



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
BUREAU OF FINANCIAL OPERATIONS
Room 525 Health and Welfare Building
Harrisburg, Pennsylvania 17105-2675

JUL - 2 2010

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KEVIN M. FRIEL
DIRECTOR

Ms Maureen Lewandowski, Executive Director
Lancaster County Assistance Office
832 Manor Street
P.O. Box 4967
Lancaster, Pennsylvania 17604-4967

Dear Ms. Lewandowski:

I am enclosing the final report of the Lancaster County CAO that was recently completed by this office. Your response has been incorporated into the final report and labeled as an Appendix.

I would like to extend my appreciation to all the courtesy extended to my staff during the course of fieldwork. I understand that you were especially helpful to Joseph Piccolo in expediting the audit process.

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 action taken to comply with the report's recommendations.

If you have any questions concerning this matter, please contact Alexander Matolyak, Audit Resolution Section, at (717) 783-7786.

Sincerely,

Kevin Friel

c: Ms. Linda Blanchette
Ms. Joanne Glover
Ms. Lourdes Padilla
Ms. Suzanne Connolly
Ms. Deborah Glosek



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Ms. Linda Blanchette
Deputy Secretary for Income Maintenance
Health & Welfare Building Room 432
Harrisburg, Pennsylvania, 17120

Dear Ms. Blanchette:

In response to a request from the Executive Deputy Secretary the Bureau of Financial Operations (BFO) initiated an audit of special allowance for supportive services payments processed through the County Assistance Offices (CAO). In preparation for this assignment the BFO completed a pilot audit at the Lancaster CAO. The audit examined the propriety of 172 special allowance payments (SPAL) disbursed between October 1, 2009 and December 31, 2009. The audit's goal was to gain an understanding of the policies and procedures used at a CAO to process SPALs and to examine the application of those policies and procedures.

This report is currently in its final form and therefore contains Lancaster CAO's views on the reported findings, conclusions and recommendations as an appendix to this report. The data used to prepare the reported findings was discussed with Lancaster CAO's management at an exit conference held on June 23, 2010.

Lancaster CAO
Executive Summary

Based on the data generated from the SPAL audit sample we believe that the Lancaster CAO should be commended for their efforts to accept and process eligible SPALs within a timely manner. In August 2009, OIM imposed additional quality control requirements. The CAO was not able to meet the new standards pertaining to verification and processing overpayments.

SPALs are payments for supportive services made on behalf of eligible individuals either through the Office of Income Maintenance's CAO system or a contractor enrolled within the Welfare to Work program. In order to qualify for a cash or SNAP benefit, recipients, unless exempt, are required to participate in an employment or training activity. In conjunction with these activities that may lead to gainful employment or for a class of individuals that have attained employment, DPW offers SPALs to offset certain costs incurred by the recipients. SPALs are issued in defined amounts for items that may be barriers to employment such as, transportation including assistance with the purchase of an automobile, tuition, books and supplies, clothing and tools.

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

FINDINGS	SUMMARY
<i>Finding No. 1 - The Purchase Of Goods Or Services Could Not Be Verified</i>	<p>Although the CAO attempted it could not obtain receipts for 111 SPAL transactions out of the 141 cases where receipts were required.</p> <p>In all the above, the SPALs were issued to purchase transportation primarily bus passes. SPALs for transportation are usually paid directly to clients as opposed to restricted checks issued directly to vendors.</p>

HIGHLIGHTS OF RECOMMENDATIONS
<p>OIM Should:</p> <ul style="list-style-type: none"> • Explore alternatives to issuing payments to clients for bus passes. CAO's should purchase bus passes in bulk and issue them directly to clients.

FINDINGS	SUMMARY
<i>Finding No. 2 - SPAL Overpayments Were Not Processed Timely Or Processed At All</i>	<p>Overpayments were not processed timely for cases where receipts were not received. According to the CAO requirements, overpayments should have been processed after the 14th day of issuing a SPAL.</p> <p>Receipts were up to 90 days in arrears and 54 overpayments were unresolved after the files were examined.</p>

HIGHLIGHTS OF RECOMMENDATIONS
<p>OIM should:</p> <ul style="list-style-type: none"> • Ensure that the Lancaster CAO reviews its SPAL procedures and implements steps so that overpayments are processed on or about the prescribed period.

