



pennsylvania
DEPARTMENT OF PUBLIC WELFARE

FEB -2 2012

Mr. Ron Melusky, Director
Adult Residential Licensing
Room 631, Health & Welfare Building
7th & Forster Streets
Harrisburg, Pennsylvania 17120

Dear Mr. Melusky:

I am enclosing the final report of the audit of the Adult Residential Licensing office as prepared by this office. Your response has been incorporated into the final report and labeled Appendix A.

The report contains the findings and recommendations that were discussed at the exit conference on January 20, 2012.

The final report will be forwarded to the Department's Office of Administration (OA) to begin the Department's resolution process concerning the report contents. The staff from the OA may be in contact with you to follow up on the actions taken to comply with the report's recommendations.

I would like to extend my appreciation for the courtesy and cooperation extended to my staff during the course of fieldwork.

Please contact Alexander Matolyak, Audit Resolution Section, at 717-783-7786 if you have any questions concerning this audit.

Sincerely,

Tina L Long

Tina L. Long, CPA
Director

Enclosure

c: Secretary Gary Alexander
Mr. Timothy M. Costa
Ms. Karen Deklinski

Some information has been redacted from this audit report. The redaction is indicated by magic marker highlight. If you want to request an unredacted copy of this audit report, you should submit a written Right to Know Law (RTKL) request to DPW's RTKL Office. The request should identify the audit report and ask for an unredacted copy. The RTKL Office will consider your request and respond in accordance with the RTKL (65 P.S. §§ 67.101 et seq.). The DPW RTKL Office can be contacted by email at: ra-dpwtkl@pa.gov.



FEB -2 2012

Mr. Timothy M. Costa
Executive Deputy Secretary
Department of Public Welfare
Health & Welfare Building, Room 333
Harrisburg, Pennsylvania 17120

Dear Mr. Costa:

In response to an anonymous complaint received by the Executive Deputy Secretary, the Bureau of Financial Operations (BFO) has completed a performance audit of the Adult Residential Licensing (ARL) office. The audit was primarily directed to determine if ARL is operating efficiently, effectively, and in compliance with applicable regulations with emphasis on travel and overtime policies. This audit focused on the period January 1, 2010 through February 28, 2011.

The report is currently in final form and therefore contains ARL's views on the report findings, conclusions and recommendations. ARL's response to the draft report is included as Appendix A. Upon review of the response provided by the ARL office, the Executive Summary and certain recommendations were revised to provide additional clarification. The report's contents and response were discussed at an exit conference held January 20, 2012.

Adult Residential Licensing
Executive Summary

The Department's ARL program protects the health, safety, and well-being of vulnerable adults who reside in personal care homes, through the formulation, application, and enforcement of state licensing regulations. As of December 31, 2010, there were 1,362 licensed personal care homes in the Commonwealth for which ARL performed 3,269 inspections during 2010. ARL also provides technical assistance and consultation to licensed personal care home operators.

The report findings and recommendations for corrective action are summarized below:

FINDING NO. 1	SUMMARY
<p><i>The Absence of Internal Controls over Travel, Overtime and Compensatory Time Led to Waste and Abuse</i></p>	<ul style="list-style-type: none"> • ARL management lacks adequate controls over employee travel and overtime payments, compensatory leave usage, and job scheduling. • There is apparent confusion and noncompliance with ARL's internal travel and overtime policies. • The lack of controls greatly contributed to the discrepancies noted in Findings No. 2 and 3, resulting in excessive travel and overtime costs.

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January 1, 2010 through February 28, 2011**

HIGHLIGHTS OF RECOMMENDATIONS

ARL management should:

- Implement written travel expense review procedures that ensure travel costs are necessary, proper and accurate.
- Pre-approve all overtime and document pre-approvals.
- Require adequate, more detailed overtime justification.
- Require the timekeeper to always enter actual overtime periods into SAP.
- Require staff to enter actual trip start and end times on travel expense reports.
- Not approve any overtime for skipped lunches and breaks unless employees are required to work through their rest periods.
- Implement written overtime review procedures that ensure overtime costs are necessary, proper and accurate.
- Record all compensatory time in SAP.
- Maintain reliable schedules and plan two day inspections when appropriate.

DPW, OA should:

- Review Finding No.1 and take disciplinary action as deemed appropriate.
- Review 55 Pa. Code § 20.31 and consider the feasibility of reducing the required on-site inspections to less than once every 12 months.
- Recommend to the Governor's Office of OA that language be added to Management Directive 505.7 that prohibits the inclusion of normal employee commute time to and from an employee's headquarters when calculating overtime to and from a temporary worksite.

FINDING NO. 2	SUMMARY
<i>Excess Travel Costs</i>	<ul style="list-style-type: none"> • ARL travel reimbursements totaled \$514,201 for the period January 1, 2010 through February 28, 2011. • We directed our attention to the travel submissions of the seven individuals who had the highest travel costs. • Twenty seven percent of the travel submissions for two of these individuals requested reimbursement for greater than 20 miles more than the mileage identified by MapQuest for the trip. • Thirty five percent of the trips reviewed involved consecutive day trips to the same location. The employee's decision to commute vs. stay overnight resulted in an additional \$2,945 in costs for the 33 trips. Most of these additional costs are associated with overtime payments as a result of the cross-region team.

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HIGHLIGHTS OF RECOMMENDATIONS

ARL management should:

- During review of travel expenses, identify and deny reimbursements for all mileage not supported by an online mileage calculator and employee notes on travel expense reports.
- Not reimburse employees for additional costs incurred due to commuting back and forth to the same location or location in close proximity when lodging is more cost effective.
- Consider overtime when calculating travel costs and not approve overtime for normal commute time.
- Make every effort to assign work to the ARL regional office in which the job is located.
- Periodically analyze employee travel costs and consider assignment of agency vehicles when cost effective.
- Prepare cost-benefit analyses as part of their decision making processes.

