

December 12, 2016

ODP Year 9 Transportation Cost Report Instructions

Prospective Payment System
Rating Period: Fiscal Year
2017/2018 (July 1, 2017 –
June 30, 2018)

Commonwealth of Pennsylvania
Office of Developmental Programs

FINAL

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Background

Purpose

To enable the Office of Developmental Programs (ODP) to develop Fiscal Year (FY) 2017/2018 provider-specific rates and pay for transportation services through PROMISE, transportation providers who are Provider Type 26 are required to complete and submit a cost report using the Transportation cost report Excel file dated January 2017. The cost report will be completed based on the historical expense period of FY 2015/2016 (July 1, 2015 – June 30, 2016). The following document contains information for providers regarding how to complete the Excel file, as well as where and when the Excel file needs to be submitted. The document also contains guidance for Administrative Entities (AEs) regarding their role in reviewing the cost report submissions for providers who will provide trip services (i.e., W7274, W7275, W7276) during FY 2017/2018.

Cost Report Instructions and Excel Template

The Transportation cost report is available electronically in Microsoft Excel software and **must** be completed in the Excel format. Electronic versions of the cost report template and instructions can be found on the My ODP website at www.myodp.org. Upon accessing this website, navigate to the “Resources” drop-down menu and then select “Intellectual Disability” then “Cost Report”. Next, log in to the website with your MyODP user information. Under the heading “Year 9 Cost Report Instructions and Forms”, the documents are titled “Year 9 Transportation Cost Report Instructions” and “Year 9 Transportation Cost Report Template.”

Providers are required to complete the ODP Transportation cost report in the electronic Excel format and send it via email to the AE who qualified them to provide transportation services. AEs should not accept paper copies of completed cost reports. In addition, completed cost reports should not be uploaded to the ODP cost report website. After finishing the review, the AE must submit an electronic copy of the cost report to the ODP Regional Fiscal Officer with its recommendations.

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Cost Report Requirements

Submission Deadline

Providers who deliver transportation trip services are required to submit a completed electronic version of the cost report to the AE. Providers may email the completed cost report to the qualifying AE starting January 25, 2017 but no later than **February 17, 2017**.

Submission Requirements

Providers are required to submit a cost report that reflects actual FY 2015/2016 costs related to delivering transportation services to individuals with Intellectual Disabilities (ID) in the Consolidated and Person/Family Directed Support (P/FDS) Waivers. Please note that the Transportation cost report does **not** get uploaded to the cost report website, but rather should be emailed to the AE. The AE will collect provider cost reports, review the forms, develop recommendations and submit documents to ODP using the provider's electronic cost report dated January 2017.

Audit Requirements

The following is NEW: The audit requirements have changed from the previous year's requirements. The information presented here is consistent with the requirements communicated in June 2016 via ODP Announcement #041-16. Questions related to these audit requirements should be directed to ODP Regional Fiscal Officer (RFO) Agnes Rudolf at c-arudolf@pa.gov.

As mentioned last year, the following new audit requirements are applicable to fiscal years beginning on or after December 26, 2014. Audit thresholds, references, requirements, etc. have changed based on the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"),

which was effective for fiscal years beginning on or after December 26, 2014. **These changes affect the FY 2015/2016 AFS submission for most ODP providers.**

Audit requirements for providers delivering transportation services vary based on the types of services rendered by the provider and the associated level of expenditures. Note that if a provider enters into an agreement with a subcontractor for the performance of any primary contractual duties, the audit requirements are applicable to the subcontractor(s) with whom the provider has entered into an agreement. Consequently, the audit requirements must be incorporated into the contract between the provider and the subcontractor. Audit requirements are described below:

All providers who are submitting a single audit in accordance with the Uniform Guidance and/or Title 45 CFR 75.501 are required to include in their single audit reporting package a supplemental schedule, which is to be subjected to an Agreed-Upon Procedures engagement. The schedule, for which an example is provided below, is a reconciliation of the expenditures listed on the Schedule of Expenditures of Federal Awards (SEFA) to the Federal award income received from the Pennsylvania Department of Human Services (DHS), as noted in the revenue audit confirmation received from the Commonwealth of Pennsylvania. Providers must submit a copy of this audit confirmation as a separate AFS document. The procedures to be performed on the reconciliation schedule are as follows:

- A) Agree the expenditure amounts listed on the reconciliation schedule under the “Federal Expenditures per the SEFA” column C to the audited Schedule of Expenditures of Federal Awards (SEFA).
- B) Agree the receipt amounts listed on the reconciliation schedule under the “Federal Awards Received per the audit confirmation reply from Pennsylvania” column D to the subrecipient Federal amounts that were reflected in the audit confirmation reply from the Office of Budget, Comptroller Operations.
- C) Recalculate the amounts listed under the “Difference” column E and the “% Difference” column F.
- D) Agree the amounts listed under the “Difference” column E to the audited books and records of the Provider.
- E) Agree the “Detailed Explanation of the Differences” to the audited books and records of the Provider.
- F) Based on the procedures detailed in paragraphs (A) through (E) above, disclose any adjustments and/or findings which have not been reflected on the corresponding schedules (list each separately).