FINDINGS	SUMMARY
<i>Finding No. 3 SPAL Verifications Forms Were Not Completed Or Approved</i>	<p>OIM introduced the SPAL Verification Form as a quality control enhancement. Eighty eight percent or 152 of the 172 case records sampled did not include this form.</p>

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Finding No. 3 (Continued)	Lancaster Management indicated there was a misunderstanding as to when the form was required.
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HIGHLIGHTS OF RECOMMENDATIONS

OIM should :
<ul style="list-style-type: none"> • Ensure that the Lancaster CAO implements procedures to complete SPAL Verifications Forms in compliance with Operations Memorandum – Employment & Training, OPS090801.

FINDINGS	SUMMARY
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Finding No. 4 – Other SPAL Attributes That Did Not Satisfy The Required Standards	Program enrollment forms were not available in five files sampled.
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HIGHLIGHTS OF RECOMMENDATIONS

The OIM should:
<ul style="list-style-type: none"> • Ensure that the Lancaster CAO fulfill all mandated requirements when processing SPALs. Most importantly are the attributes, when not fulfilled, render the client ineligible to receive a SPAL.

OBSERVATIONS	SUMMARY
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Observation – Electronic Benefit Cards Perpetual Inventory Is Not Maintained	If Electronic Benefits Cards are lost, stolen or destroyed a perpetual inventory balance could be an indicator of missing cards in lieu of reconstructing records
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Background

The Office of Income Maintenance administers an array of client benefits, one of which is SPALs. For a class of recipients to continue to receive cash and/or SNAP benefits the individuals are required to participate in an employment or training program. In conjunction with program participation or employment itself there may be associated expenses. In order to continue to assist the recipients overcome any barriers to employment and obtain or maintain gainful employment DPW 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

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transportation including assistance with the purchase of an automobile, tuition, books and supplies, clothing and tools.

In order to obtain a SPAL a client must be determined eligible to receive cash or SNAP benefits, enrolled in an approved training or education program or be employed within program parameters. Additionally, a client must demonstrate need for the SPAL in relationship to the activity engaged in and that no other resource is available. With limited exception, an original receipt is to be presented within 14 days or the CAO is required to process an overpayment.

Regulations governing employment and training related to special allowances for supportive services are found at 55 PA Code 165.4 and in the Cash Assistance Handbook at Chapters 135.6 and 138.8. In addition, OIM issued Operations Memorandum – Employment & Training, OPS090801 dated August 5, 2009 revised October 21, 2009. These documents are the prescribed regulations and guidelines to be used to administer the approval, issuance and monitoring of SPALs.

Objective/Scope/Methodology

The audit objective, developed in concurrence with OIM was:

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

In pursuing the objective, the BFO interviewed OIM and CAO management. We also reviewed case records, client files and other pertinent data necessary to complete our objective. Eligibility, necessity, verification and timeliness were the testing groups for each client file sampled. Eligibility testing was limited to the CAO'S determination that the client was eligible to receive cash or SNAP benefits. A statically valid sample (SVS) size of 172 distributed between payments under and over \$25.00 was selected with a testing period of October 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 audit 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 objectives 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.

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Results of Fieldwork

As indicated, the audit encompassed the verification of specific attributes of the SPAL process. The total results of testing for each attribute are presented in Exhibit A. Pertaining to the four category groupings, client eligibility was verified 100% correct; that is no ineligible client received a SPAL. Timeliness was verified 97% correct in that the SPAL was processed within the required parameters. The following are the audit findings and recommendations:

Finding No. 1 - The Purchase Of Goods Or Services Could Not Be Verified

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 files reviewed 111 client case records did not include a receipt to support the SPAL. This represents 79% of the 141 cases that required a receipt.

Analysis of the service data embodied within the audit sample indicated the majority of SPALs, 76%, were processed under the transportation code. Transportation consisted of two types of service reimbursement, mileage and bus passes. Mileage SPALs do not require a receipt but bus pass SPALs do. SPALs for transportation are usually paid directly to clients as opposed to restricted checks issued directly to vendors. The majority of transportation SPALs were issued for bus passes for which clients did not present receipts.