DPW, OA should:

- Review Finding No.2 and take disciplinary action as deemed appropriate.
- Review the unsupported mileage identified in Finding No. 2 and recover excess reimbursements from the two employees as appropriate.
- Establish guidelines that require OA executive approval of certain ARL management decisions.

FINDING NO. 3	SUMMARY
<i>Excess Overtime Costs</i>	<ul style="list-style-type: none"> • ARL staff worked 12,660 hours overtime for the period January 1, 2010 through February 28, 2011. • We directed our attention to nine individuals with a high number of overtime submissions. • We could not determine if overtime was justified and appropriate due to unavailable or inadequate support/documentation for several sampled overtime requests. This resulted in a scope limitation. • Overtime documentation could not be located for 26% of overtime payments sampled. • A Northeast Region employee did not deduct her normal employee commute time from her overtime calculations. • We could not determine if commute time was deducted for other employees included in the sample. • For 38% of overtime reviewed, times recorded on overtime documentation did not agree with times entered into SAP.

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HIGHLIGHTS OF RECOMMENDATIONS

ARL management should:

- Adhere to the overtime recommendations discussed in Finding No. 1.

DPW, OA should:

- Review Finding No. 3 and take disciplinary action as deemed appropriate.
- Recommend to the Governor's Office, OA to adhere to the overtime recommendation discussed in Finding No. 1.

Background

In addition to executive staff at ARL headquarters, ARL has regional offices in Harrisburg, Norristown, Pittsburgh and Scranton. The regions, when fully staffed, are comprised of approximately 40 licensing representatives (LR) who are supervised by nine regional licensing administrators (RLA), all of which travel regularly and are eligible for overtime. Regional licensing administrators report to one of four regional licensing directors (RLD).

During the audit period, January 1, 2010 to February 28, 2011, ARL management had a cross-region team in place to promote violation enforcement consistency among providers with multiple personal care homes located within different ARL regions. Although the team consisted of employees from all ARL regional offices, Central region staff incurred the most travel and overtime costs. The cross-region team combined with a lack of management controls was the main reason for the excessive costs discussed in this report. Furthermore, the BFO was informed by ARL staff that the former ARL Director instructed staff to do whatever necessary to get the jobs done without placing any limitations or consideration of travel and overtime costs. The cross-region team was discontinued sometime after we began examining the costs associated with its operation.

Regulations governing ARL licensing procedures are found in 55 Pa. Code § 20 and 2600. ARL travel procedures are governed by Manual 230.1, Commonwealth Travel Procedures Manual, dated June 17, 2009. Management Directive 505.7, Personnel Rules, governs ARL's overtime and leave procedures. In addition, ARL management issued internal travel policies and procedures effective since March 2009. We were informed by a Pennsylvania Social Services Union (PSSU) representative that its members are not responsible for complying with ARL's internal policies because they were not negotiated with the PSSU. However, we were also informed that PSSU was given the opportunity to discuss the March 2009 policy but missed the deadline to respond.

Objective, Scope and Methodology

The audit objective developed in concurrence with the DPW, OA was:

- To determine if ARL is operating efficiently, effectively, and in compliance with applicable regulations.

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We limited our efforts in satisfying this objective to the areas of travel and overtime as the initial complaint specifically questioned the efficiencies and compliance in these two areas.

The scope of our audit was limited as various supporting overtime and compensatory leave documentation was not on file at ARL. Because of this scope limitation, we were unable to satisfy ourselves as to the composition, reasonableness, and appropriateness of certain overtime and compensatory leave costs.

In pursuing our objective, the BFO interviewed management and staff from ARL. We also reviewed travel, overtime, leave and other pertinent documentation necessary to complete our objective.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Government auditing standards also require that we obtain an understanding of internal controls that are relevant to the audit objective described above. The applicable controls were examined to the extent necessary to provide reasonable assurance of the effectiveness of those controls. Based on our understanding of the controls, a number of deficiencies were identified. These deficiencies and other areas where we noted an opportunity for improvement in management's controls are addressed in Finding No. 1 of this report.

Fieldwork for this audit took place between April 18, 2011 and August 16, 2011. This report will be available for public inspection.

Results of Fieldwork

Finding No. 1 – The Absence of Internal Controls over Travel, Overtime and Compensatory Time Led to Waste and Abuse

Although we found that various mechanisms were in place which would typically be supportive of a positive control environment (supervisor reviews, time and attendance reporting requirements, job schedules, etc.) we found a general absence of application of these control mechanisms. As a result employee travel expenses, overtime payments and compensatory leave usage cannot be relied upon to be accurate. In addition, there is apparent confusion and noncompliance with ARL's internal travel and overtime policies. This lack of controls greatly contributed to the discrepancies noted in Findings No. 2 and 3.

Lack of Controls over Travel

Manual 230.1, page 17 states, "Supervisors must review and approve travel expense reports submitted by employees to ensure the necessity, propriety, and accuracy of the travel expense. Supervisors should ask for receipts, even those not required to be submitted to BCPO, when

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necessary. Failure to exercise care in the review and approval of travel expenses may result in disciplinary action.”

Not all of the RLAs and RLDs are complying with the travel approval process required by the Manual. For example a Central RLA informed us that during her reviews of travel expenses she examined the job schedule and MapQuest to verify travel costs were appropriate. The same RLA also informed us she considers overtime when determining whether it is cost effective for LR to commute back and forth to a job site during consecutive days or lodge overnight. Although management stated the above review procedures were performed, we identified the unsupported mileage and excess commute costs included in Finding No. 2 which indicates review procedures were either not performed or were ineffective.

Lack of Controls over Overtime

Overall, inconsistent procedures related to approving, calculating, and documenting overtime are applied across ARL regional offices.