Example: Reconciliation between SEFA and Revenue Confirmation Reply

Year Ended June 30, 2016

OFFICE OF DEVELOPMENTAL PROGRAMS SUPPLEMENTAL SCHEDULE

RECONCILIATION

Federal Awards Passed through the Pennsylvania Department of Human Services
Expenditures per the SEFA to Revenue Received per the Pennsylvania Audit Confirmation Reply

(A)	(B)	(C)	(D)	(E)	(F)	(G)
CFDA Name	CFDA Number	Federal Expenditures per the SEFA	Federal Awards Received per the Audit Confirmation Reply from Pennsylvania	Difference (C-D)	% Difference (E/D)	Detailed Explanation of the Differences
Medical Assistance Program	93.778	\$ 9,864,727	\$ 8,539,468	\$ 1,325,259	15.52%	\$452,049 represents a timing difference; \$873,210 represents vendor-type services erroneously included in the SEFA
Special Education - Grants for Infants and Families	84.181	\$ 113,162	\$ -	\$ 113,162	100.00%	Vendor-type payments erroneously included on the SEFA

- Any provider who signs a county contract for Base funds is required to comply with the terms of the contract.
- All Waiver services whose transportation trip rates will be developed based on the ODP Cost Report (i.e., cost-based services) are deemed to be subrecipient services. Federal awards expended as a subrecipient are subject to all Federal audit requirements, including the Uniform Guidance and Title 45 CFR 75.501. Please note that transportation trip services are considered subrecipient-type services and are considered for the dollar thresholds that follow.
- A provider that expends less than \$500,000 in combined federal and Commonwealth funds during the FY 2015/2016 reporting period is exempt from DHS audit requirements for the Waiver program, but is required to maintain auditable records for each program year. Records should be available for review by DHS or its designee. If an audit is required for other programs in which the provider may participate, the provider must include the Waiver program in the audit, and submit a copy of the audit, even if funds expended are less than \$500,000.

- Providers who expend \$500,000 or more in combined federal and Commonwealth funds during the FY 2015/2016 reporting period (but less than \$750,000) are **not** required to have a Compliance Attestation completed in accordance with the American Institute of Certified Public Accountants' (AICPA) Statement on Standards for Attestation Engagements (SSAE) No. 10 (AT § 601, Compliance Attestation). This may be a requirement in future years of the PPS. For the FY 2015/2016 reporting period, providers who meet these expenditure criteria are exempt from DHS audit requirements for the Waiver program. However, providers are required to maintain auditable records for each program year and the records should be available for review by DHS or its designee. If an audit is required for other programs in which the provider may participate, the provider must include the Waiver program in the audit, and submit a copy of the audit, even if funds expended are less than \$750,000.
- Non-county providers expending \$750,000 or more in combined federal and Commonwealth funds on Waiver cost-based transportation trip services during the FY 2015/2016 reporting period must have an independent audit of their financial statements conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS), also known as Yellow Book. In instances where the provider expends \$750,000 or more in federal funds, they are subject to the Uniform Guidance (Single Audit); Title 45, CFR 75.501 (federal guidance regarding audit requirements of for-profit entities) and any other federal requirements.

Please note that all for-profit entities that expend \$750,000 or more in federal funds may choose to provide a program-specific Yellow Book audit, as permitted by Title 45 CFR 75.501. All providers that expend \$750,000 or more in combined federal and Commonwealth funds, but less than \$750,000 in federal funds, are required to submit a Yellow Book audit. For purposes of this requirement, a Yellow Book audit has the same meaning as is described in Yellow Book Section 2.07a, financial statement audits (the 2011 version of the Yellow Book). Such providers are required to submit a complete set of financial statements, including notes thereto, prepared in accordance with Accounting Principles Generally Accepted in the United States of America (US GAAP), as of the provider's fiscal year end. These financial statements must be audited in accordance with Auditing Standards Generally Accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. As such, the auditor must include a report on the financial statements and also a report on internal control over financial reporting and compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

County transportation providers must include the transportation expenses/revenues in their county audit.

