



DEC 29 2011

Ms. Kathleen Mordan, Executive Director
Montour County Assistance Office
327 Church Street
Danville, Pennsylvania 17821-0278

Mr. Richard M. Wallace, Acting Director of Operations
Department of Public Welfare
Office of Income Maintenance
Health and Welfare Building
Harrisburg, Pennsylvania 17105

Dear Ms. Mordan and Mr. Wallace:

Enclosed is the final audit report of the Area 5 County Assistance Offices (CAO), Special Allowances for Supportive services (SPAL), which was recently completed by this office. Your response has been incorporated into the final report and labeled as an Appendix.

The final report will be forwarded to the Department's Office of Income Maintenance (OIM) to begin the Department's resolution process concerning the report contents. The staff from the OIM may be in contact with you to follow up on the corrective action actually taken to comply with the report's recommendations.

I would like to express my appreciation for the courtesy and cooperation extended to the DAR staff.

If you have any questions concerning this matter, please contact Mr. Michael J. Kiely, Audit Manager of the Western Field Office, at (412) 565-2187.

Sincerely,

Tina L. Long, CPA
Director

Enclosure

c: Mr. Timothy Costa
Ms. Lourdes Padilla
Mr. Andy Tiazkun
Mr. Leroy Satryan



DEC 29 2011

Mr. Timothy Costa
Executive Deputy Secretary
Office of the Secretary
333 Health & Welfare Building
Harrisburg, Pennsylvania 17120

Dear Mr. Costa:

In response to a request from the former Deputy Secretary for the Office of Income Maintenance, the Bureau of Financial Operations (BFO) initiated a statewide performance audit of special allowance for supportive services payments (SPALs) processed through the County Assistance Offices (CAOs). As part of this statewide audit, the BFO Western Field Office completed a performance audit of Area 5 CAOs.

Area 5 consists of Allegheny and Washington counties. The audit was primarily directed to assess the propriety of 135 sampled SPAL payments the CAOs disbursed between October 1, 2009 and December, 31 2009. The audit was also directed to gain an understanding of the policies and procedures that govern the issuance of SPALs and to determine if the CAOs are in compliance with those guidelines.

The report is currently in final form and therefore includes management's views on the reported findings, conclusions and recommendations. Managements' response to the draft report is included as an attachment hereto.

Executive Summary

SPALs are payments for supportive services made on behalf of eligible individuals either through the Office of Income Maintenance (OIM) CAO system or a contractor enrolled within the Welfare to Work program. In order to qualify for cash or Supplemental Nutrition Assistance Program (SNAP) benefits, recipients, unless exempt, are required to participate in an employment or training activity. In conjunction with activities that may lead to gainful employment or for a class of individuals that have attained employment, OIM offers SPALs to offset certain costs incurred by the recipient. SPALs are issued in defined amounts for items that may be barriers to employment. Items provided include, but are not limited to the following: transportation costs, including motor vehicle purchases and repair, tuition, books and supplies, clothing and tools.

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

FINDINGS	SUMMARY
<i>Finding No. 1 – Original Receipts Were Not Found In The Client Files</i>	An original receipt is required within 14 days of issuing the SPAL. Original receipts were not found in 79 of the 135 (59%) (78-Allegheny and 1-Washington CAO) client files.

Area 5 County Assistance Offices (CAO)
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HIGHLIGHTS OF RECOMMENDATIONS
<p>OIM should :</p> <ul style="list-style-type: none"> • Ensure that the CAO implements procedures to obtain receipts for the SPAL items purchased. • Ensure that an overpayment is processed for any SPAL payment for which a receipt is not obtained. • Direct the CAO to explore alternatives to issuing funds directly to clients for transit passes.

FINDINGS	SUMMARY
<p><i>Finding No. 2 – SPAL Overpayments Were Not Processed</i></p>	<p>Overpayments were not processed for cases where receipts were not received. At the CAOs, 86 of the 135 SPAL payments (64%) (85-Allegheny and 1-Washington) that did not have receipts did not have overpayments processed.</p>

HIGHLIGHTS OF RECOMMENDATIONS
<p>OIM should:</p> <ul style="list-style-type: none"> • Ensure that the CAOs review their SPAL procedures and implement steps so that overpayments are processed.

FINDINGS	SUMMARY
<p><i>Finding No. 3 – SPAL Verification Forms Were Not Completed</i></p>	<p>OIM introduced the SPAL Verification Form as a quality control enhancement. However, 28% (33 of 118) of the Allegheny CAO case files sampled did not include the SPAL Verification Form.</p>

HIGHLIGHTS OF RECOMMENDATIONS
<p>OIM should:</p> <ul style="list-style-type: none"> • Ensure that the CAO implement procedures to complete SPAL Verification Forms in compliance with Operations Memorandum-Employment & Training, OPS090801.