Management Directive 505.7, page 35 states, “Employees may not schedule themselves for overtime work without prior approval for the work from the agency head or designee.” All ARL regions, except Central, informed us preapproval of overtime was granted verbally via telephone. However, all ARL regions did not document the preapprovals for comparison to final overtime submissions.

ARL’s internal policy regarding travel time states, “Supervisors will keep a record of the normal official worksite commuting time for each employee for purposes of calculating paid travel time.” Although Southeast and Western management informed us they have employee commute times on file, Northeast and Central management do not.

The Central RLD, a Central RLA, and the Training and Provider Support Services Manager informed us they did not verify normal commute time was deducted from overtime totals because they trusted the employees deducted commute time prior to submitting the overtime request. The Northeast RLD stated he did not verify commute time was deducted because he misunderstood the policy. The Northeast RLD further stated he and Northeast RLAs will immediately start to verify that commute time is deducted from overtime submissions.

Lack of Controls over Compensatory Time

Management Directive 505.7, page 90 states, “Each department and agency must maintain appropriate records of leave entitlements and usage and will be required to prepare such reports as the Secretary of Administration deems necessary to ensure proper leave administration. Supervisors and timekeepers must ensure that all time not worked is properly accounted and all leave is correctly recorded and entered through the commonwealth’s SAP time module.”

For one Central LR, we identified 13 instances during the audit period in which ARL management permitted the use of compensatory time based solely on the word of the employee. Also, we were informed this employee did not work full days on three additional occasions during the audit period. Leave records could not be located for all 16 instances in question.

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The ARL Director informed us compensatory time balances were not tracked by ARL management and the leave was granted based solely on the "honor system." Although the ARL Director stated the option of accruing compensatory time as opposed to overtime was discontinued prior to the audit's commencement, documentation of the policy change was dated June 10, 2011.

Lack of Controls over Job Scheduling

Overall, the Central Region job schedules were not reliable. When higher priority assignments suddenly arose, such as complaints, schedules were not always revised accordingly. Also, most Central Region employee leave was deleted from the Outlook calendar prior to the start of the audit. Furthermore, ARL's inspection file sometimes erroneously indicated LRs were working at several locations on the same day.

In addition, two day inspections were not scheduled when appropriate, which in part, contributed to the excess commute costs described in Finding No. 2. ARL management established a cross-region team that required some LRs to travel outside their region's coverage area, which also contributed to the excess costs discussed in Finding No. 2. ARL management eliminated the cross-region team while we were conducting the audit.

Recommendations

The BFO recommends ARL management implement written travel expense review procedures that ensure travel costs are necessary, proper and accurate. Procedures should include, but not be limited to:

- Verification, using an online mileage calculator, that mileage submitted is reasonable and the lesser of the mileage from an employee's home or office to the worksite. Justification for additional miles must be included on the expense report and verified prior to approval.
- Verification that the location visited is consistent with the job schedule. To be effective, the job schedule must be reliable.
- Cost comparisons of commuting versus lodging with consideration for overtime.
- Periodic analysis of ARL travel costs to identify potential areas of waste and abuse.

The BFO also recommends ARL management pre-approve all overtime. The pre-approvals should be documented and on file with supervisors. In addition, we recommend ARL management require employee overtime justification that includes a break out of travel and on-site times, and explains why the job could not be completed within normal business hours. Documentation should be kept on file with the timekeeper according to the agency's payroll records retention policy. ARL management should also require the timekeeper to always enter actual overtime periods into SAP.

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The BFO also recommends ARL management require staff to enter actual trip start and end times on travel expense reports to aide in supervisory reviews. Also, ARL management should not approve any overtime for skipped lunches and breaks unless they require the employee to work through their rest periods.

Additionally, the BFO recommends ARL management implement written overtime review procedures that ensure overtime costs are necessary, proper and accurate. Procedures should include, but not be limited to:

- Verification that final overtime totals agree with pre-approval documentation.
- Verification that hours worked are consistent with trip start and end times reported on travel expense reports.
- Periodic provider confirmation of hours worked.

Regarding compensatory time, the BFO also recommends ARL management record all time in SAP. ARL management should also maintain accurate and complete schedules and plan two day inspections when appropriate.

The BFO further recommends the DPW, OA review Finding No. 1 and take disciplinary action as deemed appropriate. Additionally, we recommend the DPW, OA review 55 Pa. Code § 20.31 and consider the feasibility of reducing the required on-site inspections to less than once every 12 months.

The BFO finally recommends that the DPW, OA recommend to the Governor's Office of OA that language be added to Management Directive 505.7 that prohibits the inclusion of normal employee commute time to and from an employee's headquarters when calculating overtime to and from a temporary worksite.

Finding No. 2 – Excess Travel Costs

ARL travel reimbursements totaled \$514,201 during the audit period. Due to the allegation that initiated the audit, we judgmentally sampled 95 trips reimbursed to seven individuals with the highest travel costs during the audit period. Travel reimbursements for the seven individuals selected totaled \$128,734 during the audit period. We focused on high or suspicious reimbursements, and trips to the same location multiple days in a row. The 95 sampled reimbursements totaled \$16,124. We estimate 288 overtime hours were paid for travel during the sampled trips which increased travel costs \$12,770 for a total of \$28,894. A summary of travel testing results is presented in Exhibit A.

Unsupported Mileage Costs

Manual 230.1, page 17 states, "Employees are responsible for ensuring that expenses claimed in the travel expense report are proper, accurate, and incurred in official business. A traveler who knowingly presents a false or fraudulent claim may be subject to penalties under criminal statutes." In addition, ARL Travel Policies and Procedures state, "On scheduled workdays,

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mileage will be calculated from the employee's home or official worksite to the temporary worksite, whichever is closest. The most direct and expeditious route of travel must be used considering both travel time and distance."