- Providers who incur expenses for Waiver transportation trip Cost Report-based services and also have expenses for fee schedule services and/or outcomes-based services must meet the \$750,000 threshold for subrecipient-type expenditures to

meet the independent audit submission requirement. The total expenses for FY 2015/2016 fee schedule and outcomes-based services are not included in the determination of the \$750,000 threshold. Base-funded fee schedule services and Base-funded outcomes-based services are also not included in the determination of the \$750,000 threshold. However, if the provider is required to have a Single Audit or Yellow Book audit performed for other federal funding, such provider is required to submit a copy of its Single Audit or Yellow Book audit to ODP.

Additionally, if a provider has other lines of business (LOBs) where the services provided are deemed to be subrecipient-type services, the expenditures related to subrecipient-type services should be included in the determination of the \$750,000 threshold. For example, if a provider has \$300,000 in expenses for Waiver cost-based services, \$400,000 in expenses for fee schedule services, and \$450,000 in expenses for services deemed to be subrecipient-type services related to the provider's other line(s) of business, the provider would meet the \$750,000 ($\$300,000 + \$450,000 = \$750,000$) threshold for subrecipient-type expenditures, thus requiring an independent audit submission. If in this example, the expenses for services deemed to be subrecipient-type services for the provider's other line(s) of business were \$250,000 instead of \$450,000, the provider would not meet the \$750,000 ($\$300,000 + \$250,000 = \$550,000$) threshold for subrecipient-type expenditures and would not be required to submit an independent audit.

All providers who are required to submit the Year 9 Cost Report (Residential Eligible and Transportation Trip services), and who are required to submit an independent audit based on the expenditure thresholds, must include a supplemental schedule in their AFS that is specific to the Waiver LOB expenses for the FY 2015/2016 reporting period. This Waiver LOB schedule should mirror Column E of Schedule A of the Cost Report. The supplemental schedule should be consistent with and reflect the exact same level of detail as Schedule A, Column E, Lines 1 through 12. Note that contributions/revenue amounts on Line 11 of Schedule A are to be included as part of this supplemental schedule.

Regardless of the provider's fiscal year end, the AFS must also include an additional supplemental schedule that reconciles the Cost Report **Waiver** expenses (Schedule A, Column E) for the FY 2015/2016 reporting period, as reported in the Cost Report, to the **Waiver** LOB supplemental schedule of expenses identified in the audit, as described above.

Both of these supplemental schedules (Waiver LOB and reconciliation) must be subjected to the auditing procedures applied in the audit of the basic financial statements, and include an opinion on whether these supplemental schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole, as described in AICPA Statement on Auditing Standards No. 122, AU-C §725 Supplementary Information in Relation to the Financial Statements as a Whole (AU-C §725). If the audit is on a reporting year other than fiscal year end June 30, then the auditor does not need to issue an opinion on the supplemental schedules.

- Providers should prepare their financial statements in accordance with the financial reporting policies outlined in the Cost Report instructions document, US GAAP and 55 PA Code Chapter 51, rather than the 4300 regulations.

Reconciliation of Audited Financial Statements to Cost Report

AEs will compare the provider's total Waiver transportation trip expenses reported in the Transportation cost report (Schedule A, Column E) to the audited financial statement (AFS) reconciliation supplemental schedule for the Waiver LOB (as described above).

Submission of Audited Financial Statements

Audit reports that support the historical reporting period (July 1, 2015 – June 30, 2016) must be emailed to the AE (unless the provider also delivers Residential Eligible cost-based services and therefore is required to upload the audit report to the ODP cost report website) within nine months from the close of the FY, or by the due date of the cost report, whichever is later.

For providers subject to audit, failure to submit an audit within nine months from the close of the provider's accounting period (or by the due date of the cost report, whichever is later) will result in ODP assigning a payment rate(s) to the provider. Failure to submit a revised cost report due to differences resulting from audit adjustments, if applicable, within 30 days of the date the final audit was issued, may also result in ODP assigning a rate(s).

The following is NEW: No extensions will be granted for AFS submissions. Please note that even if the Cost Report due date is later than nine months after the close of the FY, Single Audits must still be submitted to the Bureau of Audits (BOA) within the nine-month time frame.

All audits should be emailed to the AE and should not be uploaded to ODP via the cost report submission website (unless the provider also delivers non-transportation cost-based services and therefore is required to upload the audit report to the ODP cost report website). For single audits, a copy of the confirmation from the FAC should be emailed to the AE conducting the desk review and the Regional Fiscal Officer, as appropriate.

All providers that meet the thresholds must submit their audits to the FAC and provide a copy of the confirmation from the FAC to BOA (see BOA email address below) within the nine-month time frame.

