem gamblers & their families who attended a weekend retreat sponsored by First Choice
We Ship Baby Gifts, Texas	9/22/05	<u>78.57</u>	Baby gift for Executive Director of NCPG
Subtotal		3,488.54	
<b>Checks Made Payable to Cash</b>			
Cash	12/13/04	300.00	Christmas bonuses for staff
Cash	11/05/05	200.00	Security & clean-up fee paid to security personnel for training dinner held for clinicians by First Choice (Daniel Boone Room of office building where First Choice has its offices)
Cash	11/13/05	200.00	Security & clean-up fee paid to security personnel for anniversary dinner of program held by First Choice (Daniel Boone Room of office building where First Choice has its offices)
Cash	12/19/05	500.00	Christmas bonuses for staff
Cash	12/19/06	<u>400.00</u>	Christmas bonuses for staff
Subtotal		1,600.00	
<b>Floral Purchases (See Note 5 on page 14)</b>			
Charleston Cut Flowers	7/01/04 - 6/30/07	905.61	Floral purchases
MacCorkle Avenue Florist	9/30/05	49.82	Floral purchase
Minnich Florist in Weston	6/30/04	60.45	Floral purchase
Teleflora.com	4/25/07	68.94	Floral purchase
Village Floral S. Charleston	2/03/06	55.12	Floral purchase
Young Floral Co. In-FTD	7/01/04 - 6/30/07	<u>347.32</u>	Floral purchases
Subtotal		1,487.26	

<b>Food Purchases for Staff</b> (See Note 6 on page 14)			
<b><u>Vendor</u></b>	<b><u>Transaction Date or Time Period</u></b>	<b><u>Transaction Amount</u></b>	<b><u>Purpose of Transaction</u></b>
Bear's Den	5/24/05	34.70	Moving to new office space
Bear's Den	7/13/05	27.90	Staff lunch
<b><u>Vendor</u></b>	<b><u>Transaction Date or Time Period</u></b>	<b><u>Transaction Amount</u></b>	<b><u>Purpose of Transaction</u></b>
First Choice Employee	11/14/05	73.70	Employee reimbursement for providing lunch from Bear's Den for staff meeting
Bear's Den	7/24/06	40.40	Staff lunch
Bear's Den	7/25/06	17.85	Staff lunch
Bear's Den	7/27/06	27.55	Staff lunch
Bear's Den	7/28/06	30.30	Staff lunch
Bear's Den	8/01/06	37.65	Staff lunch
Bear's Den	8/02/06	37.90	Staff lunch
Bear's Den	10/12/06	68.25	Staff lunch
Dutchess Bakery	8/01/06	15.96	6 <sup>th</sup> anniversary of help network
Dutchess Bakery	9/30/06	26.04	Staff lunch
Grazianos Pizza	7/31/04	89.92	Staff lunch
Grazianos Pizza	5/24/05	127.44	Staff lunch & moving to new office space
Grazianos Pizza	7/21/06	67.89	Staff lunch
Grazianos Pizza	7/31/06	34.47	Staff lunch
Grazianos Pizza	8/04/06	30.28	Staff lunch
Heavenly Ham	11/09/04	54.86	Staff lunch
Heavenly Ham	7/26/06	47.17	Staff lunch
Kroger	5/24/05	16.06	Moving to new office space
Papa Johns	8/09/06	53.45	Staff lunch
Sohos Capitol Market	12/05/05	<u>123.79</u>	Staff lunch
Subtotal		1,083.53	

<b>Gift Cards/Presenter Gifts (See Note 7 on page 14)</b>			
<b><u>Vendor</u></b>	<b><u>Transaction Date or Time Period</u></b>	<b><u>Transaction Amount</u></b>	<b><u>Purpose of Transaction</u></b>
Applebee's	12/01/05	30.00	Gift card for clinician
Bistro Gourmet	4/27/05	25.00	Gift card for clinician
Books-A-Million	12/01/05	31.86	Gift card for clinician
Coffee Bean	12/02/05	242.74	Presenter gifts
Dicks Sporting Goods	12/01/05	31.26	Gift card for clinician
<b><u>Vendor</u></b>	<b><u>Transaction Date or Time Period</u></b>	<b><u>Transaction Amount</u></b>	<b><u>Purpose of Transaction</u></b>
Gabriel Brothers	11/29/05	30.00	Gift card for clinician
J C Penney Co.	10/27/05	17.47	Gift bag/miscellaneous
J C Penney Co.	10/27/05	50.00	Gift card for clinician
Kohl's	12/01/05	30.00	Gift card for clinician
Kroger	12/01/05	30.00	Gift card for clinician
Target	12/01/05	30.00	Gift card for clinician
TGI Fridays	12/01/05	30.00	Gift card for clinician
Walmart	10/25/04	160.00	Gift cards for clinicians
Walmart	11/28/05	<u>30.00</u>	Gift card for clinician
Subtotal		768.33	
<b>Alcoholic Beverages</b>			
Coyote Ugly NY-NY Hotel Las Vegas, NV	12/09/05	7.00	Purchase of domestic beer by First Choice staff member while attending training conference
Gratzi Restaurant	11/27/06	<u>3.25</u>	Purchase of beer by First Choice staff member during business dinner
Subtotal		10.25	
Grand Total		<b><u>\$16,198.41</u></b>	
Note 1 - These expenses related to the travel expenses incurred by First Choice staff, program consultants, and			
Note 2 - This expense represents the payment of an agent fee to AAA Travel Agency to arrange air fare for a			

clinician to travel to the National Council on Problem Gambling (NCPG) National Conference held in St. Paul, Minnesota in June 2006.