Lancaster CAO Management acknowledges obtaining receipts from clients after payments were received is problematic. Although CAO personnel explain to clients the SPAL receipt requirement, for the majority of bus pass SPALs no receipt was presented. Making a second trip to the CAO is not a priority and amounts recovered (overpayments) generally would not impose a burden on the client. Even allowing clients to mail the receipts back to the CAO is not resolving the issue. While acquiring a receipt for a service purchased is an excellent control, in the incidences of bus passes it is not having an impact. OIM should explore alternatives to paying clients to purchase their bus pass. The BFO acknowledges that regions and CAO's are somewhat unique; however, Lancaster CAO could purchase bus passes in bulk from the transportation authority and issue them directly.

Recommendation

The BFO recommends OIM explore alternatives to issuing payments to clients for bus passes. CAO's should purchase bus passes in bulk and issue them directly to clients.

Finding No. 2 - SPAL Overpayments Were Not Processed Timely Or Processed At All

There are various circumstances that when presented require the CAO to enact an overpayment to recover a SPAL payment. Overpayments are required when either the SPAL was improperly processed or the client did not conform to program requirements. Our sample included 111 overpayments that should have been processed. This

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represents 65% of the 172 SPALs examined. All of the overpayments identified were the result of the clients' failure to submit receipts that could support the disbursement.

Special Allowance Verification Procedures require an original receipt be produced within 14 days of receiving the special allowance. At Lancaster CAO receipts were up to 90 days in arrears and overpayments had not been processed.

Operations Memorandum – Employment & Training, OPS090801 dated August 5, 2009 revised October 21, 2009 established the standard that beyond the 14 day period the CAO is to process an overpayment. The BFO recognizes that for every SPAL that does not have an associated receipt within the prescribed period; an overpayment can not be processed immediately. However, the Lancaster CAO was processing overpayments relating to the audit period at the end of January 2010 with 54 overpayments unresolved at month's end.

Recommendation

The BFO recommends OIM ensure that the Lancaster CAO reviews its SPAL procedures and implements steps so that overpayments are processed on or about the prescribed period.

Finding No. 3 - SPAL Verifications Forms Were Not Completed Or Approved

The Operations Memorandum – Employment & Training, OPS090801 dated August 5, 2009 revised October 21, 2009 also established the requirement that a SPAL Verification Form be completed. This form was implemented to strengthen controls within the SPAL process. At Lancaster CAO 88% or 152 of the 172 case files examined did not include this form.

The verification form must be completed by either the CAO or an enrolled contractor. CAO management understood that by having other documents, referred to as "Collateral Contacts", within the client file was sufficient and a verification form did not have to be completed. The CAO pointed to an individual's class schedule as an example of "Collateral Contacts". OIM management indicated that a syllabus can be attached to the SPAL Verification Form; however, SPAL Verification Forms are required to be completed. The only noted exception is that of contacting an employer for which the client must submit a pay stub.

Recommendation

The BFO recommends the OIM ensure that the Lancaster CAO implements procedures to complete SPAL Verifications Forms in compliance with Operations Memorandum – Employment & Training, OPS090801.

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

As illustrated in Exhibit A thirteen attributes of the SPAL approval and payment process were tested for each SPAL in the audit sample. In the areas of eligibility and timeliness compliance was satisfactory. Documentation was deficient in the verification attributes. The fourth grouping of attributes was necessity; that is, did the file demonstrate the SPAL was necessary for the individual to participate in training or employment.

For one of the seven attributes within the necessity category compliance was sub-standard:

- For 5 SPALs documents, such as, the PA.1661 and PA. 1530 were not available for review. Not fulfilling this requirement would not make the client ineligible to receive a SPAL and the SPAL process invalidated.

For six of the seven necessity attributes the error rate was less than 3%. Pertaining to these errors no additional overpayments were required to be processed. All the above also did not meet the receipt requirement.