Office of Comptroller Operations
Bureau of Audits
Special Audit Support Services
RA-BOASingleAudit@pa.gov

Instructions for submitting these audits to BOA can be obtained from their website:
http://www.budget.pa.gov/Services/ForGranteesAndSubrecipients/Pages/SingleAuditSubmissions.aspx#.V1Hi_HrD-Hs

Audit confirmation requests should be sent to:

Office of Comptroller Operations
Division of Quality Assurance
RA-QAPromiseConf@pa.gov

In addition to GAGAS and Uniform Guidance audit requirements, ODP may conduct limited scope audits on the cost report. The focus of these audits will be to ensure that only allowable Waiver expenses have been included in the cost report (i.e., Column E of Schedule A).

Audit Findings

Providers are responsible for preparing a Corrective Action Plan (CAP) to address all findings of noncompliance, internal control weaknesses, and/or significant deficiencies disclosed in the audit report. For each finding noted, the CAP should include: (1) a brief description identifying the finding; (2) whether the provider agrees with the finding; (3) the specific steps taken or to be taken to correct the deficiency, or specific reasons why corrective action is not necessary; (4) a timetable for completion of the corrective action steps; (5) a description of monitoring to be performed to ensure that the steps are taken; and (6) the responsible party for the CAP. The CAP should be sent to the same location as the Audit Report (the AE or the Office of Comptroller Operations).

Audit Adjustments

If the provider has audit adjustments resulting from an independent audit, and the audit adjustments result in a difference that is greater than 1% of total Waiver transportation costs, the provider must send a restated Transportation cost report that incorporates the audit adjustments to their qualifying AE via email. If a restated cost report is necessary, the restated cost report must be submitted within 30 days of the date the final audit was issued. If not submitted within 30 days of the date the final audit was issued, ODP may assign a rate(s). If the audit is completed earlier than nine months after the FY end, the restated cost report may be required to be submitted prior to the nine-month deadline. A provider is required to submit a restated cost report if differences due to the audit adjustment results in a downward adjustment to the rate. For upward adjustments due to differences resulting from audit adjustments, it is the provider's decision whether or not they choose to submit a restated cost report. Please note that ODP will not accept restated cost reports for upward adjustments unless the audit adjustment is proposed by the provider's independent auditors.

If ODP determines that rates should be adjusted to reflect the audit adjustments, the Regional Fiscal Officer will work with the AE to establish the revised rates, which will be communicated to the provider after the initial release of provider rates (anticipated to take place in May or June of each year).

If the impact of the audit adjustments results in a difference of 1% or less of total Waiver transportation expenses, the provider may **not** restate the cost report. In these cases, if such adjustments are the result of an inappropriate methodology and would also apply to the next FY, the provider should include those audit adjustments in the following year's cost report. AEs will review the cost reports to ensure audit adjustments were properly applied.

For Bureau of Financial Operations (BFO) audits, ODP will communicate any necessary adjustments to the provider and applicable AE. It is recommended that if a BFO audit results in adjustments to reported costs in previous years, those same adjustments should be applied to future cost reports, if applicable, to avoid delays or additional adjustments to submitted cost reports.

Technical Assistance Resources

The E-help desk (odpcostreporthehelp@mercer.com) is currently closed and is not responding to questions. Providers who have questions as they are completing the Transportation cost report should contact their Regional Fiscal Officer (as follows) for assistance.

Central Region

Carol Harty
717 214 6727
c-charty@pa.gov

Northeast Region

Agnes Rudolf
215 560 6292
c-arudolf@pa.gov

Southeast Region

Agnes Rudolf
215 560 6292
c-arudolf@pa.gov

Western Region

Agnes Rudolf
215 560 6292
c-arudolf@pa.gov

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Completing the Cost Report Template

Situations Requiring Completion of Transportation Cost Report

Organizations that are Provider Type 26 who historically provided trip services need to complete a transportation cost report based on the FY 2015/2016 historical reporting period.

Please see the following paragraphs for additional explanation on each of the transportation trip services. The trip service definitions effective as of July 1, 2012 are also outlined below.

Trip (Zone): W7274, W7275 and W7276

Transportation services based on per trip rates include W7274, W7275 and W7276. These services may also be referred to as “per zone” services. Providers who deliver these services are required to complete the Transportation cost report in order to obtain provider-specific rates for this service. In determining an individual’s Zone, you must identify the exact mileage for the individual from their pick-up to the drop-off point, regardless of the number of miles they ride on the vehicle. For example, if Person A’s home is located 10 miles away from his/her day program, then he/she receives the Zone 1 service. This is the case even if he/she is the first person picked up and is on the vehicle for 21 total miles (i.e., other people are picked up en route to the day program).

