



## LICENSING ALERT

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Acting Deputy Secretary for Quality Assurance

February 2011

Division of Drug and Alcohol Program Licensure  
Licensing Alert 01-11

### FINANCIAL AUDITS

28 Pa. Code § 709.25(a) requires that the project “obtain the services of an independent public accountant for an annual audit of financial activities associated with the project’s drug/alcohol abuse services.” Pursuant to this regulation, all projects operating freestanding treatment facilities are required to obtain an annual audit.

Because of the expenses that may be incurred by projects to procure the services required to complete the annual audit, if certain conditions exist, the Department of Health (Department), Division of Drug and Alcohol Program Licensure (Division) will consider granting an exception to this regulation. Under the following circumstances, the Division may grant a request for an exception from the requirements of 28 Pa. Code § 709.25(a):

- The project’s exception request includes a signed statement from the Project Director that:
  - The project’s annual gross revenue received from the licensed drug and alcohol facility operations for the fiscal year immediately prior to filing the exception did not exceed \$500,000; and,
  - The project’s expected annual gross revenue from the licensed drug and alcohol facility operations in the fiscal year when the exception is requested, as may be indicated in the project’s budget, will not exceed \$500,000.
- The project’s exception request includes a written explanation of the alternative procedure the project will employ to ensure the accuracy of the project’s financial records and ongoing awareness of the project’s financial stability.
- The project shall maintain on-site for review by the Division, other financial documents relating to the project’s operations (e.g., payroll records, staffing records,

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agreements for third-party reimbursement, agreements with Single County Authorities, annual tax returns, annual budget records, etc.).

The Division may also grant requests for exceptions submitted by projects which do not meet the circumstances above. Requests for exceptions by providers not meeting the above criteria will be reviewed and granted on a case-by-case basis. In all cases, the Division reserves the right to deny any request for an exception, even if the project meets the circumstances listed above.

All requests for exceptions must be submitted in accordance with and are subject to 28 Pa. Code §§ 701.11-701.12 and 709.4-709.5. Exception requests submitted under this Alert shall include the following information:

- Name of facility(ies), facility license number(s).
- A reference that the request is submitted to seek an exception from the requirements of 28 Pa. Code § 709.25 (a).
- All information required by this Alert as listed above.
- Documentation of governing body approval of the request.

The project shall notify the Division in writing if any of the information submitted with an exception request changes before or after an exception is granted. The project should send the notification to the Division no later than 30 days after the project becomes aware of the change. Failure to timely notify the Division of the change may result in revocation of a granted exception.

Requests for exceptions and all other information required by this Alert shall be submitted to:

Pennsylvania Department of Health  
Division of Drug and Alcohol Program Licensure  
132-A Kline Plaza  
Harrisburg, PA 17104

Questions on this Alert may be directed to the Division of Drug and Alcohol Program Licensure, telephone 717-783-8675.

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