Recommendation

The BFO recommends that the OIM ensures that the CAO fulfills all mandated requirements when processing SPALs. Most importantly are the attributes that, when not fulfilled, render the client ineligible to receive a SPAL.

Observation – Electronic Benefit Cards Perpetual Inventory Is Not Maintained

Included within the audit procedures was an internal control examination of the Electronic Benefits Transfer (EBT) card issuing process. The testing concluded no deficiencies pertaining to the implementation policies and procedures for this process. However, one enhancement is suggested. A perpetual inventory should be kept detailing the number of unused EBT cards in stock.

Yearly the inventory is replenished based on a history of past usage. Cards are stored in a secured area and issued to staff in blocks of 50. The number of cards issued but unused is reconciled daily but a balance of EBT cards is not maintained. In the event EBT cards are lost, stolen or destroyed the process to reconstruct data to determine the number missing would be difficult.

CAO management indicated a willingness to maintain a perpetual inventory for EBT cards.

Auditors Commentary

Documentation of bus transportation appears to be the most significant issue raised within this report. We note that the Lancaster CAO is in agreement with our recommendation to explore alternatives to the current system used to fund and

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document the purchase of bus passes. We also note that a number of barriers to the bulk purchase and distribution of bus passes may exist. We believe the benefits that could result from the bulk purchase of bus passes warrants OIM's full attention to the elimination of any existing barriers.

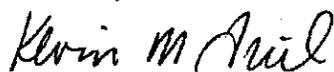
Based on the exit conference several minor changes were made to the draft report. The most notably being the BFO recognizing a computer system limitation that does not permit a range of service dates for on going SPALS to exceed the client's next payment date. Therefore, a single service date was accepted with the date range being noted within the narrative section of the clients file.

In accordance with our established procedures, an audit response matrix will be provided to your office. Once received, please complete the matrix within 60 days and email the Excel file to the DPW Audit Resolution Section at:

RA-pwauditresolution@state.pa.us

The response to each recommendation should indicate your office's concurrence or non-concurrence, the corrective action to be taken, the staff from your office responsible for the corrective action, the expected date that the corrective action will be completed, and any related comments.

Sincerely,



Kevin M. Friel

Attachment

c: Ms. Joanne Glover
Ms. Lourdes Padilla
Ms. Maureen Lewandowski
Ms. Suzanne Connolly
Ms. Deborah Glosek

**LANCASTER COUNTY'S
RESPONSE TO THE DRAFT REPORT**

APPENDIX

**Lancaster County CAO
Special Allowance Audit
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FINDINGS	RESPONSE
<p>Finding No. 1 – The Purchase of Goods or Services Could Not Be Verified</p>	<p>With the implementation of OPS Memo 09-08-01 in October, 2009, the CAO implemented the following procedures to secure a receipt to verify the appropriate expenditure of a SPAL within fourteen (14) days of its issuance:</p> <p>1: The requirement to provide a receipt is explained orally to the client during the discussion of need.</p> <p>2: Upon issuance of a SPAL a letter is sent to the client from the CAO explaining the receipt requirement, providing the deadline for submission of the receipt and providing a return envelope for the submission of the receipt.</p> <p>A copy of this letter is then scanned into the client record.</p> <p>The CAO does not dispute the numbers in Finding No. 1, however the CAO believes it merely illuminates the client's failure to comply with the receipt requirement rather than the CAO's failure to request a receipt as dictated by policy.</p>
<p>Finding No. 2 – SPAL Overpayments Were Not Processed Timely or Processed At All.</p>	<p>All appropriate overpayments were identified and were entered into the ARRC system. The actual processing of some of the overpayments at the time of the review did not meet the 90 day requirement. All filed overpayments will be processed by the CAO.</p>
<p>Finding No. 3 – SPAL Verification Forms Were Not Completed Or Approved</p>	<p>The factors related to this finding have been addressed. The Contractor for Lancaster CAO was using their local SPAL verification form rather than the official SPAL verification form; policy clarifications and Q and A's released after the original OPS Memo caused initial confusion regarding circumstances in which there may be exceptions to the use of the official form.</p>

