

SUPPORTIVE CONCEPTS FOR FAMILIES, INC.
BFO REPORT - JULY 1, 2005 through JUNE 30, 2007
SCFFI RESPONSE - STARTED RESPONSE: June 9, 2008

ITEM NO. 3	
BFO FINDING	SCFFI RESPONSE
<p>NO.3 Absence of Competitive Bidding Does Not Ensure Vehicles and Services Were Obtained at the Lowest Practicable Cost</p> <p>SUMMARY</p>	<p>NO. 3</p> <p>SUMMARY</p>
<p>1. SCFF does not always comply with competitive bidding requirements for purchases and contracted services.</p>	<p>We are currently compliant with this requirement. A greater emphasis to ensure that competitive bidding occurs on <i>all</i> contracted services, as well as <i>all</i> furnishings that cost \$500.00 or more, began October 2007. Each individual piece of furniture, as well as flooring and other projects in excess of \$500, has been properly bid and files maintained. Bid comparisons for furniture and equipment are for items of the same grade to ensure quality comparisons are included in the quoted price.</p>
<p>2. 43 vehicles with an average monthly payment of \$452 costing \$903,418 were leased exclusively from 1 dealer</p>	<p>We lease the vehicles from Reading/Piazza Honda & Acura located on Lancaster Avenue in Reading, PA. Our ability to leverage our volume of leased vehicles has enabled SCFFI to attain “preferred” status with Reading/Piazza Honda. This designation entitles SCFFI to:</p> <ol style="list-style-type: none"> 1. 20% off retail costs on parts sold on ALL vehicles. 2. Labor discounted to \$62/hr from regular rate of \$83/hr or menu pricing... whichever is less. 3. ALL repairs and service completed as priority which limits down time and need to find replacement or rental vehicles while repair/servicing is being completed. <p>SCFFI is of the opinion that dealing exclusively with one dealership that has a proven track record of service, pricing and vehicle availability is both cost effective and justified. Given the size of the SCFFI fleet and it’s growth since 2005, the resultant maintenance charges of \$65,862.07 represents a significant savings versus what SCFFI would have otherwise been charged as a member of the general public.</p> <p>SCFFI feels that the expenditures are 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 rates were negotiated, consistent with good program quality.</p>
<p>3. 2 Vehicles - \$47,438 was expended for 2 vehicles that were purchased from family members without the benefit of competitive bidding</p>	<p>Two (2) vehicles were purchased from family members; however, the competitive bidding process was followed for both (Attachment 3a, TSX Bid & 3b, Van Bid); the TSX was utilized in a Life Sharing/Family Living setting where the style/type of vehicle was selected by the FLP and the family of the residents and was identified through the bid process as the favorable purchase. The Caravan was utilized in a new program and was identified through the bid process as the favorable purchase.</p>

**SUPPORTIVE CONCEPTS FOR FAMILIES, INC.
BFO REPORT - JULY 1, 2005 through JUNE 30, 2007
SCFFI RESPONSE - STARTED RESPONSE: June 9, 2008**