Note 3 - These travel expenses relate to air fare to New York City provided by First Choice for the daughters of a problem gambler. First Choice paid for the air fare of these two people so they could accompany their mother to New York City for the taping of their mother's interview for a national news program. The interview related to the mother's experience with problem gambling.

Note 4 - The cleaning services provided by this vendor were in addition to the cleaning services already being provided by First Choice's landlord as part of the rental agreement for their office space. The cleaning services typically provided by this vendor included cleaning office appliances (such as microwave and coffee pot), cleaning surfaces (such as table tops and windowsills), watering the plants, and other miscellaneous services.

Note 5 - According to First Choice personnel, these floral purchases were for special occasions (such as Secretary's Day) or for bereavements.

Note 6 - These food purchases were made to benefit just First Choice staff for such occasions as working lunches, moving to new office space, or celebrating the 6<sup>th</sup> anniversary of the help network.

Note 7 - These gift cards and presenter gifts were usually presented to various clinicians and presenters during the training seminars conducted by First Choice for the network clinicians.

Of the \$16,198.41 reimbursed to First Choice, \$8,486.54 of these program expenses were not properly supported by the appropriate source documentation.

Exhibit A (Statement of Work) of the Grant Agreement between DHHR and First Choice Health Systems, Inc. states in part:

"This exhibit establishes the obligations, expectations and relationship between the Bureau and the Problem Gamblers Help Network of West Virginia (PGHNWV) operated by First Choice Health Systems.

The general services are:

**Outreach**  
**Assessment**  
**Treatment**  
**Referral**

### **GENERAL REQUIREMENTS**

1. The Problem Gamblers Help Network of West Virginia shall develop and implement a statewide program of outreach for self-identification of the problem gambler. This program of

outreach shall consist of a variety of pro-active activities developed to create public awareness about the symptoms, warning signs, and risk factors of problem gambling and the availability of resources for assistance...

2. The PGHNWV shall develop and implement a program for the assessment of individuals who self-identify as problem gamblers or their family member. The assessment shall include, but not be limited to, a toll-free telephone number answered 24/7 by appropriately licensed counselors with a minimum of thirty hours of education in problem gambling. They will provide a professional assessment and subsequent referral for services as necessary...
3. The PGHNWV shall develop a statewide network of providers of services which will accept referrals of individuals who self-identify as problem gamblers or their family members. The network shall include licensed behavior health providers (corporations or individuals), self-help groups, and support groups. The network of providers shall insure the referral of any individual to treatment, self-help, and supports within 30 miles of their residence and within a 72 hour period of the initial contact. Also PGHNWV will maintain and upgrade, as needed, a training system to ensure the availability of competent counselors statewide. PGHNWV will provide evidence of agreements with potential providers of services...
4. The Problem Gamblers Help Network of West Virginia will develop a fee-for-service system to reimburse for outpatient treatment services that conforms with best practices in treating problem gamblers. This system will include methodology for approving levels of care and subsequently authorizing outpatient units of service, as well as, monitoring provider treatment service plans and their various components. PGHNWV will manage available funding for treatment purposes and will provide reimbursement to the extent that funding allows....”

Also, Section 5.04 of the Grant Agreement between DHHR and First Choice Health Systems, Inc. states:

**“5.04 Unallowable Costs:**

The Grantee’s invoice shall be subject to reduction for amounts included in any invoice or prior payment made which are determined by the Department not to constitute allowable costs on the basis of audits, reviews, or monitoring of this Grant Agreement.”

Additionally, Section 6.01 of the Grant Agreement between DHHR and First Choice Health Systems, Inc. states:

**“6.01 Financial Management System:**

6.01(a) The Grantee will maintain an accounting system and a set of accounting records that, at a minimum, allows for the identification of the source of revenue and expenditures related to this Grant Agreement.

**6.01(b) All records will be supported by source documentation.**

6.01(c) The Grantee’s accounting records must be closed out at the end of the Grant Agreement period and must identify any excess revenue over expenditures.” **(Emphasis added)**

Responsibility for managing the day-to-day operations of the Problem Gamblers Help Network is a function of the Program Director’s job duties. Thus, approval of the aforementioned program expenses for submission to DHHR for reimbursement would have been the responsibility of the Program Director. Regarding the portion of these program expenses which were undocumented, we believe the reason these program expenses were not supported by the appropriate source documentation (such as a vendor invoice or credit card receipt) was the result of

an insufficient supervisory review by both the Program Director and CEO before these expenses were submitted for reimbursement.

As a result of First Choice being reimbursed by DHHR for these disallowed costs, First Choice was over reimbursed by \$16,198.41. Additionally, we noted that when First Choice invoiced DHHR each month during the review period for reimbursement of expenses incurred that First Choice would include as part of the total amount invoiced an amount for indirect costs. The amount of indirect costs that would be added to the total invoice amount was calculated by multiplying the total amount of incurred expenses being submitted for reimbursement for the month by 10%. Based on this indirect cost rate, we determined an additional amount of \$1,619.84 was over reimbursed to First Choice, bringing the total amount over reimbursed to First Choice to \$17,818.25.