For 26 of the 95 or 27% of the travel reimbursements sampled, miles submitted for reimbursement were 20 or more miles higher than calculated using MapQuest. Justification for the additional 952 miles was not documented on travel expense reports. The two Central LRs were reimbursed \$478 for the 952 additional miles.

The LR accountable for 23 of the 26 travel reimbursements stated the mileage submitted represents what was recorded on her odometer less the mileage from her home to the office. The employee also informed us she sometimes got lost or had to detour due to road closures.

The LR responsible for the other three travel reimbursements in question retired during audit field work; therefore, we spoke with the employee's supervisor. For two trips we could not determine the cause for the additional 218 miles. For the remaining trip, the employee's supervisor explained travel from home was estimated to be less expensive because approximately \$22 in turnpike tolls would have otherwise been incurred. However, the LR began the trip from home and therefore had no reason to travel the turnpike. The employee lives 58 miles and an hour and fifteen minutes from his headquarters. Submitting the required shorter mileage from the office to the job site does not obligate the employee to travel that route, it simply limits the mileage reimbursement.

Commute Costs

Manual 230.1, page 17 states, "Employees are expected to exercise good stewardship of funds when traveling on official business." For 33 of the 95 or 35% of the travel reimbursements sampled, employees commuted back and forth to the same location or location in close proximity during consecutive days. Commuting caused approximately \$2,945 or 26% excess costs for the 33 applicable trips. Overtime was the primary contributor to these excess costs.

Included in the sample was a case where a Central LR drove 340 miles and 6.5 hours round trip two days in a row. We estimate this employee incurred eight hours overtime while driving to and from this job site during the two days. After considering all applicable costs we determined that the decision to commute this assignment cost the Commonwealth \$399 more than it would have cost had the employee stayed overnight.

Most LRs and RLAs informed the BFO that they were not prepared to spend the night because the jobs were only scheduled for one day. However, the ARL Operations Director informed us LRs were instructed to be prepared in case jobs run longer than expected.

Cross-Region Costs

For 57 of the 95 or 60% of the travel reimbursements sampled, staff traveled outside their regions which generated approximately \$14,148 or 72% excess costs for the 57 applicable trips. For example, a Central LR drove 392 miles and 6.75 hours round trip two days in a row. We estimate this employee incurred 13.25 hours overtime while driving to and from this job site during the two

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days. The provider site involved was only about 23 miles from the Western Region headquarters. After considering overtime and mileage we estimate \$879 in additional costs were incurred over the two days because this job was not assigned to a Western LR.

The \$14,148 excess includes four trips totaling \$1,541 that were reimbursed to a Northeast RLA while acting in a higher classification at Central Region. A travel cost comparison and the consideration of other options to fill the position were not documented as discussed on page 7 of Manual 230.1 and page 2 of Management Directive 525.4, respectively. In addition, although the employee acted in a higher classification from October 2009 to November 2010, an exception to the nine-month limitation was not authorized by the agency Human Resources Director and PSSU concurrence was not obtained as required by Management Directive 525.4 on page 2. During the audit period the employee incurred travel costs totaling \$22,732 which consisted of mileage, lodging and subsistence, the majority of which was when the employee was acting in the higher classification.

Personal Vehicle Costs

ARL did not procure/utilize state vehicles when cost effective for 23 employees resulting in approximately \$78,226 excess costs. We were informed by the Bureau of Administrative Services that the average monthly cost to lease a vehicle, including maintenance and gas, is approximately \$400. Therefore, during the 14 month audit period each leased vehicle would have cost about \$5,600 and all 23 vehicles would cost about \$128,800. The 23 employees received mileage reimbursements during the audit period ranging from \$6,111 to \$16,366 and totaled \$207,026.

Manual 230.1, page 4 states, "Personal automobiles should not be used on trips of 100 miles or more per 24 hour period; an agency car, fleet car, or rental car should be used. The use of ground transportation at a higher cost will require justification and may result in an audit review." Furthermore, ARL Travel Policies and Procedures state, "Use of a state automobile, when available, may be required when use of a state automobile is more cost effective than use of an employee's personal automobile." Although many employees informed us they inquired about agency vehicles, the former ARL Director told them agency vehicles were not an option.

Travel Costs Related to Training

During audit field work, ARL held training in State College. The decision to schedule the training session in State College over a site in the Harrisburg area placed approximately 20 employees headquartered in Harrisburg in overnight travel status for three nights. ARL management informed us the training was held in State College due to it being a central location for all staff to travel, and the low cost of lodging, parking, meeting rooms, audio visual equipment, and meals. ARL management also explained that placing all staff in overnight travel status enabled employees to socialize in the evenings and build camaraderie. However, ARL did not perform a cost-benefit analysis prior to training and the analysis provided to us after training was insufficient as it did not explore any other options. Best business practices dictate that cost-benefit analyses be prepared as part of management's decision making process to determine the cost effectiveness of different alternatives and whether the benefits outweigh the costs to the DPW.

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Area of Compliance

Overall, travel expenses were submitted by employees within 60 days from the trip start date as required by Manual 230.1.

Recommendations

The BFO recommends ARL Management identify and deny reimbursements for all mileage not supported by an online mileage calculator and employee notes on travel expense reports. The BFO also recommends ARL Management hold employees responsible for additional costs incurred due to commuting instead of lodging when lodging is cost effective. Furthermore, overtime must be considered and employees should not be paid for overtime associated with their normal commute. In addition, the BFO recommends ARL management make every effort to assign work to the ARL regional office in which the job is located. This recommendation could be somewhat mitigated by the implementation of the revised Commonwealth travel policy effective January 1, 2012.