<p>4. We also noted that competitive bidding is not regularly occurring for contractor services and furniture purchases.</p>	<p>A greater emphasis to ensure that competitive bidding occurs on <i>all</i> contracted services, as well as <i>all</i> furnishings that cost \$500.00 or more, began October 2007. Each individual piece of furniture, as well as flooring and other projects in excess of \$500, has been properly bid and files maintained. Bid comparisons for furniture and equipment are for items of the same grade to ensure quality comparisons are included in the quoted price. The Director of Business Operations is responsible for the acquiring, maintaining and tracking of the bid acquisition process. (Attachment 3c, Director of Business Operations Job Description Noting Task Assignment)</p>
<p>5. 55 Pa. Code Section 4300.145 requires that supplies and services be obtained at the lowest possible cost and that a system of competitive bidding or written estimates as required by the applicable County Code be implemented</p>	<p>SCFFI requires specific detail as to the violations of 55 Pa. Code Section 4300.145.</p>
<p>RESULTS OF FIELDWORK</p>	<p>RESULTS OF FIELDWORK</p>
<p>1. SCFF did not adhere to 55 Pa. Code Chapter 4300.145 with respect to bidding and procurement practices.</p>	<p>SCFFI recognized a need to enhance the bid process and in November 2007 amended the Bid Summary form to include additional levels of approval...i.e. Budgets/Contract Manager, CFO and COO. (Attachment 3d, Bid Summary Sample)</p>
<p>2. We noted certain vehicles and contractor services were not competitively bid.</p>	<p>SCFFI requests specific detail as to the vehicles and contractors whose services were not competitively bid. SCFFI business strategy is to establish and leverage purchasing relationships which consider not only the immediate savings but also long term savings as consideration for the overall cost of a vehicle/contract purchase.</p>
<p>3. SCFF has 121 vehicles within its fleet of which 43 vehicles are leased through American Honda Finance.</p>	<p>Currently, SCFFI has a total of 113 vehicles within its fleet, of which 47 are leased through American Honda Finance.</p>
<p>4. The average lease cost of the 43 vehicles is \$452 per month.</p>	<p>Currently, the average lease cost of the 47 vehicles is \$442.06 per month. (Attachment 3e, Honda Monthly Lease Schedule)</p>
<p>5. These vehicles were all obtained from 1 dealer and a competitive process was not employed.</p>	<p>SCFFI disagrees with this finding. Previous efforts to establish accounts with other dealerships require significant money down on all purchase/leases. In many cases, the need for immediate placements meeting the unique needs of the individuals (leather vs. cloth) required the establishment of a relationship with a primary dealer who could consistently meet these needs.</p>
<p>6. According to management, SCFF chose these vehicles due to Honda's and Acura's ability to supply corporate vehicles without a personal guarantor.</p>	<p>Requiring the CEO as guarantor was detrimental to his personal credit. Other dealers contacted periodically needed a guarantor. Subsequently, a corporate account was established. Other factors considered by SCFFI when establishing this corporate account with Honda include reliability, service, roadside assistance, collision repairs, dealer services, safety ratings, reliance on equipment LOC and banking lending matters.</p>
<p>7. The cumulative lease cost of the 43 no bid vehicles is \$903,418. See Exhibit E</p>	

SUPPORTIVE CONCEPTS FOR FAMILIES, INC.
BFO REPORT - JULY 1, 2005 through JUNE 30, 2007
SCFFI RESPONSE - STARTED RESPONSE: June 9, 2008

ITEM NO. 3

BFO FINDING	SCFFI RESPONSE
8. Lease payments vary depending on the type of vehicle.	SCFFI agrees with this statement. Depending on the Model, Options, Incentive Packages, Promotions, Extended warranty, etc. payments will vary.
9. Acura RL - \$835/Month	061 SC - Confirming the monthly lease payment for the 2005 Acura RL is \$835/month. This vehicle was initially leased and assigned to the President/CEO. It has subsequently been reassigned to one of our 4 person CLA's (Joseph's Way) that has previously only had one (1) vehicle assigned to it. The 48-month lease expires on 1/25/09.
10. Acura MDX - \$690/Month	084 SC - The monthly lease payment for the 2006 Acura MDX is \$689.79. This vehicle is assigned to the current Chief Operating Officer of SCFFI whose job responsibilities include significant travel to/from SCFFI corporate offices and our regional offices in Lebanon and Lewistown. The 36-month lease expires on 1/13/09.
11. Honda Ridgeline (pick-up) - \$656/Month	063 SC – The monthly lease payment for the 2006 Honda Ridgeline is \$656.21. This vehicle was initially assigned to the SCFFI Facilities Director and utilized in the purchase/delivery of products and material utilized in the CLA's. The vehicle was also incorporated into the Snow Removal Team. It has subsequently been reassigned to one of our 3 person CLA's (Main Street) that has previously only had one (1) vehicle assigned to it. The 48-month lease expires on 3/31/09.
12. Honda Pilot - \$557/Month	086 SC – The monthly lease payment for the 2006 Hondas Pilot is \$548.88. This vehicle is assigned to one of our 3 person CLA's (Oley Turnpike) that has previously only had one (1) vehicle. The 36-month lease expires on 3/6/09.
13. Honda Civic - \$478/Month	We request confirmation of the Year/Make/Model of the Civic referenced as our records do not indicate that we carry a \$478/month lease on any Honda Civics within our fleet.
14. In our opinion the monthly payments are high and we could not identify any additional benefits to the consumers that would warrant expenditures at this level.	Honda Pilots and Acura MDX vehicles offer 3 rd row seating not available in many comparable SUV's. Third row seating allows consumers to sit in the 3 rd row –positioning a row in between driver and consumer for safety purposes (kick/hit/punch/strangle). Due to remote locations of many homes – steep driveways/long lanes – all wheel drive is imperative for winter driving safety. In addition to the 3 rd row seating and all wheel drive features, the vehicles offer all leather seating preferable for longer wear when transporting consumers with issues of incontinence.
15. The 121 vehicles are assigned to specific residential sites, managers, and various departments, such as maintenance.	As of 7/11/08, Supportive Concepts for Families, Inc. fleet roster totals 113. A breakdown of their assignment is as follows: <div style="text-align: right; margin-right: 50px;"> MR/FL 75 MH/CHIPP 10 Nursing/Maintenance 11 (3 are equipment) Management 3 (Smith, Robinson, Altemos) </div>