We recommend First Choice comply with the provisions of Exhibit A of the Grant Agreement with DHHR. We further recommend First Choice comply with the provisions of Sections 5.04 and 6.01 of the Grant Agreement.

#### **First Choice's Response**

*First Choice has reviewed the findings and agrees that some of these costs, while they may be reimbursable under the grant, may appear to be unacceptable and others are clearly not reimbursable or allowable under guidelines set forth in the grant agreement. Therefore, First Choice agrees to reimburse the funding source for costs deemed disallowed in the amount of \$16,198.41. We will also reimburse the indirect costs that are associated with these charges.*

#### **Submission of Monthly Billing Detail Reports for Reimbursement**

During the period July 1, 2004 through June 30, 2007, we noted First Choice over billed DHHR by a net amount of \$17,742.21 as the result of voided check transactions not being properly

adjusted on the Monthly Billing Detail Reports subsequently submitted to DHHR. These over billings are detailed in the following schedule.

<u>Transaction Date</u>	<u>Vendor</u>	<u>Amount Over Billed/(Under Billed)</u>	<u>Explanation of Over Billing</u>
07/30/2004	Marketron TV Sales	\$3,005.00	This check transaction was neither reissued nor was it deducted from a subsequent Monthly Billing Detail Report to reflect that the check had been voided.
08/31/2004	Morgantown Printing & Binding	1,022.90	This check transaction was not reissued but was paid on a corporate credit card issued to a staff member. This credit card charge was billed for reimbursement on the Monthly Billing Detail Report for September 2004. However, the initial check transaction was not deducted from a subsequent Monthly Billing Detail Report to indicate the check had been voided. Thus, an over billing occurred as the result of a duplicate payment.
09/28/2004	Vendor (Consultant)	(270.00)	The initial check transaction was issued for \$2,119.97 before being voided. This check was reissued but for a different amount (\$2,389.97). The voided check transaction was neither deducted from a subsequent Monthly Billing Detail Report nor the check re-issuance added to a Monthly Billing Detail Report. This oversight resulted in DHHR being under billed by \$270.00.
03/31/2005	The Lamar Companies	7,500.00	This check transaction was neither reissued nor was it deducted from a subsequent Monthly Billing Detail Report to reflect that the check had been voided.
04/11/2005	WOAY-TV	4,600.00	This check transaction was neither reissued nor was it deducted from a subsequent Monthly Billing Detail Report to reflect that the check had been voided.
09/23/2005	Cash	800.00	This check transaction was neither reissued nor was it deducted from a subsequent Monthly Billing Detail Report to reflect that the check had been voided.
07/12/2006	Purchase Power	<u>1,084.31</u>	This check transaction was neither reissued nor was it deducted from a subsequent Monthly Billing Detail Report to reflect that the check had been voided.
	Total	<u>\$17,742.21</u>	

We also noted that during the 2007 fiscal year First Choice discovered that a network clinician had been billing both patients' insurance providers and First Choice for payment of the same patient treatment sessions. The total amount of inappropriate billings submitted to First

Choice by this network clinician for patient treatment services amounted to \$2,510.00. This clinician reimbursed First Choice for the amount of the over billings and was subsequently dropped from the network of clinicians utilized by First Choice for patient referrals. First Choice also requested this clinician to repay the portion of the exam fee (\$87.50) for the National Certification of Gambling Counselors paid by First Choice on the clinician's behalf. This amount was also repaid, bringing the total amount repaid by the clinician to First Choice to \$2,597.50. Once repaid, this total amount was deducted from a subsequent Monthly Billing Detail Report submitted to DHHR for reimbursement to adjust for the over reimbursement by DHHR for these program expenses. However, we noted First Choice had failed to reduce indirect costs on this same billing by \$259.75 to account for the over billing of indirect costs when First Choice had initially billed DHHR for reimbursement of these incurred expenses.

Additionally, we noted a negative adjustment of \$28,515.00 had been made to the Monthly Billing Detail Report submitted to DHHR for May 2005. This adjustment represents an excess amount of incurred expenses which had to be removed from the monthly billing since there were not enough grant funds remaining to cover all the expenses incurred for the month. However, First Choice personnel could not provide us with any documentation detailing the specific transactions comprising this adjustment amount. Without this documentation, we were unable to determine whether the individual expense transactions comprising this adjusted amount were submitted to DHHR for rebilling on a subsequent Monthly Billing Detail Report.

Finally, we noted two instances where First Choice over billed DHHR for reimbursement by a total of \$109.00 as the result of clerical errors. The first instance involved the over billing of DHHR by \$100.00 for reimbursement of a program expense for advertising due to a data entry

error. This over billing related to two vendor invoices totaling \$10,250.00 received from WCHS TV 8 for the running of TV ads on problem gambling. However, when entering these incurred expenses into First Choice's accounting system, the total amount of these expenses was erroneously entered by First Choice personnel as \$10,350.00 which resulted in an over billing of \$100.00. The second instance involved the submission by a First Choice employee of an Employee Reimbursement Request form requesting reimbursement for travel expenses which was mathematically inaccurate. Upon reviewing this reimbursement request for travel expenses, we noted that the employee was requesting reimbursement of \$67.72 for travel expenses incurred when the actual amount of travel expenses incurred only totaled \$58.72. Thus, this employee was over reimbursed by \$9.00 due to this clerical error. Including \$10.90 over billed for indirect costs relating to these two transactions, DHHR was over billed by a combined total of \$119.90 as the result of these clerical errors.

