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Agreed-Upon Procedures  
Report

**DRUG AND ALCOHOL  
TREATMENT SERVICE  
PROVIDERS**

As of May 2019

**Office of the Controller  
County of Northampton  
Pennsylvania**



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**INDEPENDENT INTERNAL AUDITOR'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

Members of the Northampton County Council  
Lamont G. McClure, Jr., County Executive  
County of Northampton, Pennsylvania

We have performed the procedures enumerated below, which were agreed to by County Council, on the disbursement, receipt and spending of County funding related to Drug and Alcohol treatment service providers, as well as an investigation of allegations of a potential violation of the terms of a 2014 Community Development Block Grant (CDBG) by one of the treatment providers. The County's Drug and Alcohol Division is responsible for contracting with treatment service providers and monitoring usage of treatment funds provided by the County and compliance with regulations related to these funds. The County's Department of Community and Economic Development is responsible for the disbursement and monitoring of CDBG grants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

**Procedures and Findings**

1. **Procedure:** For all five Drug and Alcohol treatment providers, inspect the most recent annual audit workpapers performed by Human Services using the Department of Drug and Alcohol Programs (DDAP) Monitoring Tool.
  - a. Confirm that the audit is performed completely.
  - b. Inspect the section of the tool focusing on Non-Residential Treatment invoice review and note any adverse findings and ensure that they were resolved.

**Findings:** Through discussions with the Drug and Alcohol Administrator II, we found that Northampton County is only responsible to perform DDAP Monitoring procedures on providers that are physically located within Northampton County. It would be the responsibility of another County to perform these procedures on providers outside the County, even though the County refers clients to these providers. One of the providers in Northampton County, however, has two locations and are monitored separately by the Drug and Alcohol Division. Therefore, the treatment providers for which the County is responsible to monitor annually include:

INDEPENDENT INTERNAL AUDITOR'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

Drug and Alcohol Treatment Providers – Drug and Alcohol Division/Dept. of Human Services  
Page 2

- New Directions Treatment Services
- Northeast Treatment Center – Bethlehem
- Northeast Treatment Center - Easton
- Recovery Revolution

The County utilizes two other outpatient treatment providers, MidAtlantic Rehabilitation Services and Pyramid – Bartonsville, but these are outside the borders of Northampton County.

- a. We reviewed the most recent workpapers completed by Human Services for each of the providers and found the following:

New Directions

- In the Non-Residential Treatment Invoice Review section of the DDAP Monitoring Tool, the question “Does the LOC (level of care) on the invoice match the LOC info noted in the chart?” was left unanswered by the reviewer for all four invoices selected for review.

Northeast Treatment – Bethlehem

- On one of the Screening & Assessment Client File Reviews, the question “Was the client assessed within 7 days of the Initial Contact?” was answered “No” by the reviewer, but the following question, “If not, what was the stated reason?” was left blank.

Northeast Treatment – Easton

- On one of the Screening & Assessment Client File Reviews, the question “Based on the training chart, have all staff providing or supervising Case Management completed all required trainings within 365 days of hire?” was left blank.

Recovery Revolution

- In the Non-Residential Treatment Invoice Review section of the DDAP Monitoring Tool, the instructions indicate that four invoices are to be selected for review. Only three documented invoice reviews were included.
- In the section on Pregnant Women and Injection Drug Users, N/A was typed in for the question, “Does the Provider adhere to the SCA’s procedures for notifying the SCA within 7 days upon reaching 90% capacity for admission of IDU clients?” but the reviewer checked the box “No” under the Compliance column.

In all other respects, the DDAP Monitoring Tool workpapers were performed completely. Although minor issues were noted and discussed with the Providers, in no instance were there issues which rose to the level of being included in written form on the final summary page. According to the Drug and Alcohol Administrator II, DDAP reviews these workpapers. We reviewed an e-mail provided to the Drug and Alcohol Division upon our request from the Chief of the DDAP County Program Oversight section, which stated that Northampton County was found to be in compliance with all DDAP requirements for Provider Monitoring.

INDEPENDENT INTERNAL AUDITOR'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

Drug and Alcohol Treatment Providers – Drug and Alcohol Division/Dept. of Human Services

Page 3

- b. There were no adverse findings in the Non-Residential Treatment invoice review sections we inspected for any of the Providers.

- 2. **Procedure:** Select at random 25 invoices submitted for payment (selecting five for each Drug and Alcohol provider). Inspect invoices, focusing on the following:
  - a. Compare with contract to ensure compliance with restrictions, billing rates, required detail to appear on each invoice, timeliness.
  - b. Proper approval by provider and County administration.
  - c. Proper support is included.
  - d. Recalculate for accuracy.
  - e. For invoices related to Recovery Center services, trace charges to budgetary line items for propriety. Inquire as to the level of scrutiny these are subjected to.

**Findings:** Twenty-five invoices were selected, five from each provider; one of the included invoices was from the Recovery Center – A Clean Slate, which is managed by Recovery Revolution. Invoices were inspected.