FINDINGS	SUMMARY
<p><i>Finding No. 4 – Other SPAL Attributes That Did Not Satisfy The Required Standards</i></p>	<p>Of the 135 client files examined, 65 (48%) at the Allegheny CAO were lacking from one to seven of the SPAL attributes that allows the reviewer to conclude that the client was in full compliance with SPAL eligibility.</p>

Area 5 County Assistance Offices (CAO)
Special Allowances for Supportive Services (SPAL)

HIGHLIGHTS OF RECOMMENDATIONS

OIM should:

- Ensure that the CAO fulfill all mandated requirements when processing SPALs. Most important are attributes, that when not fulfilled, render the client ineligible to receive a SPAL.
- Ensure overpayments are processed for the SPAL payments made in error.

Background

The OIM administers an array of client benefits, one of which is SPALs. In order to obtain a SPAL a client must be determined eligible to receive cash and/or SNAP benefits, be enrolled in an approved training or education program or be employed within program parameters. Additionally, the client must demonstrate a need for the SPAL, including confirmation that no other resources are available.

In conjunction with program participation or employment itself, there may be associated expenses. In order to assist recipients overcome any barriers to employment and obtain or maintain gainful employment OIM will pay certain related expenses. These payments for qualified items are categorized as SPALs.

SPALs may be used for a variety of items necessary to help individuals prepare for, seek, accept or maintain education, training, or employment. Examples are transportation costs, including assistance with motor vehicle purchases and repairs, tuition, books and supplies, clothing, equipment and tools. With limited exception, an original receipt is to be presented within 14 days or the CAO is required to process an overpayment referral.

Regulations governing employment and training programs and SPALs are found in the Program and Master Guidelines issued by the BETP. The Guidelines are based on 55 PA Code 165.4 and the Cash Assistance Handbook at Chapters 135.6 and 138.8. In addition, OIM issues various Operations Memorandum and Policy Clarifications.

Objective/Scope/Methodology

The audit objective developed in concurrence with OIM was:

- To determine if SPAL payments were made in accordance with applicable regulations.

In pursuing the objective the BFO reviewed case records and other pertinent data necessary to complete our objective. Eligibility, necessity, verification and timeliness were the testing groups for each file sampled. Eligibility testing was limited to the CAO's determination that the client was eligible to receive cash or SNAP benefits. A statistically valid sample (SVS) size of 135 SPALs distributed between payments under and over \$25 was selected with a testing period of October

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1, 2009 through December 31, 2009. The testing attributes of the SVS were a 95% confidence level with a 5% error factor.

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 objectives.

Government auditing standards require that the auditors obtain an understanding of management 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 these controls. Based on our understanding of the controls no material deficiencies came to our attention. Areas where we noted an opportunity for improvement are addressed in the findings of this report.

Results of Fieldwork

The audit encompassed the verification of specific attributes of the SPAL process. Client liability was verified 96 % correct and timeliness was 87%, in that the SPAL was processed within the required parameters. The overall results of the testing of each attribute are presented in the following audit findings and recommendations:

Finding No. 1 – Original Receipts Were Not Found In The Client Files

To ensure SPAL disbursements are used for their intended purpose, receipts are required to be presented to the CAO and maintained within the client files. For the 135 client case files reviewed, 79 (59%) (Allegheny-78 and Washington-1) did not include a receipt to support the SPAL.

Analysis of the service data contained within the audit sample indicated 73% (98 of 135) (Allegheny-90 and Washington-8) of the SPALs, were processed under the transportation code 250. Transportation consists of two types of service reimbursement, private and public. Private transportation SPALs encompass mileage reimbursement which does not require a receipt but needs to be documented using a website that provides mileage to a given location and the return trip.

Receipts are required for public transit passes unless the transportation provider does not make them available, then a copy of the pass is acceptable. SPALs for transportation are usually paid directly to clients as opposed to restricted checks issued to vendors. The majority of SPALs (59%-80 of 135), were issued for public transit passes by the Allegheny CAO for which most clients (75%- 60 of 80) did not present receipts.

CAO Management acknowledged that obtaining receipts from clients after payments were received was a problem. They stated that they follow OIM requirements to request verification of transit passes by providing an original paid receipt within 14 days. This is accomplished by workers setting a calendar or clerical control form for the verification due date.

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Workers monitor the calendar controls for follow-up. If a clerical control is used the clerical staff returns the form to the worker on the 15th day for follow up on receipts. If verification is received, the worker copies, returns the original receipt, narrates, scans and attaches it to the record. If a clerical control method is used the worker annotates the form for date verification when it is received and returns the form to clerical to record in the form's log book.