Exhibit D (Payment Methodology - Reimbursement of Costs) of the Grant Agreement between DHHR and First Choice Health Systems, Inc. states in part:

“After receipt of the fully executed Grant Agreement, the Grantee will submit invoices for reimbursement of actual costs incurred during the previous month. Each invoice must bear the original signature of the Grantee's agency head or person designated as responsible for the invoicing. Such invoices must be submitted as an original with one (1) copies and must conform to the Department's invoicing instructions....”

Also, Section 6.01 of the Grant Agreement between DHHR and First Choice Health Systems, Inc. states:

“6.01 **Financial Management System:**

6.01(a) The Grantee will maintain an accounting system and a set of accounting records that, at a minimum, allows for the

identification of the source of revenue and expenditures related to this Grant Agreement.

**6.01(b) All records will be supported by source documentation.**

6.01(c) The Grantee's accounting records must be closed out at the end of the Grant Agreement period and must identify any excess revenue over expenditures." **(Emphasis added)**

Additionally, Section 8.02 of the Grant Agreement between DHHR and First Choice Health Systems, Inc. states:

**"8.02 Record Retention:**

8.02(a) Grantee shall retain all financial records, supporting documents, statistical records, and all other records pertinent to this Grant Agreement for a period of three years from the date of submission of the final expenditure report or payment of final invoice.

8.02(b) If any litigation, claim, or audit is started before the expiration of the three year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.

8.02(c) Records for equipment acquired with Federal funds shall be retained for three years after final disposition."

First Choice was unable to provide us with any documentation to indicate that these voided check transactions had been properly deducted from subsequent monthly billings submitted to DHHR. Also, First Choice has no procedure in place to verify that once a check transaction has been voided that this voided transaction is properly adjusted on a subsequent Monthly Billing Detail Report. There is no reconciliation process between the incurred expenses billed for reimbursement on the Monthly Billing Detail Reports submitted to DHHR and the actual payment of these incurred expenses represented by the bank statements and cancelled checks received from the bank. We further believe the aforementioned over billings and instances of inadequate

documentation are the direct result of an insufficient supervisory review by both the Program Director and CEO of the Monthly Billing Detail Report before this report is submitted to DHHR for reimbursement.

As a result of these voided check transactions not being properly adjusted on the monthly billings submitted to DHHR, First Choice was over reimbursed by \$17,742.21. Additionally, we noted that when First Choice invoiced DHHR each month during the review period for reimbursement of expenses incurred that First Choice would include as part of the total amount invoiced an amount for indirect costs. The amount of indirect costs that would be added to the total invoice amount was calculated by multiplying the total amount of incurred expenses being submitted for reimbursement for the month by 10%. Based on this indirect cost rate, we determined an additional amount of \$1,774.22 was over reimbursed to First Choice, bringing the total amount over reimbursed to First Choice to \$19,516.43. Furthermore, the indirect cost of \$259.75 associated with the inappropriate billings (by the former network clinician) along with the combined over billing of \$119.90 resulting from the aforementioned clerical errors (both of which First Choice failed to properly adjust on the monthly billings) brings the total amount over reimbursed to First Choice to a grand total of \$19,896.08.

In addition, First Choice may not be able to substantiate the financial transactions comprising the undocumented negative adjustment reflected on the May 2005 billing. Without knowing which specific transactions comprise this negative adjustment, First Choice may risk having rebilled DHHR for program expenses which had already been reimbursed.

We recommend First Choice comply with the provisions of Exhibit D of the Grant Agreement with DHHR. We further recommend First Choice comply with the provisions of Sections 6.01 and 8.02 of the Grant Agreement.

**First Choice's Response**

*First Choice is undertaking a thorough review of its financial records regarding the voided checks mentioned in this section. First Choice will provide documentation negating this finding within 60 days of the date of this response. If First Choice is unable to provide appropriate documentation, it will reimburse the funding source any amount of the \$17,742.21 which is not substantiated.*

**Undocumented Program Expenses**

During our review of program expenses for which First Choice received reimbursement from DHHR, we noted \$44,390.75 of program expenses which were not properly documented. These unsupported program expenses are detailed in the following schedule.

<b><u>Vendor</u></b>	<b><u>Transaction Date</u></b>	<b><u>Transaction Amount</u></b>	<b><u>Purpose of Transaction</u></b>
Spyro's Parking	07/26/2004	\$ 260.00	Employee Parking for August
First Choice Employee	09/07/2004	48.54	Employee reimbursement for cell phone charges & turnpike tolls
First Choice Employee	10/04/2004	36.13	Employee reimbursement for cell phone charges
			Employee reimbursement for
Cash	12/13/2004	300.00	Christmas bonuses for staff
Walmart	01/31/2005	66.00	Gift certificates
Vendor (Data Entry Clerk)	02/15/2005	38.50	Data entry (client assessments)