The BFO further recommends ARL management periodically analyze employee travel costs and consider assignment of agency vehicles when cost effective. The BFO finally recommends ARL management prepare cost-benefit analyses as part of their decision making processes.

The BFO recommends the DPW, OA review Finding No. 2 and take disciplinary action as deemed appropriate. The BFO also recommends DPW, OA review the unsupported mileage identified in Finding No. 2 and recover excess reimbursements from the two employees as appropriate. The BFO finally recommends that DPW, OA establish guidelines that require OA executive approval of certain ARL management decisions, such as the cross region licensing.

Finding No. 3 – Excess Overtime Costs

ARL staff worked 12,660 hours of overtime during the audit period. Due to the allegation that triggered the audit, we judgmentally sampled 118 days of overtime that includes weekdays, weekends and holidays. For weekend and holiday overtime, we selected two employees paid over 200 hours plus an additional employee deemed high risk. For overtime on weekdays, we selected eight employees paid over 300 hours. We focused on questionably high overtime submissions for all individuals selected. The 118 overtime days sampled totaled 852.5 hours.

We could not determine if overtime was justified and appropriate as support/documentation for several sampled overtime requests was unavailable or inadequate. In most cases, overtime requests and approvals were not documented until after the employees worked the overtime. The documentation consisted of e-mails from the employees to their supervisors who then, upon approval, forwarded the e-mails to the timekeeper for entry into SAP. Overtime e-mails could not be located for 31 of 118 or 26% of overtime sampled. Also, for most of the sampled e-mails that were on file, employee justification was inadequate and did not distinguish between travel and on-site times.

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ARL Travel Policies and Procedures state, "The Commonwealth will reimburse employees for travel time to and from temporary work sites, beyond normal commuting time. Travel time must be calculated individually based on each employee's normal commute time to their official worksite." Based on a comparison of overtime and travel start and end times, employee commute times are often not deducted from overtime calculations. Although staff interviewed from all ARL regions, except Northeast, acknowledged ARL's policy above and stated they deduct normal commute time, ultimately we could not determine if this time was deducted. However, a former Northeast Licensing Representative/current RLA admitted commute time was not deducted from the overtime calculations that she submitted.

ARL's inconsistent travel time and overtime data entry procedures, along with conflicting information received from employees greatly hindered our ability to draw a conclusion regarding the inclusion of commute time. For 42 of 118 or 36% of overtime sampled, times recorded on overtime documentation did not agree with times entered into SAP. Although against ARL policy per management, two Central LRs and one RLA stated that staff may work through lunch and/or breaks and claim the time as overtime. They further stated the timekeeper may have added the lunch and break periods to the overtime end times in SAP. As a result we could not identify skipped lunches and breaks in the sampled overtime documentation. In addition, it should be noted if the employees are not taking lunch any request for meal reimbursements would be inappropriate.

Further, a Central LR was overpaid a total of 1.25 hours overtime for three overtime submissions. In one instance, the employee did not calculate the overtime accurately and ARL management failed to identify the error. The two remaining overpayments were due to timekeeper data entry errors. Management Directive 505.7, page 38 states, "Restitution will be required for overpayment of salaries, wages, or employee benefits in accordance with Management Directive 315.8, Restitution of Overpayments. Restitution for overpayments cannot be waived."

Finally, we contacted providers when overtime was not supported by e-mails and ARL schedules. Discrepancies were identified in three instances.

- Travel documentation indicates a former Southeast Region LR worked at the [REDACTED] [REDACTED] on [REDACTED]. The provider did not identify the employee as one of the inspectors on-site.
- Travel documentation indicates a Central Region LR worked at [REDACTED] [REDACTED] on [REDACTED]. The provider did not list the employee as one of the inspectors on-site.
- The same Central Region LR worked at [REDACTED] on [REDACTED] which is a 30 minute commute from the office round trip. Travel records indicate the employee's trip began at 6:00 a.m. and ended at 7:00 p.m. The employee was paid five hours overtime for the day. The provider informed us the inspector was only on-site from 8:30 a.m. to 4:30 p.m.

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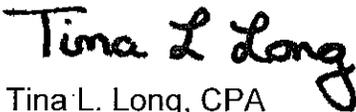
Recommendations

The BFO recommends ARL management adhere to the overtime recommendations discussed under Finding No. 1.

The BFO recommends the DPW, OA review Finding No. 3 and take disciplinary action as deemed appropriate. The BFO also recommends that DPW, OA review the overpayments of overtime and recover the overpayments from the employee as appropriate. The BFO finally recommends the DPW, OA advise the Governor's Office, OA to adhere to the overtime recommendation discussed under Finding No. 1.

In accordance with our established procedures, an audit response matrix will be provided to OA. The OA will be responsible for completing the matrix and forwarding it to the DPW Audit Resolution Section within 60 days. The response to each recommendation should indicate OA's concurrence or non-concurrence, the corrective action to be taken, the staff responsible for the corrective action, the expected date that the corrective action will be completed and any related comments.

Sincerely,



Tina L. Long, CPA
Director

Attachment

c: Secretary Gary Alexander
Ms. Karen Deklinski
Mr. Ron Melusky

Adult Residential Licensing
 January 1, 2010 through February 28, 2011
 Exhibit A - Summary of Travel Testing Results