- a. Each invoice was compared to the related contract. Rates and services corresponded, but all contracts state that the definition of a unit of service and the term of the contract should appear on each invoice. We did not find this on any of the invoices reviewed. We discussed this with the Drug and Alcohol Administrator II and she indicated they would add that information to the invoice template.
  - b. Proper approval was noted in all cases.
  - c. Support was included for all invoices. In one instance, the number of units for Methadone doses was recorded incorrectly on the summary invoice from the detail. However, the total cost, and the amount paid by the County was accurate and proved to the detail.
  - d. We recalculated all invoices for accuracy. With the exception of the incorrectly recorded number of units of Methadone doses referred to above, all invoices were calculated accurately.
  - e. We reviewed one Recovery Center invoice, tracing approved invoices to budgetary line items. No exceptions were noted. We discussed the level of scrutiny with the Drug and Alcohol Administrator II. The Fiscal Officer ensures invoices for purchased items and support for salaries are present, and examines to ensure sufficient budget exists for the submitted reimbursements. The Drug and Alcohol Administrator II reviews requests from providers to modify budgetary line items.
- 3. **Procedure:** Investigate allegations noted in memo by Director of Fiscal Affairs dated 4/15/19 related to Recovery Revolution's use of the 2014 CDBG grant and potential undisclosed conflict of interest.
    - a. Confirm that a violation occurred.
    - b. Document amount paid to vendor during period where conflict exists.
    - c. Report any violation to the Department of Housing and Urban Development (HUD) for further investigation.
    - d. Ensure that Recovery Revolution has provided the County with audited financial statements.

INDEPENDENT INTERNAL AUDITOR'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

Drug and Alcohol Treatment Providers – Drug and Alcohol Division/Dept. of Human Services

Page 4

- e. Acquire a recent IRS Form 990 for Recovery Revolution. Compare to financial statements for accuracy. Determine that all related party transactions are properly disclosed.

**Findings:** Allegations were investigated:

- a. Based on the Housing and Urban Development (HUD) regulations cited by Director of Fiscal Affairs Stephen Barron, (24 CFR 570.611, 24 CFR 85.36, and CFR 84.42), which state that “a conflict would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial interest in the firm selected for an award,” it appears a violation may have occurred, but the amount involved is only a small portion of the total grant award. Recovery Revolution received over \$99,000 from the CDBG grant for a project titled “Broadway Safety Improvements.” As part of that project, Recovery Revolution selected Barry Isett and Associates to perform Construction Management services. Through documents supplied by Stephen Barron and Community and Economic Development Administrator Frank Brooks, we found that the Project Manager working for Barry Isett was Rob Sarnowski. The bulk of the grant funds were paid to the main contractor, CMG of Easton, but Barry Isett was paid \$1,312 for Project Management Services. We contacted the Clerk of Orphans Court/Register of Wills, and she confirmed that Recovery Revolution Director Jana Morris and Rob Sarnowski were married on June 7, 2014. One of the invoices for Barry Isett was paid prior to the marriage, and one was paid following the marriage. This appears to violate the Conflict of Interest sections of HUD regulations. We found no evidence in the documentation provided to us by Mr. Brooks that this conflict was disclosed to HUD. We approached Ms. Morris to gain her insight as to whether she believed a conflict occurred. She responded via letter with copies of e-mails attached. (see Appendix A for letter). Her position is that 1) Community and Economic Development personnel employed at the time of the grant award were aware of the relationship; 2) The Project Manager contract was competitively bid; and 3) Ms. Morris dealt with others in the Barry Isett organization following her marriage to Mr. Sarnowski.
- b. Invoices for Barry Isett and Associates were reviewed, as noted in step 3a above. Although \$1,582.20 was paid to them to reimburse them for advertising costs incurred, \$1,312 was paid to them for Construction Management Services.
- c. We first reported the potential violation to HUD via the e-mail address noted at the HUD website. This was transmitted to the Field Office Director of the Pittsburgh office, who responded that she would notify the Philadelphia Office and a response would be forthcoming. No response was received, and we contacted the Pittsburgh office twice more. Finally, upon their recommendation, we contacted the Philadelphia office directly and spoke to Director Nadab O. Bynum on August 27, 2019. We followed up that conversation with another e-mail, detailing the issue. No further communication was received.
- d. Human Services provided us with all Audited Financial Statements for Fiscal Years ended June 30, 2015, June 30, 2016, June 30, 2017, and June 30, 2018. The audits were performed by Allentown firm Campbell, Rappold & Yurasits LLP.

INDEPENDENT INTERNAL AUDITOR'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

Drug and Alcohol Treatment Providers – Drug and Alcohol Division/Dept. of Human Services  
Page 5

- e. The most recent IRS Form 990 (2016) was reviewed. This was completed by the same accounting firm that performed the annual audits. The amounts disclosed on the form were traced to the financial statements with no exceptions. Business transactions with related parties need only be reported if the payments exceed \$10,000; therefore, the relationship with Rob Sarnowski was not reported. Loans received from the Executive Director's family members were properly disclosed.

We conducted this agreed-upon procedures engagement in accordance with generally accepted government auditing standards. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the disbursement, receipt and spending of County funding related to Drug and Alcohol treatment service providers, nor on the allegations of a potential violation of the terms of a 2014 CDBG grant by one of the treatment providers. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the County of Northampton, Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties.



Richard J. Szulborski  
County of Northampton Controller  
Easton, Pennsylvania



Anthony D. Sabino, CIA  
Lead Auditor

November 8, 2019

cc: S. Barron, Director of Fiscal Affairs  
S. Wandalowski, Director of Human Services  
E. Miller, Drug and Alcohol Administrator II  
T. Smith, Director of Community and Economic Development  
J. Morris, Director, Recovery Revolution