<u>Vendor</u>	<u>Transaction Date</u>	<u>Transaction Amount</u>	<u>Purpose of Transaction</u>
The Lamar Companies	02/28/2005	36,000.00	Billboard advertising
Vendor (Data Entry Clerk)	03/22/2005	33.00	Data entry (client assessments)
US Airways	03/26/2005	390.81	Air fare for employee to attend international conference in Niagara Falls, Canada
Sheraton Fallsview Hotel	04/21/2005	568.01	Lodging expense for employee who attended international conference in Niagara Falls, Canada
Cash	09/23/2005	800.00	Security for anniversary dinner and Advance Training
Cash	11/05/2005	200.00	Security & clean-up for dinner (Daniel Boone Room)
First Choice Employee	11/14/2005	1,058.60	Employee reimbursement for purchase of air fare for presenters to/from training conference
First Choice Employee	12/12/2005	68.00*	Employee reimbursement for cash for gambling and parking charges
Cash	12/19/2005	500.00	Christmas bonuses for staff
Consumer Credit Counseling	12/19/2005	100.00	Donation
Vendor (IT Specialist)	01/23/2006	750.00	Contracted IT service
First Choice Employee	02/15/2006	40.00	Travel reimbursement (taxi cabs)
Vendor (Housekeeping)	02/20/2006	200.00	Cleaning services
First Choice Employee	03/13/2006	13.00	Travel reimbursement (meal expenses)
First Choice Employee	06/26/2006	181.41	Reimbursement (gift certificates & travel expenses)
Vendor (IT Specialist)	07/27/2006	750.00	Contracted IT service

<u>Vendor</u>	<u>Transaction Date</u>	<u>Transaction Amount</u>	<u>Purpose of Transaction</u>
Rea of Hope Fellowship Home	08/25/2006	50.00	Donation (bereavement)
First Choice Employee	10/11/2006	95.00	Travel reimbursement (taxi cabs)
First Choice Employee	10/11/2006	70.00*	Employee reimbursement for cash for gambling & presentation game
Vendor (IT Specialist)	10/23/2006	750.00	Contracted IT service
Vendor (Housekeeping)	11/27/2006	250.00	Cleaning services
First Choice Employee	11/27/2006	9.00*	Employee reimbursement for cash for presentation game
Cash	12/19/2006	400.00	Christmas bonuses for staff
Typhoon Restaurant	03/31/2007	38.32	Meal expense for employee who attended international conference in Alberta, Canada
Yeager Airport Parking	04/02/2007	28.00	Travel reimbursement (long-term parking)
Doubletree Hotel (O'Hare Rosemont)	04/03/2007	<u>245.44</u>	Lodging expense for employee who attended international conference in Alberta, Canada
<b>Total</b>		<u>\$44,390.75</u>	
<p>*Note: When conducting training seminars involving network clinicians, First Choice staff would occasionally distribute personal cash funds to various clinicians to use for gambling at area gaming facilities in order to experience gambling. Also, when making a presentation before an organization about the PGHN, First Choice staff would occasionally use their personal cash funds as part of a presentation game.</p>			

Each program expense is recorded when incurred and then subsequently billed for reimbursement on the Monthly Billing Detail Report submitted to DHHR for reimbursement. A program expense is incurred when a proper vendor invoice has been received. Approval of vendor

invoices for payment is a function of the Program Director's job duties. Once approved, payment of vendor invoices is made by company check which is prepared by the Administrative Assistant and signed by the CEO.

Section 6.01 of the Grant Agreement between DHHR and First Choice Health Systems, Inc. states:

**“6.01 Financial Management System:**

6.01(a) The Grantee will maintain an accounting system and a set of accounting records that, at a minimum, allows for the identification of the source of revenue and expenditures related to this Grant Agreement.

**6.01(b) All records will be supported by source documentation.**

6.01(c) The Grantee's accounting records must be closed out at the end of the Grant Agreement period and must identify any excess revenue over expenditures.” **(Emphasis added)**

Additionally, Section 8.02 of the Grant Agreement between DHHR and First Choice Health Systems, Inc. states:

**“8.02 Record Retention:**

8.02(a) Grantee shall retain all financial records, supporting documents, statistical records, and all other records pertinent to this Grant Agreement for a period of three years from the date of submission of the final expenditure report or payment of final invoice.

8.02(b) If any litigation, claim, or audit is started before the expiration of the three year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.

8.02(c) Records for equipment acquired with Federal funds shall be retained for three years after final disposition.”

Based on our discussions with First Choice personnel, we believe the reason the aforementioned program expenses were not supported by the appropriate source documentation (such as a vendor invoice or credit card receipt) was the result of an insufficient supervisory review by both the Program Director and CEO before approval of expenses and signing of the checks for payment.

By not verifying the proper source documentation was present before approving program expenses for payment, First Choice may not be able to substantiate financial transactions for which reimbursement has been received from DHHR. Transactions involving inadequate documentation may also result in the State being billed for disallowed expenses charged to the Grant Program.

We recommend First Choice comply with the provisions of Sections 6.01 and 8.02 of the Grant Agreement with DHHR.

**First Choice's Response**

*As stated previously in this response, first Choice is prepared to reimburse its funding source a total of \$16,198.41 at this time. Part of the undocumented program expenses discussed in this section of the audit are included in this initial reimbursement. As stated previously, First Choice is making a thorough review of its financial records and believes it will discover documentation to validate the program expenses mentioned within 60 days. For all expenses which are unable to be validated, First Choice will reimburse the funding source.*

*First Choice has discovered supporting documentation which will validate charges deemed undocumented. First Choice believes it will continue to find supporting documentation and will supply all supporting documentation within 60 days.*

**Credit Card Charges Not Properly Documented**

We reviewed ten monthly credit card billings received from BB&T totaling \$47,149.61 which First Choice submitted for reimbursement from DHHR during the review period. Our testing indicated that \$17,973.13 of the \$47,149.61 of credit card charges reimbursed were not supported by any documentation. This represents 38% of the total amount of credit card charges incurred for these ten months. These unsupported credit card charges are detailed in the following schedule.