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<p>Finding No. 4 – Other SPAL Attributes That Did Not Satisfy The Required Standards</p>	<p>In response to the circumstances cited: 1: Dates of service and/or time span for a bus pass was a single date: a SPAL is issued as a One Time Issuance (OTI) in CIS a one day time span is required for processing. 2: Documentation of participation: the Contractor, not the CAO, is responsible for the maintenance of the material to document participation in the program. This material is not maintained or stored in the CAO files.</p>
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**LANCASTER COUNTY CAO
SPAL TESTING SUMMARY
OCTOBER - DECEMBER 2009**

<u>Attributes</u>		<u>Under \$25 Sample</u>	<u>Over \$25 Sample</u>	<u>Total</u>	<u>Percentage</u>
<u>1).Eligability</u>					
Were the Individuals Determined Eligible to Receive a SPAL					
	Yes	84	88	172	100%
	No	0	0	0	0%
<u>2). Necessity</u>					
Required Documents Were Available					
	Yes	83	84	167	97%
	No	1	4	5	3%
	N/A	0	0	0	0%
<u>3).Type of SPAL Documented</u>					
	Yes	84	86	170	99%
	No	0	2	2	1%
	N/A	0	0	0	0%
<u>4). Reason Code Documented</u>					
	Yes	84	83	167	97%
	No	0	5	5	3%
	N/A	0	0	0	0%
<u>5). Activity Engaged Supported by SPAL</u>					
	Yes	84	87	171	99%
	No	0	1	1	1%
	N/A	0	0	0	0%
<u>6). Dates of Service Documented</u>					
	Yes	84	87	171	99%
	No	0	1	1	1%
	N/A	0	0	0	0%
<u>7). Client Attending Approved Activity</u>					
	Yes	84	83	167	97%
	No	0	1	1	1%
	N/A	0	4	4	2%
<u>8). Demonstrated SPAL Required For Participation</u>					
	Yes	84	87	171	99%
	No	0	1	1	1%
	N/A	0	0	0	0%

**LANCASTER COUNTY CAO
SPAL TESTING SUMMARY
OCTOBER - DECEMBER 2009
(Continued)**

<u>Attributes</u>		<u>Under \$25 Sample</u>	<u>Over \$25 Sample</u>	<u>Total</u>	<u>Percentage</u>
<u>9). Verification</u>					
SPAL Verification Form Completed	Yes	0	16	16	10%
	No	84	68	152	88%
	N/A	0	4	4	2%
10). Verification Form Approved	Yes	0	16	16	9%
	No	0	0	0	0%
	N/A	84	72	156	91%
11). Original Receipt in File	Yes	6	24	30	17%
	No	63	48	111	66%
	N/A	15	16	31	17%
12). Overpayment Processed	Yes	22	36	58	34%
	No	42	12	54	31%
	N/A	20	40	60	35%
<u>13). Timeliness</u>					
SPAL Was Paid Within 15 Days	Yes	83	84	167	97%
	No	1	4	5	3%
	N/A	0	0	0	0%

**Lancaster County CAO
Summary of SPALs Examined**

SPAL Code	Description	Transactions Over \$25	Transactions Under \$25	Total
250	Moving/Trans Cost to apply/accept/attend Employment/Training School	44	77	121
256	Clothing/Personal Items for Employment/Training	2	0	2
257	Equipment/Tools for Employment/Training	2	0	2
258	Training Course Fees, Test Fees, Union Dues, FBI fingerprinting fee	5	0	5
260	Automobile Operator Fees	9	0	9
261	Automobile Purchase/Down Payment	2	0	2
262	Automobile Repairs	5	0	5
278	Training Course Books/Supplies	15	0	15
850	Moving/Trans Cost to apply/accept/attend Employment/Training School	4	6	10
860	Automobile Operator Fees	0	1	1
		<u>88</u>	<u>84</u>	<u>172</u>

Lancaster County CAO
SPAL Client Eligibility

	<u>Transactions Over \$25</u>	<u>Transactions Under \$25</u>	<u>Total</u>
TANF	43	74	117
SNAP	45	10	55
	<u>88</u>	<u>84</u>	<u>172</u>