CAO management also stated that in the past clients often did not obtain a receipt. Some bus lines do not provide receipts unless requested and clients would have to copy the pass and submit them to workers. Clients have now been instructed to request a receipt from the bus line as they are not given automatically.

Recommendation

The BFO recommends the OIM ensure that the CAO implement procedures to obtain receipts for the SPAL purchases and process an overpayment when a receipt is not obtained per OIM Directive OPS090801.

The BFO also recommends that the CAO explore alternatives to issuing funds directly to clients. The CAO could purchase transit passes in bulk and issue them directly to their clients or allow the EARN Centers to issue transit passes to their clients. As an alternative, the OIM could restrict EBT withdrawals/payments so that only transit passes can be purchased with the SPAL funding provided for this purpose.

Finding No. 2 – SPAL Overpayments Were Not Processed

When a SPAL is improperly processed or a client does not conform to program requirements, the CAO is required to process an "overpayment" to recover the SPAL funds from the client.

The CAO caseworker completes an Overpayment Referral Data Input form (PA 189) and refers it to the Office of Inspector General (OIG) for recovery.

Of 135 clients files examined for this audit, 86 (Allegheny CAO-85 and Washington CAO-1) included SPALs where an overpayment should have been processed and had not. This represents 64% of the 135 SPALs examined. Most of the overpayments identified were the result of clients' failure to submit receipts that could support the disbursement.

Recommendation

The BFO recommends the OIM ensure that the CAO review its SPAL procedures and implement steps so that overpayments are processed.

Finding No. 3 – SPAL Verification Forms Were Not Completed

The Operations Memorandum-Employment & Training, OPS090801 established the requirement that a SPAL Verification Form be completed. This form was implemented to strengthen controls within the SPAL process. At the Allegheny CAO, 28% (33 of the 118) case files examined did not

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include this form while the Washington CAO had this form completed in all of its' 17 case files examined.

Recommendation

The BFO recommends the OIM ensure that the CAOs implement procedures to complete SPAL Verification Forms in compliance with Operations Memorandum- Employment & Training, OPS090801.

Finding No. 4 – Other SPAL Attributes That Did Not Satisfy The Required Standards

Each client's SPAL file is required to document seven attributes that demonstrate the SPAL was necessary for the individual to participate in the training or employment activity. These attributes are:

- Type of allowance requested
- Reason code associated with the allowance
- Activity supported with the allowance
- Amount and calculation of the SPAL
- Date(s) that the service or item was needed
- Current Agreement of Mutual Responsibility or other documents that reflect approved activity
- Current Employment and Training Program Rights and Responsibilities or Job Readiness Assessment Form

Of the 135 client files examined 65 (48%) were lacking from 1 to 7 of the SPAL necessity attributes. The analysis of the missing attributes was as follows:

- 29 of 65 (45%) files were missing one of the seven attributes,
- 11 of 65 (17%) were missing two
- 8 of 65 (12%) were missing three
- 7 of 65 (11%) were missing four
- 3 of 65 (5%) were missing five
- 1 of 65 (1%) was missing six
- 6 of 65 (9%) files were identified as missing all seven attributes.

In addition, a review of client files for the appropriateness of the SPAL payments indicated 5 (4%) of 135, were issued in error because the client was not eligible. Overpayments were issued for 4 of the 5.

Recommendation

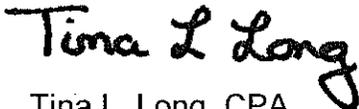
The BFO recommends that the OIM ensure all required attributes are documented when processing SPALs.

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The BFO also recommends that an overpayment be processed for the SPAL payment made in error if it has not been processed to date.

In accordance with our established procedures, an audit response matrix will be provided to OIM. The OIM 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 OIM'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: Ms. Lourdes Padilla
Ms. Janice Gladden
Mr. Richard Wallace
Mr. Leroy Satryan
Mr. Andy Tiazkun

**AREA 5 COUNTY ASSISTANCE OFFICES (CAO)
SPECIAL ALLOWANCES FOR SUPPORTIVE SERVICES (SPAL)**

RESPONSE TO THE DRAFT REPORT

APPENDIX

COMMONWEALTH OF PENNSYLVANIA
Department of Public Welfare

SUBJECT: Special Allowance (SPAL) Review of the Area 5 CAO's

TO: Mr. Michael J. Kiely, Audit Manager
Division of Audit and Review
Bureau of Financial Operations

FROM: Lourdes Padilla *LP*
Acting Deputy Secretary for Income Maintenance

This is in response to the review conducted by the Bureau of Financial Operations dated June 9, 2011 for the period October 1, 2009 through December 31, 2009.