<b><u>Vendor</u></b>	<b><u>Monthly Billing</u></b>	<b><u>Total Amount of Credit Card Charges Supported by Documentation</u></b>	<b><u>Total Amount of Credit Card Charges Not Supported by Documentation</u></b>	<b><u>Total Amount of Credit Card Charges Reimbursed</u></b>
BB&T	August 2004	\$ 2,699.99	\$ 1,221.82	\$ 3,921.81
BB&T	November 2004	1,786.70	720.24	2,506.94
BB&T	February 2005	765.06	7,043.86	7,808.92
BB&T	November 2005	8,045.28	243.55	8,288.83
BB&T	December 2005	4,824.98	453.88	5,278.86
BB&T	July 2006	1,998.92	4,375.77	6,374.69
BB&T	August 2006	4,161.72	1,565.80	5,727.52
BB&T	September 2006	2,839.01	981.04	3,820.05
BB&T	October 2006	478.98	534.07	1,013.05
BB&T	January 2007	<u>1,575.84</u>	<u>833.10</u>	<u>2,408.94</u>
<b>Total</b>		<b><u>\$29,176.48</u></b>	<b><u>\$17,973.13</u></b>	<b><u>\$47,149.61</u></b>

Each employee of First Choice (with the exception of the Administrative Assistant) has been issued a corporate credit card through the company to use to pay for business-related expenses such as travel or training expenses. A master credit card statement itemizing each individual cardholder's credit card charges is received monthly from BB&T. Payment of each master credit card statement is paid with company funds. The monthly credit card charges incurred by each cardholder are incorporated into the Monthly Billing Detail Reports submitted to DHHR for reimbursement. Upon reviewing the Monthly Billing Detail Reports provided by First Choice, we noted the aforementioned credit card charges were billed under the following budgeted line items.

<u>Budgeted Line Item</u>	<u>Amount of Credit Card Charges Billed Under Budgeted Line Item</u>	<u>Percentage (%) of Total</u>
Advertising*	\$ 9,846.34	20.88%
Direct Office Supplies & Expenses	834.58	1.77%
Direct Staff Travel	11,868.34	25.17%
General Program Supplies	5,781.99	12.26%
Diagnostic Assessment/Outpatient Treatment	7,937.42	16.84%
Training	9,783.35	20.75%
Repairs & Maintenance	122.28	0.26%
Utilities	<u>975.31</u>	<u>2.07%</u>
<b>Total</b>	<b><u>\$47,149.61</u></b>	<b><u>100.00%</u></b>
*Note: Advertising is comprised of the following categories: outdoor advertising, broadcast public awareness, yellow page advertising, educational materials, and print media.		

Section 6.01 of the Grant Agreement between DHHR and First Choice Health

Systems, Inc. states:

“6.01 **Financial Management System:**

6.01(a) The Grantee will maintain an accounting system and a set of accounting records that, at a minimum, allows for the identification of the source of revenue and expenditures related to this Grant Agreement.

**6.01(b) All records will be supported by source documentation.**

6.01(c) The Grantee’s accounting records must be closed out at the end of the Grant Agreement period and must identify any excess revenue over expenditures.” **(Emphasis added)**

Additionally, Section 8.02 of the Grant Agreement between DHHR and First Choice Health

Systems, Inc. states:

“8.02 **Record Retention:**

8.02(a) Grantee shall retain all financial records, supporting documents, statistical records, and all other records pertinent to this Grant Agreement for a period of three years from the date of submission of the final expenditure report or payment of final invoice.

8.02(b) If any litigation, claim, or audit is started before the expiration of the three year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.

8.02(c) Records for equipment acquired with Federal funds shall be retained for three years after final disposition.”

Based on our discussions with First Choice personnel, we believe the reason the aforementioned credit card charges were not supported by the appropriate source documentation (such as a credit card receipt) was the result of an inadequate supervisory review by either the

Program Director or CEO of the monthly credit card statement and attached receipts to ensure each credit card transaction was properly supported before approving the monthly credit card billing for payment.

By not retaining the appropriate source documentation to support expenses incurred, First Choice may not be able to substantiate financial transactions for which reimbursement has been received from DHHR. Also, transactions not supported by the appropriate source documentation may result in the State being over billed by First Choice for disallowed expenses charged to the grant program.

We recommend First Choice comply with the provisions of Sections 6.01 and 8.02 of the Grant Agreement with DHHR.

**First Choice's Response**

*In order to investigate more thoroughly the \$17,973.13 the auditors questioned as undocumented credit card charges, First Choice respectfully requests an itemized list of "undocumented charges". This will allow First Choice the ability to provide appropriate documentation to validate these credit card charges within 60 days. Any expense that cannot be substantiated will be reimbursed to the funding source provided such amount has not already been reimbursed as a result of another section of the audit.*

*To address the issue going forward, the new director of the Problem Gamblers Help Network of West Virginia has instituted a system wherein any First Choice employee who does not provide the receipt of purchase on credit card purchases will reimburse First Choice the amount of the purchase. Failure to reimburse First Choice will result in disciplinary action.*

**Misclassification of Program Expenses**

During our review we noted program expenses totaling \$49,782.37 which were submitted for reimbursement to DHHR by First Choice had been misclassified under the wrong budgeted line item on the Monthly Billing Detail Report. These misclassified program expenses are detailed in the following schedule.