SUPPORTIVE CONCEPTS FOR FAMILIES, INC.
BFO REPORT - JULY 1, 2005 through JUNE 30, 2007
SCFFI RESPONSE - STARTED RESPONSE: June 9, 2008

	Waiver	14
16. A review of the 48 month \$835 Acura lease identified the vehicle was acquired for and used by the CEO for 2 years.	All wheel drive vehicles were necessary for travel to and from multiple locations. This vehicle receives better gas mileage than a SUV. It is the only non SUV AWD vehicle available through the Corporate Account with American Honda Finance.	
17. The vehicle was subsequently transferred to a residential site prior to the expiration of the Acura lease at which time a lease of \$690 Honda Ridgeline was entered into for the CEO.	Transferred to home for safe winter travel and need for snow removal vehicle for use by CEO when clearing snow at Berks based sites. It is more cost effective to utilize CEO vehicle for snow removal and as part of employee benefit as compared to a Facility specific truck and/or third party vendor costs related to snow removal.	
18. SCFF is a member of COSTARS, a cooperative program offered-through the Commonwealth of Pennsylvania General Services Department.	COSTARS enrollment was approved as of August 26, 2005 (Attachment 3f, COSTARS); SCFFI was not in a position to purchase vehicles through COSTARS prior to 8/26/05; The use of COSTARS for vehicle purchases varies between approved dealers; an evaluation of the program reveals that several of the approved vendors are located in OH, DE and NJ; four (4) of the vendors are located in PA, specifically York, Broomall, Pottsville and New Holland; the resultant choice of vendor would be New Holland Auto Group which is located in Lancaster County 25 miles from Reading, PA, the closest vendor to our base of operations; the pricing is not pre-set, it is essentially 2% over dealer cost and varies from vehicle model/type and within the same type of vehicle model based on options and availability; financing is available and typically not offered at 100% on fleet COSTARS purchases; the financing typically requires a personal guarantor and is unique to the lending institution; please see (Attachment 3g, Toyota Van Bid); this bid reflects the cost of a van comparable to a Honda Odyssey and the only van available through COSTARS; according to Rick McCord at New Holland Ford availability becomes an issue with COSTARS purchases.	
19. One example of vehicles offered through COSTARS is a Chevrolet Impala which is the type of vehicle used by staff of the staff of the Pennsylvania Governor's Office.	Use of a Chevrolet Impala for meeting the transportation needs of consumers is a non viable option given they do not provide third row seating, 4x4 drive train, etc. Random selection of this private passenger vehicle does not meet the unique needs of a majority of consumers, many of which have ambulatory and/or challenges presented with gait, size, etc.	
20. The price to purchase an Impala through COSTARS IS \$15,241.	SCFFI contacted a COSTARS vehicle vendor; Rick at New Holland Ford to discuss the fleet program; the other vendors are located outside PA or in a location not conducive for purchases and they would present service, repair and warranty issues based on their location; the actual price of the "Impala" would be 2% of the net/net price after all considerations were given including but not limited to availability, location, extras and advertising costs. The costs reflected in the COSTARS member area for unique vehicles are inaccurate.	
21. At this price, SCFF could have purchased 4 Chevrolet Impalas to one Acura RL based on a comparison of total lease payments and buyout options at the end of the Acura's lease.	All wheel drive consideration, dependence on line of credit for vehicle purchase, pricing isn't accurate based on COSTARS program as the price varies dependant upon multiple factors. In addition, MDX and Pilots offer 3 rd row seating. Multiple consumers utilize the 3 rd row for safety reasons (i.e., kicking the driver or front seat passenger – hitting peers and or staff) and	

**SUPPORTIVE CONCEPTS FOR FAMILIES, INC.
BFO REPORT - JULY 1, 2005 through JUNE 30, 2007
SCFFI RESPONSE - STARTED RESPONSE: June 9, 2008**