Transportation trip service definitions define Zone 1 (W7274) for all providers as trips that are greater than 0 and up to 20 miles. Zone 2 (W7275) is defined as trips that are greater than 20 miles and up to 40 miles. Zone 3 (W7276) is defined as trips that are greater than 40 miles and up to 60 miles. Providers who delivered per trip (zone) services during FY 2015/2016 must allocate their historical trips and corresponding expenses to each of these procedure codes based on the mileage of each trip. The mileage that determines a trip zone is calculated by determining the distance from each

specific individual's home to his/her service location or from the service location to the individual's home. The amount of miles calculated to arrive at a particular zone is calculated by taking the most direct route from the individual's home to the service. Each transportation provider must have the data to support each individual's trip (start point is the individual's home for pick up and address of drop off will determine the number of miles and zone). The mileage that determines the zone for each person does not take into account the total miles a person may be on a vehicle going to pick other individuals up, only the miles from each individual's home to his/her service location as indicated above. Taking an individual to a service and returning the individual to his/her home is considered two trips or two units of service. (Note: Individuals within different zones may ride on the same vehicle).

Providers that transport more than 6 participants at a time are required to have an aide in the vehicle. If a provider transports 6 or fewer participants, the provider has the discretion to determine if an aide is required. The determination must be based upon the needs of the participants, the provider's ability to ensure the health and welfare of participants and consistency with ODP requirements for safe transportation. Transportation providers may be subject to additional ODP criteria. Guidance for how to report aide expenses is provided for Line 2 of Schedule A.

Overview of Cost Report Template

The Transportation cost report Excel template is intended to support the AE in the review and recommendation of transportation rates to ODP. All schedules must be fully completed or the provider risks having their cost report rejected. The cost report contains the following schedules:

- Instructions
- Certification Page
- Certification Page – Provider Service Locations
- Schedule A – Expense Report
- Schedule B – Provider Comments and Allocation Methodology

Completing the Cost Report Template

The following paragraphs provide an overview of each of the cost report schedules, along with an explanation of how they need to be completed. Additional detail is provided in the Excel template file on the "Instructions" tab.

Instructions

This tab contains an overview of the submission requirements, as well as detailed information on how to complete each line of each schedule. Providers should review this information in detail to ensure they are completing the cost report in compliance with the instructions.

Certification Page

The Certification Page collects provider identifying information. It also requires the provider to certify that the information reported in the Excel template is appropriate. Providers should refer to the “Instructions” tab in the Excel template for detail on how to complete each line on this schedule.

Certification Page – Provider Service Locations

The Certification Page – Provider Service Locations schedule is used to collect data on the transportation trip procedure codes delivered at each service location during the historical reporting period. Providers should refer to the “Instructions” tab in the Excel template for detail on how to complete each column of this schedule.

Schedule A – Expense Report

The purpose of Schedule A – Expense Report is to collect actual FY 2015/2016 transportation expense data by specified categories for Consolidated and P/FDS Waiver participants, transportation service expenses for non-Waiver participants and for the provider in total. Details on each of the columns and lines are provided below.

Overview of Columns in Excel Template

Schedule A of the Excel template contains eight columns that need to be completed.

Total Provider Expenses for all transportation services should be reflected in Column A. For each line, the value reported in this column will equal the sum of the values reported in Columns B, C, D and E. Formulas have been included in this column of the template so no provider entry is required.

Total Expenses in Column A should be allocated accordingly across Columns B through E. Column A is broken down into four categories:

- Column B collects expenses for those services delivered under other lines of business for the provider, as well as any non-allowable expenses (see Appendix A). This column should also include expenses for transportation – mileage and transportation – public services provided under the Waiver.
- Column C collects expenses for transportation services delivered to Base individuals.
- Column D collects expenses for transportation services delivered on a sub-contracted basis for residential providers.
- Column E reflects expenses for cost-based transportation services (i.e., per trip services) delivered to Waiver participants.

Column E expenses are automatically calculated as the sum of Columns F through H. Column E contains a formula in the template so no provider entry is required. Column E is broken out into the following Waiver per trip services:

- Column F (Zone 1 is >0 - 20 miles)
- Column G (Zone 2 is >20 - 40 miles)
- Column H (Zone 3 is >40 - 60 miles)

Selection of Services

When determining how to populate Columns F through H, the provider must identify the procedure codes for which actual costs for transportation services were incurred during FY 2015/2016.

As previously described, the cost report service selections are limited to trip (i.e., zone) services, since these are the only transportation services that were Waiver cost-based services during FY 2015/2016.

Cost Categories: Lines 1 through 10

The following table outlines appropriate cost categories on Schedule A for which providers will report their expenses. As in past years, note that all expenses reported in Columns F through H need to comply with the allowable cost policies outlined in Appendix A (Excluded Non-Allowable Waiver Expenses). To the extent providers incurred costs for non-allowable items, these expenses should be reported in Schedule A, Column B.