<u>Vendor</u>	<u>Transaction Date</u>	<u>Transaction Amount</u>	<u>Transaction Description</u>	<u>Actual Budgeted Line Item Program Expense Was Classified</u>	<u>Audited Budgeted Line Item To Which Program Expense Should Have Been Classified</u>
Superior Office Services	07/15/2004	\$ 169.41	Lease/purchase for copier	Repairs & Maintenance	Direct Office Supplies
Tyler Mountain Water Co.	09/01/2004	27.83	Bottled water for water cooler	Utilities	Direct Office Supplies
PBCC	10/13/2004	230.09	Postage machine fees	Repairs & Maintenance	Direct Office Supplies
Professional Counseling Center	02/22/2005	140.00	Patient treatment	Utilities	Assessment & Treatment
Caldwell & Riffie	03/16/2005	5,250.00	Training fees	Assess. & Treat.	Training
Radisson Hotel	03/23/2005	7,584.67	Training Conf.	Assess. & Treat.	Training
Tgraphics, LLC	03/31/2005	7,957.95	1,950 tote bags	Assess. & Treat.	Advertising
Superior Office Services	04/15/2005	188.23	Lease/purchase for copier	Repairs & Maintenance	Direct Office Supplies
Pomeroy Computer	04/29/2005	6,442.68	Purchase of Lexmark printer	Repairs & Maint., Contracted Serv. & Office Supplies	Direct Office Supplies
Tyler Mountain Water Co.	08/01/2005	10.55	Bottled water for water cooler	Utilities	Direct Office Supplies
Tyler Mountain Water Co.	08/15/2005	29.47	Bottled water for water cooler	Utilities	Direct Office Supplies
Street Consulting	09/07/2005	210.00	Patient treat.	Office Supplies	Assess. & Treat.
Midtown Center Association	10/17/2005	385.00	Monthly parking	Employee Benefits	Rent

<u>Vendor</u>	<u>Transaction Date</u>	<u>Transaction Amount</u>	<u>Transaction Description</u>	<u>Actual Budgeted Line Item Program Expense Was Classified</u>	<u>Audited Budgeted Line Item To Which Program Expense Should Have Been Classified</u>
First Choice Employee	11/14/2005	341.51	Travel reimbursement	General Program Supplies	Direct Staff Travel
Lakeview Golf Resort & Spa	11/14/2005	7,035.05	Training Conference	Assessment & Treatment	Training
First Choice Employee	11/14/2005	2.47	Travel reimbursement	Direct Office Supplies	Direct Staff Travel
Vendor (IT Specialist)	01/23/2006	750.00	IT service	Gen. Prog. Suppl.	Consult./Profess.
Charter Communic.	04/24/2006	32.41	TV cable serv.	Assess. & Treat.	Utilities
Lighter Than Air, Inc.	04/27/2006	233.20	Balloons for inform. booth	Assessment & Treatment	Educational Material (Advertising)
Purchase Power	06/12/2006	1,000.00	Postage mach. & supplies	Assessment & Treatment	Direct Office Supplies
Hudson-Gilmore Associates	06/19/2006	8,233.14	Yellow Page advertisement	Ed. Material, Print Media, Broadcast Aware., & Assess./Treat.	Yellow Page Advertising
WV Press Services, Inc.	07/28/2006	50.00	Press Release	Assessment & Treatment	Print Media
First Choice Employee	08/28/2006	179.82	Travel reimbursement	Assessment & Treatment	Direct Staff Travel
Purchase Power	09/12/2006	500.00	Postage meter refill	General Program Supplies	Direct Office Supplies
Psychological Assess.	09/22/2006	150.00	Patient treatment	Direct Office Supplies	Assessment & Treatment
Vendor (IT Specialist)	10/23/2006	750.00	IT service	Repairs & Maint.	Consult./Profess.
Valley Health Care	01/18/2007	160.00	Patient treat.	Office Supplies	Assess. & Treat.
Pyramid Counseling	02/15/2007	75.00	Patient treat.	Office Supplies	Assess. & Treat.
Midtown Center Association	02/26/2007	913.39	Operating exp. assessment	General Program Supplies	Rent

<u>Vendor</u>	<u>Transaction Date</u>	<u>Transaction Amount</u>	<u>Transaction Description</u>	<u>Actual Budgeted Line Item Program Expense Was Classified</u>	<u>Audited Budgeted Line Item To Which Program Expense Should Have Been Classified</u>
Vendor (Clinician)	03/08/2007	70.00	Patient treat.	Office Supplies	Assess. & Treat.
The Manahan Group	03/21/2007	643.50	PGHL letterhead design	Print Media	Direct Office Supplies
Brickstreet Insurance	05/15/2007	<u>37.00</u>	Workers Compensation premium	General Program Supplies	Liability Insurance
<b>Total</b>		<b><u>\$49,782.37</u></b>			

Section 6.01 of the Grant Agreement between DHHR and First Choice Health Systems, Inc. states:

“6.01 **Financial Management System:**

6.01(a) The Grantee will maintain an accounting system and a set of accounting records that, at a minimum, allows for the identification of the source of revenue and expenditures related to this Grant Agreement.