OIM remains committed to administering SPALs with the highest possible degree of accuracy. Many of the issues addressed by the review were previously identified and have already been addressed with system updates and training.

FINDING:

Original receipts were not found in the client files (79 cases):

We agree that original receipts were missing in 76 of the 79 client files that were cited during the audit.

We disagree with 3 of the cases noted in this finding.

- Case 1193367 – An overpayment was processed in December 2009 due to the failure of the client to furnish a receipt.
- Case 1306828 – The receipts existed in the paper record at the time of the audit and were subsequently scanned.
- Case 1021641 – A receipt was found for August 2009 and scanned on 10/23/2009.

Recommendation: Ensure that the CAOs implement procedures to obtain receipts for the SPAL purchases and process and process an overpayment when a receipt is not obtained per OIM Directive OPS090801:

The OIM Bureau of Operations instructed CAOs to provide additional training to staff. The Allegheny CAO is currently in the process of conducting SPAL training to the entire staff. This training began May 24, 2011 with the last make-up scheduled for July 26, 2011.

Recommendation: Ensure that an overpayment is processed for any SPAL payment for which a receipt is not obtained.

The following is noted regarding the 79 cases cited in Finding 1:

Overpayments previously processed	63
Overpayments in process	14
Overpayment not required (as noted above)	<u>2</u>
Total cases	79

Recommendation: Explore alternatives to issuing funds directly to clients:

This recommendation has been referred to the OIM Bureau of Employment and Training Programs for follow-up.

FINDING 2

SPAL overpayments were not processed (86 cases):

We agree that overpayments were not processed timely for 83 of the 86 cases that were cited during the audit.

Overpayments were not required for 3 of the cases noted in this finding.

- Case 1306828 – The receipts existed in the paper record at the time of the audit and were subsequently scanned.
- Case 1021641 – A receipt was found for August 2009 and scanned on 10/23/2009.
- Case 1390526 – A receipt was received subsequent to the audit.

The following is noted regarding the 86 cases cited in Finding 1:

Overpayments previously processed	75
Overpayments in process	8
Overpayment not required (as noted above)	<u>3</u>
Total cases	86

Recommendation: Ensure the CAOs review their SPAL procedures and implement steps so that overpayments are processed:

The OIM Bureau of Operations instructed CAOs to provide additional training to staff. The Allegheny CAO is currently in the process of conducting SPAL training to the entire staff. This training began May 24, 2011 with the last make-up scheduled for July 26, 2011.

FINDING 3

SPAL Verification Forms were not completed (33 cases):

We agree that SPAL Verification Forms were not completed for the 32 cases that were cited during the audit. We disagree that a SPAL Verification Form was not processed for case 1193367.

Recommendation Ensure that the CAO implement procedures to complete SPAL Verification Forms in compliance with Operations Memorandum-Employment & Training, OPS090801:

A SPAL Pending Verification Checklist has been developed for the Job Search and EARN Programs.

FINDING 4

Other SPAL attributes that did not satisfy the required standards (65 cases):

We agree that 63 of client files examined during the audit did not contain all of the documentation that is needed to support the SPAL payment. We disagree that cases 1021641 and 1306828 did not contain supporting documentation.

Recommendation Ensure that all required attributes are documented when processing SPALs.

The OIM Bureau of Operations instructed CAOs to provide additional training to staff. The Allegheny CAO is currently in the process of conducting SPAL training for the entire staff. This training began May 24, 2011 with the last make-up scheduled for July 26, 2011.

Recommendation Process overpayments for the SPAL payments made in error.

Overpayments have been processed for 44 of the 65 cases. Overpayments are not needed for 4 of the 65 cases as receipts were received for cases 1021641, 1306828 & 1309526 and the check that was issued for case 07318854 was returned to the CAO. Overpayments will be processed for the remaining 17 cases.

Regarding the 5 cases, cited separately, in which SPALs were issued in error because the client was not eligible, we are in agreement that an overpayment was not issued for one of the cases (1309526) by the close of fieldwork. Documentation was received subsequent to the time of fieldwork, so an overpayment will not be processed.

SUMMARY

We are in agreement with the Bureau of Financial Operations' findings with the exception of the 3 cases noted in Finding No. 1, the 3 cases noted in Finding No. 2, 1 case noted in Finding No. 3 and the 2 cases noted in Finding No. 4,

We have taken corrective action, subsequent to the audit period, to address the findings included in the report.

Thank you for the opportunity to respond to this audit. If you have any further questions, please contact Mr. Andrew Tiazkun, Audit Coordinator, at 787-7975.