Line Number	Cost Category	Description
1	Personnel – Drivers, Dispatchers	This line collects wages, benefits and employee-related expenses for the driver and associated staff (e.g., dispatcher). Note that expenses for aides on the vehicles should not be reported on this line, as those expenses are reported on Line 2. In addition, expenses for administrative staff should not be reported on this line, as those expenses are reported on Line 9.
2	Personnel – Aides	This line collects wages, benefits and employee-related expenses for aides who were needed in the vehicles to safely transport the individuals to and from their service[s].

Line Number	Cost Category	Description
3	Vehicle Lease/Depreciation	<p>This line collects payments made for leasing vehicles. It also collects depreciation expenses recognized for vehicles that can be directly attributed to transporting Waiver participants¹ and that exceed \$5,000. Vehicles should be depreciated over the useful life of the vehicle and modifications should be depreciated over the remaining life of the vehicle using a reasonable depreciation schedule.*</p> <p>*Supporting schedules should be provided by the transportation organization to support the depreciation and other related expenses reported on this line.</p>
4	Insurance	This line collects costs for automobile and liability insurance. These costs should be reported net of recoveries from insurance claims.
5	Vehicle Repairs and Maintenance	This line collects costs for routine maintenance (e.g., oil changes, tire replacement) and non-routine repairs (e.g., brake replacement) that are necessary to maintain the vehicle in a clean, safe and reliable working condition.
6	Fuel	This line collects the cost for gasoline or diesel fuel used in the transportation of individuals enrolled in the Waiver.
7	Expenses For Contracted Services	This line collects expenses paid by other providers on a sub-contracted basis for transportation (e.g., contracts with a residential provider).

¹ Please note that costs for leasing and/or purchasing luxury or “loaded” vehicles are not recognized as an allowable cost for the Waiver. These expenses should be reported in the “Other LOB Expenses” column (Column B).

Line Number	Cost Category	Description
8	Other	<p>This line collects miscellaneous vehicle expenses that can be directly attributed to the provision of transportation services. Examples include vehicle license renewals, registration fees and taxes.</p> <p>If the Waiver Expense categorized as "Other" (Column E, Line 8) accounts for more than 5% of the Total Waiver Expenses (Column E, Line 10), a detailed itemization of these costs needs to be included in Schedule B, Line 2.</p>
9	Administration	<p>This line includes expenses related to the cost to maintain vehicle logs, coordinate rides and otherwise administer the transportation services that are rendered to Waiver participants, including the salary and employer related expenses (e.g., taxes, workers' compensation and benefits) for administrative staff.</p> <p>If the Waiver Expense categorized as Administration (Column E, Line 9) accounts for more than 5% of the Total Waiver Expenses (Column E, Line 10), a detailed itemization of these costs needs to be included in Schedule B, Line 2.</p>
10	Total Expenses	<p>This line automatically calculates by taking the sum of the expenses reported on Lines 1 through 9.</p>

Contributions/Revenue (Offset): Line 11

The costs outlined above are offset by contributions and revenues that were obtained for general use and not restricted to a specific purpose. These revenues are reported on Line 11 and are used to reduce provider expenses. Examples of items that are reported on Line 11 include: investment income, other revenue (including gains/losses from sale of assets), non-restricted/appropriated United Way contributions, non-restricted/appropriated contributions and government grants such as PennDOT grants. Providers should report all expenses associated with grant funds as well as respective offsets. Revenue should only be reported on Schedule A, Line 11 if the expenses tied to the revenue are reported on Schedule A, Lines 1 through 9.

The Total Net Expenses on Line 12 will automatically calculate by taking the Total Expenses on Line 10 and subtracting the Contributions/Revenue (Offset) on Line 11.

Units: Line 13

To establish rates for transportation services, the net costs must be divided by an appropriate number of units, as reported on Line 13. The basis for determining units is described below.

For trip (i.e., zone) services, the unit basis is a trip. For Columns F through H, Line 13 should reflect the number of trips that were made in the FY 2015/2016 time period (i.e., same time period as the reported costs). This does not include “no show” trips when a Waiver participant did not receive the service.²

The Cost per Unit on Line 14 will automatically calculate by taking the Total Net Expenses on Line 12 divided by the units on Line 13.