Employee	Sample			Excess Commute Costs				Excess Cross-Region Costs				Unsupported Mileage Costs			
	Trips Tested	Reimb. Amount	Estimated Overtime Costs	Total Travel Costs	Trips	Cost of Trips With Overtime	Excess Costs	% Excess Costs	Trips	Cost of Trips With Overtime	Excess Costs	% Excess Costs	Trips	Miles	Cost
1	4	1,541.15	-	1,541.15	-	-	-	0%	4	1,541.15	1,541.15	100%	-	-	-
2	5	1,463.34	1,590.37	3,053.71	1	773.43	216.71	28%	2	1,131.36	581.06	51%	-	-	-
3	5	1,448.76	-	1,448.76	-	-	-	0%	-	-	-	0%	-	-	-
4	16	2,656.77	2,846.93	5,503.70	8	2,432.68	903.12	37%	12	4,484.62	3,445.14	77%	-	-	-
5	19	2,438.75	3,361.86	5,800.61	10	2,980.51	620.09	21%	10	3,930.62	2,383.89	61%	3	247	123.50
6	2	501.60	353.41	855.01	-	-	-	0%	1	584.51	343.56	59%	-	-	-
7	44	6,073.82	4,617.15	10,690.97	14	5,257.44	1,204.77	23%	28	7,991.76	5,852.91	73%	23	705	354.78
TOTALS	95	16,124.19	12,769.72	28,893.91	33	11,444.05	2,944.69	26%	57	19,664.02	14,147.70	72%	26	952	478.28

**ADULT RESIDENTIAL LICENSING
RESPONSE TO THE DRAFT REPORT**

APPENDIX A

**COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
OFFICE OF ADMINISTRATION
BUREAU OF ADULT RESIDENTIAL LICENSING**

DATE: January 24, 2012

SUBJECT: Written Response to the Bureau of Financial Operations, Division of Audit and Review (BFO) Audit Report of Adult Residential Licensing (ARL)

TO: Ms. Kelly Leighty, Audit Manager

CC: Ms. Karen Deklinski, Deputy Secretary for Administration
Ms. Tina Long, Director, Bureau of Financial Operations

FROM: Ronald Melusky, Director, Adult Residential Licensing 
Mr. Matthew Jones, Operations Director, Adult Residential Licensing 

The purpose of this memorandum is to provide ARL's written response to BFO's ten-month audit of our operations over the period January 1, 2010 to February 28, 2011.

ARL largely concurs with the report's findings and methodology. We agree that there were insufficient controls over overtime and travel, and that confusion over travel and overtime policies contributed to noncompliance with these policies. We further concur that the insufficient controls and policy compliance led to an inefficient use of Commonwealth resources in the amount of \$17,570.67 over the 14-month observation period.

We do not, however, concur with the conclusion that absence of controls and policy compliance led to any substantial level of deliberate "abuse." We believe it is imperative that these findings be considered in the context of the operational climate and working conditions faced by ARL between 2006 and 2011.

Early in 2006, the ARL program and its staff were ineffective and complacent. The program was woefully understaffed. Many of the staff had become disillusioned and complacent; they had come to accept that what we would view today as completely unacceptable living conditions were normal and suitable for persons who are elderly and disabled. Meanwhile, the homes themselves were rampant with negligent deaths, rapes, beatings, and chemical restraint of residents on a daily basis. These acts usually occurred in homes that were all but unfit for human habitation. After a year-long investigation, the Philadelphia Inquirer concluded, in February 2007, that personal care homes and personal care home licensing were the "Shame of the State" in a nationally-publicized, front-page series.

Between 2007 and 2009, ARL was charged with two primary objectives: one, close homes that posed a threat to residents, and two, eliminate an extreme licensing backlog that had occurred as a result of focusing resources on enforcement actions. You note in your findings that "the former ARL Director instructed staff to do whatever is necessary to get the jobs done without placing any limitations or consideration of travel and overtime costs." We did receive such direction. Keep in mind, however, that this direction was given with the full knowledge and endorsement of the Secretary of Public Welfare and other high-ranking officials of the Rendell Administration in the interest of resident health and safety. What is more, ARL staff – who by 2007 were new hires and fully dedicated to our mission – made many personal sacrifices to achieve these goals.

You also note that I [Melusky] informed you that "compensatory time balances were not tracked by ARL management and the leave was granted based solely on the 'honor system.'" This finding is true, and was a violation of internal ARL policy regarding the use of compensatory time. I do not regret my decision to permit this practice, however, as I believe it was necessary to safeguard the lives and well-being of hundreds of personal care home residents.

By 2010, conditions in both the ARL program and the homes regulated by ARL had significantly changed. Through sufficient staffing and hard work, the program had become much more operationally-efficient, and the homes regulated by the program were largely safe. ARL believes that we erred in 2010 by not adjusting our operational philosophy (i.e., "do whatever it takes") to reflect the new nature of our work. It therefore comes as no surprise that the January 1, 2010 – February 28, 2011 audit period found wasteful practices.

As you will see in the specific responses below, it was not until 2011 that we began to revamp our operations to better reflect current conditions and as a result become more financially efficient (including but not limited to eliminating unofficial compensatory time and restricting cross-region travel).

We thank you for the opportunity to review and respond to the audit findings. I would also appreciate your professionalism and tact, and that of Mr. Kerpovich, during the course of the audit.

Responses to Highlighted Findings and Recommendations

Finding Number 1: The Absence of Internal Controls over Travel, Overtime, and Compensatory Time Led to Waste and Abuse	
Summary	ARL Response
ARL management lacks adequate controls over employee travel and overtime payments, compensatory leave usage, and job scheduling.	Concur
There is apparent confusion and noncompliance with ARL's internal travel and overtime policies.	Concur
The lack of controls greatly contributed to the discrepancies noted in Findings No. 2 and 3, resulting in excessive travel and overtime costs.	Concur
Recommendations	ARL Response
Implement written travel expense review procedures that ensure travel costs are necessary, proper and accurate.	Concur
Pre-approve all overtime and document pre-approvals.	Concur
Require adequate, more detailed overtime justification.	Concur
Require the timekeeper to always enter actual overtime periods into SAP.	Effective December 20, 2011, all overtime is entered into SAP by a centralized office in the Office of Administration. ARL no longer performs timekeeping functions.
Require staff to enter actual trip start and end times on travel expense reports.	Concur
Not approve any overtime for skipped lunches and breaks unless employees are required to work through their rest periods.	Federal labor laws prohibit employees from working through lunches. Employees are required by policy and law to take a lunch break. ARL is only required to pay for skipped breaks if management is aware of an employee's intention to do so. This was set forth in a policy issued on March 1, 2009.
Implement written overtime review procedures that ensure overtime costs are necessary, proper and accurate.	Concur, with the understanding that any modified overtime or travel procedures will require a meet and discuss with PSSU. Note that just such a process is currently underway, but has been suspended pending resolution of a statewide meet and discuss concerning Management Directive 230.10.
Record all compensatory time in SAP.	Compensatory time is not permitted under any circumstances in ARL. ARL is contemplating using compensatory time in lieu of overtime; this is part of the suspended meet and discuss referenced above.