	3 rd row seating cannot be obtained in a vehicle such as the Impala noted. Also, in some programs 3 rd row seating allows all consumers and staff to travel in one vehicle – without 3 rd row availability, the program would require a second vehicle. Second vehicle in the program would, in addition to the purchase or lease price, double gas expenses, insurance, general maintenance and upkeep, such as tires, oil, fluids.
--	---

ITEM NO. 3	
BFO FINDING	SCFFI RESPONSE
SCFF PURCHASED 2 VEHICLES FROM FAMILIES OF SCFF EMPLOYEES WITHOUT COMPETITIVE BIDDING	SCFF PURCHASED 2 VEHICLES FROM FAMILIES OF SCFF EMPLOYEES WITHOUT COMPETITIVE BIDDING
1. SCFF purchased 2 vehicles through SCFF management employees and/or their families which were not competitively bid as required by 55 Pa. Code Section 4300.143.	They were competitively bid; BFO cannot agree that the bid meets the requirements per the regulations; the regulations don't require a "proximity" test to determine validity and or address the use of the internet to determine pricing; Kelly Blue Book values are estimated regional market averages and should be considered as acceptable.
2. A 2005 Acura TSX was purchased at a cost of \$25,000 for use at a residential site and a 2001 Dodge Caravan was purchased at a cost of \$22,438.	The use was for a Life Sharing/Family Living site. The Acura TSX worked within the fleet as it relates to service, parts and repairs; the TSX purchased was the best price and had an extended warranty that other comparisons did not. The 2001 Grand Caravan was assigned to a new program (Rill Road) and has been utilized as the sole vehicle for the three (3) residents of the home.
3. SCFF used prices obtained through websites for vehicles located in the states of Virginia, Maryland and Washington as documentation that competitive bidding procedures were employed.	The 4300 regulations do not disqualify these web sites and or address the proximity required for the comparison to be valid; we believe that the bids are compliant with the requirement and in fact bidding procedures were employed; 50% of vendors through COSTARS are located in DE, NJ and OH, therefore our use of vendors outside PA for bidding purposes is acceptable.
4. 55 Pa. Code Section 4300.143 does not allow the purchase of goods and services from individuals who exercise management or operational control unless competitive bidding procedures are used.	Competitive bidding processes were followed for both purchases as stated by BFO in number 3 above and as verified in Attachment 3S-3.
5. The BFO cannot agree that the information obtained from the national web sites meets the requirements of competitive bidding.	We believe that the bids are acceptable based on the use of the internet from national sites; we are unsure of the regulation that is being identified/used to disqualify the bids and/or dismiss the use of national web sites as unallowable for comparison purposes.
CONTRACTOR SERVICES	CONTRACTOR SERVICES
1. The BFO obtained documents related to renovation and/or maintenance costs of residential sites.	
2. In many instances, 3 bids were not received as required by both 55 Pa. Code Section 4300.145 and the Berks County contract.	In the absence of three (3) bids a sole source letter was completed; Facility Manager did compare costs periodically to ensure pricing. Attachment 3n , Contractor Analysis

SUPPORTIVE CONCEPTS FOR FAMILIES, INC.
BFO REPORT - JULY 1, 2005 through JUNE 30, 2007
SCFFI RESPONSE - STARTED RESPONSE: June 9, 2008

3. In lieu of bids, SCFF frequently used a written memo stated “(Facility Manager) has determined the following job had to be performed by (contractor) who was the only contractor that could do the job in a timely manner.”	In many instances a Sole Source Letter was utilized based on many factors, including immediate/urgent placements, and a comparison was utilized (Attachment 3h, Sole Source Sample)
4. Competitive bidding was also not used for landscaping/cleaning costs and fencing/deck costs.	Annual examination that BY completed (Attachment 3i, cleaning bid & 3j, cleaning bid 2)
5. For example, the contract with the landscaper for Fiscal year 2005-06 did not include rates, locations, and services to be provided.	A Contract Addendum, noting week and hour timeframes for service duration, detailed description of services, fees and fee extensions, was put into effect November 2006. This same Contract Addendum was updated and utilized for FY 07/08, as well as the upcoming FY 08/09. (Attachment 3k, Nick K. Contract Addendum -FY-06/07)
6. Payments to the landscaper for Fiscal Year 2005-06 were approximately \$223,000.	Payments totaled \$223,012.75