There are several considerations for establishing a reasonable utilization base for rate development. Factors that impact the number of units of service that are expected to be billed include:

- Efficiency – ODP expects that AEs will encourage efficient use of transportation services and require that providers are rendering services using the most direct routes between destinations
- Coordination of trips – ODP expects that AEs will monitor transportation providers to ensure providers are using multiple-passenger trips where appropriate

The AE should consider these factors in reviewing and recommending the transportation rates for a provider. The utilization base should be established consistent with the approach that will be used for payment. For example, if the provider is allowed to bill a trip for each Waiver participant in the vehicle, the number of units should also reflect the count of the individuals.

Mileage Ranges, Average Mileage, Average Number of Individuals with ID and Average Cost per Individual per Mile: Lines 15 through 19

As mentioned previously, all schedules, columns and lines of the cost report need to be completed, including Lines 15 through 19. **If the provider does not populate these fields, their Transportation cost report will be rejected and rates will be assigned by ODP.**

The mileage ranges (Lines 15 and 16) are defined in the service definition for the trip service. The shortest mileage driven per trip (Line 15, lower bound) and the longest mileage driven per trip (Line 16, upper bound) are reported on these lines. No provider entry is required.

² Providers are not able to submit an invoice for a “no show.”

The average mileage (Line 17) should reflect the number of miles, on average, traveled per trip during the entire reporting period (FY 2015/2016). For example, an organization provides 10 transportation trip services using Zone 1 transportation. The provider drove 10 miles on 5 of the trips and drove 20 miles on each of the other 5 trips. In Column F, Line 17, the provider would enter an average mileage value of 15 (i.e., $[10 \text{ miles} * 5 \text{ trips} + 20 \text{ miles} * 5 \text{ trips}] / [10 \text{ total trips}]$).

The average number of individuals with ID (Line 18) should reflect the number of individuals with ID, on average, that you transport per trip during the entire reporting period (FY 2015/2016). Continuing with the same example, for the same 10 transportation trip services provided in Zone 1, if 4 individuals with ID were transported on 5 trips and 6 individuals with ID were transported on 5 trips, you would enter the average number of individuals with ID in Column F, Line 18 as 5 (i.e., $[4 \text{ individuals} * 5 \text{ trips} + 6 \text{ individuals} * 5 \text{ trips}] / [10 \text{ total trips}]$).

The average cost per individual per mile (Line 19) is automatically calculated as the cost per unit (Line 14) divided by the average mileage per trip (Line 17) and then divided by the average number of individuals with ID per trip (Line 18). No provider entry is required.

Schedule B – Provider Comments and Allocation Methodology

Line 1 of this schedule requires the provider to enter a detailed description of the allocation methodology used to distribute total provider transportation expenses across the various columns of Schedule A (e.g., Other LOB, Base, Waiver, etc.). Line 2 of this schedule allows the provider to input clarifying comments specific to the information reported on Schedule A. If the provider runs out of room on this schedule, supplemental schedules should be emailed to the AE.

Provider Documentation Requirements

ODP expects that transportation providers will maintain documentation that supports the expenses reported in the cost report and the claims submitted to PROMISE. This documentation will be submitted to the AE so rate review and development can occur and so that the AE can submit all necessary information to ODP for approval of the final rates. Any additional information needed to support rate development, approval and claims validation should be submitted to the AE, and must be available to ODP upon request. Examples of appropriate documentation include vehicle mileage logs, supporting schedules for depreciation expenses, Waiver participant census records, individual trip data or other sufficiently detailed methodology to record the actual utilization. This data will support audit and monitoring functions and may potentially be reviewed in future rate setting activities.

Administrative Entity Role

This section provides guidance to the AE for collecting, reviewing and submitting recommended FY 2017/2018 rates to ODP for transportation services. Consistent with the cost reporting process for non-transportation Waiver services and as outlined in these instructions, the AE will coordinate the submission of cost reports for providers of transportation services covered under the Consolidated and P/FDS Waivers. The provider cost reports must be used by the AE in establishing the Prospective Payment System (PPS) rates for transportation services, which will be effective July 1, 2017.

AEs will assist providers in completing and submitting the transportation cost report and AFS. In order to ensure consistency across the Commonwealth, AEs are responsible for discussing all provider questions with their ODP Regional Fiscal Officer prior to responding to the provider. Upon collecting the completed Transportation cost reports, AEs will review the reporting for reasonability, compare the reporting to the AFS (as applicable), and determine if the cost report should be approved.

In cases where the cost report fails the AE's review (i.e., reporting is inaccurate) and the provider does not revise the cost report prior to the deadline, ODP will assign rate(s) to the provider. For cost reports that are approved, AEs will then develop FY 2017/2018 rate recommendations for final sign-off by the ODP Regional Fiscal Officer.