Finding Number 1: The Absence of Internal Controls over Travel, Overtime, and Compensatory Time Led to Waste and Abuse

<p>Maintain reliable schedules and plan two day inspections when appropriate.</p>	<p>ARL concurs with the need to schedule appropriately. However, the purpose of a schedule is not to record past events, but to function as a working tool to ensure that inspections are completed and complaints responded to. By necessity of changing priorities, schedules will frequently be changed and errors will occur as a result. By requiring employees to accurately and thoroughly enter reimbursement information into SAP, and by requiring complete and accurate entry of inspection information in the SansWrite system, we will have an accurate record of employees' whereabouts.</p>
<p>DPW, OA should: Review 55 Pa. Code § 20.31 and consider the feasibility of reducing the required on-site inspections to less than once every 12 months.</p>	<p>ARL strongly disagrees with this recommendation. Personal care homes must be inspected annually not only per § 20.31, but also as specified at § 2600.3(a). More importantly, failure to inspect homes at least annually has a direct impact on resident health and safety. This is supported by the fact that fifty percent of all homes are inspected more than once per year as a result of complaints or serious incidents.</p>
<p>DPW, OA should: Recommend to the Governor's Office of OA that language be added to Management Directive 505.7 that prohibits the inclusion of normal employee commute time to and from an employee's headquarters when calculating overtime to and from a temporary worksite.</p>	<p>This practice has been required by ARL policy since 2009; any instances of violation were a result of insufficient internal controls.</p>

Finding Number 2: Excess Travel Costs	
Summary	ARL Response
ARL travel reimbursements totaled \$514,201 for the period January 1, 2010 through February 28, 2011.	Concur.
Twenty seven percent of the travel submissions sampled requested reimbursement for greater than 20 miles more than the mileage identified by MapQuest for the trip.	While we do not dispute this calculation, we remind the reader that the "twenty-seven percent" of reimbursement requests were submitted by only two people (one of which has since retired; the other is under intense scrutiny). Also of note, we remind the reader that the "judgmentally sampled" 95 trips by the "individuals with the highest travel costs" are by definition not statistically representative of the entire ARL program.
Thirty five percent of the trips sampled involved consecutive day trips to the same location. The employee's decision to commute vs. stay overnight resulted in an additional \$2,945 in costs for the 33 trips. Most of these additional costs are associated with overtime payments.	Concur, with the reminder that the majority of these trips were made as part of the "Cross-State" or "Corporate Team" project, which was reduced in scope in November 2010 and eliminated altogether in April 2011 as a result of escalating costs.
Recommendations	ARL Response
During review of travel expenses, identify and deny reimbursements for all mileage not supported by an online mileage calculator and employee notes on travel expense reports.	Concur. Management Directive 230.10 (Amended), effective 1/1/12, requires submission of travel justifications with each reimbursement request and use of a cost calculator to establish the least-expensive travel option.
Not reimburse employees for additional costs incurred due to commuting back and forth to the same location or location in close proximity when lodging is more cost effective.	Concur, with the understanding that any modified overtime or travel procedures will require a meet and discuss with PSSU. Note that just such a process is currently underway, but has been suspended pending resolution of a statewide meet and discuss concerning Management Directive 230.10.
Consider overtime when calculating travel costs and not approve overtime for normal commute time.	Concur. Management Directive 230.10 (Amended), effective 1/1/12, requires submission of travel justifications with each reimbursement request and use of a cost calculator to establish the least-expensive travel option. ARL will factor in potential overtime costs when making the determination.
Make every effort to assign work to the ARL regional office in which the job is located.	Concur, with the understanding that staff will be required, on occasion, to work in other regions due to operational needs.
Periodically analyze employee travel costs and consider assignment of agency vehicles when cost effective.	Concur. ARL has made inquiries about permanent assignment of fleet vehicles to DGS-BVM. That agency has informed us that permanent assignment of fleet vehicles is not operationally feasible until July 1, 2012 at the earliest.
Prepare cost-benefit analyses as part of their decision making processes.	Concur.
DPW, OA should: Establish guidelines that require OA executive approval of certain ARL management decisions.	Concur. The Corbett Administration has already established such a process; bi-weekly "general issues" meetings are conducted between the Deputy Secretary for Administration and the ARL Director, and weekly reports of significant issues are produced by each bureau in OA and transmitted to the Deputy Secretary. Nevertheless, ARL welcomes any additional guidelines for executive approval of managerial decisions.