6.01(b) All records will be supported by source documentation.

6.01(c) The Grantee's accounting records must be closed out at the end of the Grant Agreement period and must identify any excess revenue over expenditures.”

Based on our discussions with First Choice personnel, the aforementioned program expenses may have been misclassified as the result of a data entry error upon entering each transaction into the company's accounting system by the Administrative Assistant. The Administrative Assistant also told us that the Program Director may have instructed her to classify some of these program expenses under a specific budgeted line item even though that budgeted line

item may not have been the most appropriate line item under which the expense should have been classified. Additionally, we noted there was an inadequate supervisory review by either the Program Director or CEO of the Monthly Billing Detail Report before the submission of the report to DHHR for reimbursement.

By misclassifying program expenses on the Monthly Billing Detail Report to an inappropriate budgeted line item, First Choice may not be able to prepare reliable Target Funding Budgets for future fiscal years. Also, misclassification of program expenses on the Monthly Billing Detail Reports submitted to DHHR may result in the preparation of misleading financial statements.

We recommend First Choice comply with the provisions of Section 6.01 of the Grant Agreement with DHHR.

**First Choice's Response**

*Any misclassification of program expenses was done in good faith. First Choice acknowledges these misclassifications; however feels it followed the guidelines set forth by the Department of Health and Human Resources. We are in the process of reclassifying the thirty-two (32) entities over the thirty-six (36) month period that have been questioned.*

Appendix A

WEST VIRGINIA DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
 BUREAU FOR BEHAVIORAL HEALTH AND HEALTH FACILITIES  
 Monthly Billing Detail - Detail Target Funding

Grantee Name First Choice Health Systems, Inc.

Month May-07

State Account Number 5207-2007-2856-099-258-09745

	BUDGETED AMOUNTS (Annual)	CURRENT MONTH BILLING	YEAR TO DATE BILLING	REMAINING ON CONTRACT
1. Salaries	245,000.00	17,400.00	220,939.00	\$24,061.00
2. Payroll Taxes/Emp. Benefits	70,000.00	4,917.00	58,383.00	\$11,617.00
3. Consulting/Professional	14,000.00	720.00	14,000.00	\$0.00
4. Other Direct Program Costs				
5. Direct Office Supplies & Expenses	22,000.00	2,691.00	16,440.00	\$5,560.00
6. Direct Staff Travel	17,000.00	632.00	14,309.00	\$2,691.00
7. General Prog. Supplies, Incl. Food	18,000.00	1,082.00	17,990.00	\$10.00
8. Diagnostic Assess/Out Pt. Treatment	275,000.00	20,455.00	213,904.00	\$61,096.00
9. Training	71,000.00	0.00	70,989.00	\$11.00
10. Rent	35,000.00	3,021.00	32,415.00	\$2,585.00
11. Outdoor Advertising	170,000.00	0.00	164,274.00	\$5,726.00
12. Repairs & Maintenance	16,000.00	2,043.00	13,746.00	\$2,254.00
13. Broadcast Public Awareness	150,400.00	0.00	145,169.00	\$5,231.00
14. Utilities	20,000.00	171.00	9,387.00	\$10,613.00
15. Yellow Page Advertising	15,000.00	86.00	5,267.00	\$9,733.00
16. Liability Insurance	24,000.00	1,829.00	20,091.00	\$3,909.00
17. Educational Material	20,000.00	1,065.00	19,911.00	\$89.00
18. Print Media	45,000.00	1,522.00	31,880.00	\$13,120.00
19. Indirect Costs	122,600.00	5,763.00	106,906.00	\$15,694.00
20. Property & Equipment Additions				\$0.00
21. Other Costs (Attach Detail)				\$0.00
22. Less: Income Earned				\$0.00
23. Less: Grantee Funds Used				\$0.00
24. Total Target Funding	\$1,350,000.00	\$63,397.00	\$1,176,000.00	\$174,000.00
25. Less: Deferred Revenue (Budgetary)				\$0.00
26. Less: Extended Purchase Order Funds				\$0.00
27. Current Year Allocation (Funds Requested)	\$1,350,000.00	\$63,397.00	\$1,176,000.00	\$174,000.00

GRANTEE: *Gloria J Kirk*

NAME

Admin. Asst.

TITLE

5-Jun-07

DATE

REVISED 2/04

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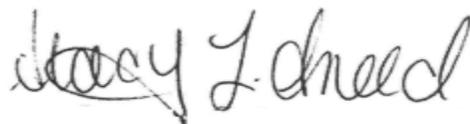
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**STATE OF WEST VIRGINIA**

**OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:**

I, Acting Director of the Legislative Post Audit Division, do hereby certify that the report appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 10<sup>th</sup> day of December 2007.

A handwritten signature in black ink that reads "Stacy L. Sneed". The signature is written in a cursive style with a large initial 'S'.

Stacy L. Sneed, CPA, Acting Director  
Legislative Post Audit Division

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to the Lottery Commission; Department of Health and Human Resources; First Choice Health Systems, Inc.; Governor; Attorney General; State Auditor; and, Director of Finance Division, Department of Administration.