Upon completion of these steps for each of the AEs' providers, AEs will send an email to the ODP Regional Office no later than **February 28, 2017** with:

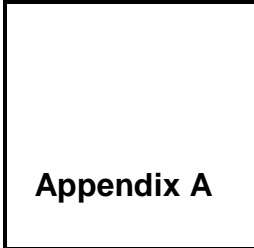
- Electronic copy of the provider completed cost report
- Completed Transportation Approval Memorandum, if appropriate (Note that AEs should not send this directly to the provider)
- Recommended rates related to the cost report

Note: If a provider's cost report fails the AE's review, the AE should contact the RFO to discuss the reasons for failure and to determine how to obtain a corrected cost report. Providers must revise and resubmit their cost report to their qualifying

AE or the RFO, as directed, if the provider wants their expenses used in rate development. All resubmitted cost reports must be received no later than February 28, 2017. The qualifying AE is then responsible for sending the updated cost report, updated rate recommendations, and updated Transportation Approval Memorandum (as applicable) to the ODP Regional Office.

ODP will review the AE rate development and recommendations and retain final approval authority over all prospective transportation rates. Transportation providers and AEs are responsible for providing information to ODP to support the recommended rate(s) when needed. ODP will evaluate the Transportation cost reports and AE rate recommendations and will make a final determination to either accept the recommended rate(s), request additional information regarding the recommended rate(s) or request revision of the recommended rate(s). ODP will make the final transportation rate determinations by **March 21, 2017** and will send the Memorandum of Approval via email directly to the provider and copy in the qualifying AE. All final transportation rates will be communicated to providers at the same time the interim cost report rates for cost-based services are communicated to providers (typically in May or June).

ODP is available to provide technical assistance to the AEs and will monitor the process to ensure consistent rate development processes across the Commonwealth.



Excluded Non-Allowable Waiver Expenses

As in past years, all Waiver expenses reported in Columns E through H of Schedule A need to comply with ODP's allowable cost policies. To the extent providers incur costs for items deemed to be non-allowable (as outlined in this appendix), these expenses must be reported in Column B of Schedule A.

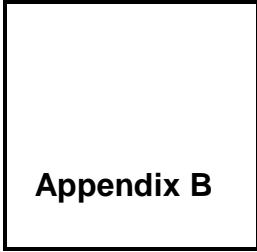
Excluded Non-Allowable Waiver Expenses

Certain types of expenses that providers may incur when delivering Waiver services are not allowable per the instructions, other ODP guidance, and OMB circulars. These expenses must be excluded from the Waiver columns of Schedule A (Columns E through H) and reported in Column B. Examples of non-allowable expenses include, but are not limited to:

- Advertising (except for staff recruitment purposes), marketing and public relations expenses (except for outreach activities)
- Alcoholic beverages
- Amounts in excess of the actual lessor expenses
- Bad debt
- Bail for participants
- Book versus straight-line depreciation expense
- Benefits for contract staff
- Compensation paid to a non-provider employee who is a member of the corporate board
- Contributions to contingency reserves
- Entertainment/recreation expenses for participants and provider staff (e.g., cost of admission to sporting events, movie tickets, etc.)
- Excessive interest expense (Per the Uniform Guidance, reasonable interest expenses are defined as expenses resulting from interest rates that are no greater than the fair market rate available to non-profit organizations from an unrelated third

party. Therefore, anything in excess of a fair market rate would be deemed excessive.)

- Federal, State and local income taxes, as well as unrelated business income taxes
- Fines or penalties
- First class transportation
- Food purchased for entertainment or meetings
- Fundraising expenses
- Goodwill
- Litigation expenses incurred against ODP or any other Commonwealth agency (unless the provider prevails at the hearing)
- Lobbying expenses
- Luxury items such as luxury or “loaded” vehicles (leased or purchased) and extensive improvements to administrative offices
- Rents in excess of fair market value
- Retained revenue/earnings and/or margin (note that amounts for retained revenue/earnings and/or margin are not to be reported as expenses in any of the Cost Report schedules)



Anticipated Timelines

Anticipated Timelines

Tasks for Prospective Rating Period of FY 17/18	July		August		Sept		Oct		Nov		Dec		Jan		Feb		Mar		Apr		May		June	
	1-15	16-31	1-15	16-31	1-15	16-30	1-15	16-31	1-15	16-30	1-15	16-31	1-15	16-31	1-15	16-28	1-15	16-31	1-15	16-30	1-15	16-31	1-15	16-30
ODP publishes transportation cost report (CR) instructions and template																								
Providers complete transportation CR and email to AE																								
AEs DR transportation CRs																								
Providers on a CY must submit CY 2015 Audited Financial Statements (AFS)																								
Providers on a FY must submit FY 15/16 AFS																								
ODP conducts rate-setting activities																								
ODP distributes proposed FY 17/18 rates to providers																								