Finding Number 3: Excess Overtime Costs	
Summary	ARL Response
ARL staff worked 12,660 hours overtime for the period January 1, 2010 through February 28, 2011.	No response.
We could not determine if overtime was justified and appropriate due to unavailable or inadequate support/documentation for several sampled overtime requests. This resulted in a scope limitation.	The criteria for "adequate" versus "inadequate" justification for overtime are not defined in the report. Additionally, the "judgmentally sampled" 118 overtime days that focus on "questionably high" overtime submissions are by definition not representative of the entire ARL program.
Overtime documentation could not be located for 26% of overtime payments sampled.	No response.
A Northeast Region employee did not deduct her normal employee commute time from her overtime calculations.	ARL questions whether this finding is significant enough to report in an executive summary. The admission of one employee in the absence of further context suggests widespread abuse that is not supported by the findings.
We could not determine if commute time was deducted for other employees included in the sample.	No response.
For 38% of overtime sampled, times recorded on overtime documentation did not agree with times entered into SAP.	While we do not dispute this calculation, ARL objects to the fact the variance of discrepant times is not presented in the report. There is a substantial qualitative difference between inaccuracies of minutes versus inaccuracies of hours. Moreover, the report does not indicate whether the discrepancies are the result of inaccurate information provided by several employees (which is a serious concern) or the result of errors by the timekeeper (which is much less serious in that it does not suggest deliberate fraud or abuse).
Recommendations	ARL Response
ARL management should: Adhere to the overtime recommendations discussed in Finding No. 1.	See responses to Finding Number 1.
DPW, OA should: Recommend to the Governor's Office, OA to adhere to the overtime recommendation discussed in Finding No. 1.	See responses to Finding Number 1.

Responses to Specific Content

Finding (Page 4): *The cross-region team combined with a lack of management controls was the main reason for the excessive costs discussed in this report. Furthermore, the BFO was informed by ARL staff that the former ARL Director instructed staff to do whatever necessary to get the jobs done without placing any limitations or consideration of travel and overtime costs. The cross-region team was discontinued sometime after we began examining the costs associated with its operation.*

ARL Response: ARL in no way disputes that the cross-region team was a primary cause of the excessive and wasteful costs identified in this report. However, the finding as written suggests – however unintentionally – that the cross-region team was discontinued as a result of the initiation of the audit. The operational failures of the cross-region team were identified in November 2010, when the scope of the project was significantly reduced. The reduction was found to be insufficient in March 2011, and the project was discontinued altogether following a Director's Meeting on April 22, 2011. ARL became aware of the pending audit on March 30, 2011. There is no relationship between the commencement of the audit and the discontinuation of the cross-region team.

Finding (Page 4): *We were informed by a Pennsylvania Social Services Union (PSSU) representative that its members are not responsible for complying with ARL's internal policies because they were not negotiated with the PSSU. However, we were also informed that PSSU was given the opportunity to negotiate the March 2009 policy but missed the deadline to respond.*

ARL Response: The provisions of the ARL polices in question are not subject to negotiation under the PSSU collective bargaining agreement. ARL adhered to all requirements of the contract in implementing these policies in close collaboration with OA, Labor Relations. All PSSU members were responsible for adhering to these policies. Note that no grievances were filed from implementation in February 2009 through the audit period. ARL believes that PSSU's instructions to its members regarding the implementation of ARL's polices is a major contributing factor in the misunderstanding and confusion relating to proper travel and overtime procedures. When conflicting interpretations by governing bodies are presented, misapplication of policy is bound to occur.

Finding (Page 10): *The \$14,148 excess includes four trips totaling \$1,541 that were reimbursed to a Northeast RLA while acting in a higher classification at Central Region. A travel cost comparison and the consideration of other options to fill the position were not documented as discussed on page 7 of Manual 230.1 and page 2 of Management Directive 525.4, respectively. In addition, although the employee acted in a higher classification from October 2009 to November 2010, an exception to the nine-month limitation was not authorized by the agency Human Resources Director and PSSU concurrence was not obtained as required by Management Directive 525.4 on page 2. During the audit period the employee incurred travel costs totaling \$22,732 which consisted of mileage, lodging and subsistence, the majority of which was when the employee was acting in the higher classification.*

ARL Response: The above situation was wholly the result of unilateral decision-making by the previous ARL Director. The report does not reflect that 1) current ARL management stated during an interview with auditors that they objected to this practice, but were assured by the previous director that proper authorization had been obtained, or 2) that the employee in question reported that she felt she had no choice but to accept these terms based on the previous director's aggressive management style and assurances that such terms were

legitimate. The previous director frequently defied Commonwealth policies and procedures such as this without consequence despite reports to her supervising deputies by subordinates.

Finding (Page 12): *Further, a Central LR was overpaid a total of 1.25 hours overtime for three overtime submissions. In one instance, the employee did not calculate the overtime accurately and ARL management failed to identify the error. The two remaining overpayments were due to timekeeper data entry errors. Management Directive 505.7, page 38 states, "Restitution will be required for overpayment of salaries, wages, or employee benefits in accordance with Management Directive 315.8, Restitution of Overpayments. Restitution for overpayments cannot be waived."*

ARL Response: ARL reminds the reader that this finding is provided with limited additional context. While one employee was overpaid, the report makes no mention of the number of instances where overtime was accurately paid. Upon identification of the employee, ARL will obtain proper restitution.

Finding (Page 12): *Finally, we contacted providers when overtime was not supported by e-mails and ARL schedules. Discrepancies were identified in three instances.*

- *Travel documentation indicates a former Southeast Region LR worked at [REDACTED] on [REDACTED]. The provider did not identify the employee as one of the inspectors on-site.*
- *Travel documentation indicates a Central Region LR worked at [REDACTED] or [REDACTED]. The provider did not list the employee as one of the inspectors on-site.*
- *The same Central Region LR worked at [REDACTED] on [REDACTED] which is a 30 minute commute from the office round trip. Travel records indicate the employee's trip began at 6:00 a.m. and ended at 7:00 p.m. The employee was paid five hours overtime for the day. The provider informed us the inspector was only on-site from 8:30 a.m. to 4:30 p.m.*

ARL Response: While there are several possible legitimate reasons for these findings, these are extremely serious allegations that could result in dismissal. ARL requests that all records relating to these findings be provided immediately so that an investigation can be conducted.