ITEM NO. 3	
BFO FINDING	SCFFI RESPONSE
7. The previous 2 fiscal year contracts total \$388,683.	Actual payments for 04 = \$147,134.92 and 05 = \$232,319.05 for a combined total of \$379,453.97.
8. For furniture purchases, a local furniture dealer is awarded the majority of purchases without competitive bidding.	A greater emphasis to ensure that competitive bidding occurs on <i>all</i> furnishings that cost \$500.00 or more began October 2007. Each individual piece of furniture, as well as flooring and other projects in excess of \$500, has been properly bid and files maintained. Bid comparisons for furniture are for items of the same grade to ensure quality comparisons are included in the quoted price. Gilberts has been used extensively as they were able to offer us comparisons on three (3) grades of furnishings from which to select. SCFFI has also experienced that the furnishings purchased thru Gilberts are of higher quality and, thus, the durability and life of the product is enhanced. (Attachment 3l, Completed Bid Summary 1) (Attachment 3m, Completed Bid Summary II)
9. This practice does not provide the required assurance that the furniture is received at the lowest practicable cost.	See above, item 8.
HIGHLIGHTS OF RECOMMENDATIONS	HIGHLIGHTS OF RECOMMENDATIONS
SCFF should:	SCFF should:
1. Obtain competitive bids for all major purchases and acquisitions	See Summary response item #1.
ODP should:	ODP should:
2. Develop a policy on a maximum participation amount for vehicles, unless vehicle is purchased through COSTARS	
3. Determine the allowability of the \$903,418 cost of leased vehicles not bid	Regulation 4300.67(2) specifically discusses the “purchase” of vehicles shall be in compliance

SUPPORTIVE CONCEPTS FOR FAMILIES, INC.
BFO REPORT - JULY 1, 2005 through JUNE 30, 2007
SCFFI RESPONSE - STARTED RESPONSE: June 9, 2008

	with bidding requirements contained in 4300.145 and doesn't specifically state a lease arrangement.
4. and the \$47,438 charged for 2 vehicles purchased from SCFF family members	
COUNTIES should:	OMHSAS should:
1. Not reimburse SCFF for purchases and services not competitively bid.	
RECOMMENDATIONS	OTHER RECOMMENDATIONS
1. The BFO recommends SCFF obtain competitive bids for all purchases and acquisitions.	
2. The absence of competitive bids limits any assurance that the items were purchased at the lowest practicable cost.	
3. ODP and the Counties should not reimburse SCFF for vehicles without competitive bidding.	
4. ODP and the Counties should not reimburse SCFF for contractor services without competitive bidding.	
5. The \$903,418 cost of the 43 vehicles not competitively bid should be reviewed by ODP to determine if these costs are eligible for reimbursement.	The entire amount should not be disqualified. If any amount is determined to be unallowable it should be a calculation of the difference between a similar COSTARS vehicle (sedan, all wheel drive, van) and the vehicles leased through American Honda Finance.
6. Additionally, the allowability of the \$47,438 charged for 2 vehicles purchased from managing employees and/or their families should also be reviewed by ODP, and a decision rendered as to their eligibility for reimbursement.	To recap our position stated above, the competitive bid process was followed for the purchases and the transactions don't constitute a related party transaction and therefore should be allowable; the selling agents for the vehicles do not meet the criteria for related parties as defined in 4300.13 (a)(b).
7. The BFO also recommends SCFF consider purchasing all vehicles through COSTARS.	SCFFI will continue to adhere to the competitive bidding process for all purchases over \$500; we will utilize a COSTARS bid as a component of the bidding process and also consider other needs of the consumers that we support; financing considerations, funding levels and annual payment amount will all be considered as a basis for the vehicle selection and the information will be documented on the bid summary as to the basis for the determination.

ITEM NO. 3	
BFO FINDING	SCFFI RESPONSE
8. These vehicles are offered at pre-negotiated rates and are not subject to the bidding requirements.	Caution should be exercised with regard to the use of COSTARS as an absolute acceptable price; in our experience with other goods/products the best price available may be lower than COSTARS contracted amounts; specifically salt for snow/ice melt through COSTARS was more costly than other local vendors during the winter of 2008. In addition, all Microsoft software licensing purchases as well as some hardware purchases are more costly using COSTARS than what SCFFI has been able to negotiate with other vendors.
9. The BFO further recommends ODP develop a statewide policy on reimbursement of vehicles.	

SUPPORTIVE CONCEPTS FOR FAMILIES, INC.
BFO REPORT - JULY 1, 2005 through JUNE 30, 2007
SCFFI RESPONSE - STARTED RESPONSE: June 9, 2008

10. The policy should establish a maximum amount that DPW will participate in.	
11. Costs exceeding the maximum must be funded by the provider.	
12. The purchase of vehicles from COSTARS would be exempt from this policy.	