



AUG 05 2011

Ms. Cynthia J. Fay, Workforce Program Manager
Northern Tier Regional Planning & Development Commission
312 Main Street
Towanda, Pennsylvania 18848

Dear Ms. Fay:

I am enclosing the final report of the audit of Northern Tier Regional Planning and Development Commission and its two SPAL contractors, BCA and Trehab, recently completed by this office. Your response has been incorporated into the final report and labeled Appendix B.

The final report will be forwarded to the Department's Office of Income Maintenance Bureau of Employment and Training Programs to begin the Department's resolution process concerning the report contents. The staff from OIM 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 the fieldwork.

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

Sincerely,

A handwritten signature in black ink that reads "Tina L. Long".

Tina L. Long
Director

Enclosure

c: Mr. Frank Thompson, NTRPDC WIB Director
Mr. Philip Abromats
Mr. Bryon Noon
Ms. Deborah Glosek
Mr. Andrew Tiazkun
Ms. Lisa Watson

bc: Ms. Karen Deklinski
Mr. Thomas Crofcheck
Mr. Jack Hoover
Mr. Alex Matolyak (N1000-K99)
Ms. Kenya Faulkner
Ms. Shelley Lawrence
NEFO Audit File



AUG 05 2011

Mr. Philip Abromats
Acting Deputy Secretary for Income Maintenance
Health & Welfare Building, Room 432
Harrisburg, Pennsylvania 17120

Dear Mr. Abromats:

In response to your request, the Bureau of Financial Operations (BFO) has completed a performance audit of Northern Tier Regional Planning & Development Commission (NTRPDC). The audit was primarily directed to assess NTRPDC's compliance with the Office of Income Maintenance (OIM) Bureau of Employment and Training Programs (BETP) Master Guidelines related to the issuance of special allowances (SPALs) for supportive services. The audit focused on the period January 1, 2009 through December 31, 2009.

The NTRPDC views on the report findings, conclusions, or recommendations are included in the report and identified as Appendix B. The data used to prepare the report was discussed with NTRPDC's Deputy Director, Bradford County Action's Executive Director, and Trehab's Workforce Development Director at a meeting held on April 27, 2011.

The report questions the appropriateness of \$11,027 of SPALs issued by NTRPDC through its subcontractors as identified in Finding No. 1. The report addresses the need for improved controls for the issuances of SPALs and includes our observation on certain OIM policies and the Commonwealth Workforce Development System (CWDS).

Northern Tier Regional Planning & Development Commission
Executive Summary

NTRPDC is a non-profit organization recognized as a Local Development District designed to help businesses and entrepreneurs, local governments, and non-profit organizations located in the five rural Northern Tier counties meet their challenges. It is responsible for the administration of the Workforce Investment Act (WIA) in the region and works with the Local Management Committee (LMC) to oversee welfare and welfare-to-work programs. NTRPDC's subcontractors, Bradford County Action (BCA) and Trehab operate Employment Advancement Retention Network (EARN) Centers, through which SPALs are issued for certain job-related expenses to minimize barriers that prevent employment. Individuals are referred to BCA and Trehab by the Bradford, Wyoming, Susquehanna, Tioga, and Sullivan County Assistance Offices (CAOs).

**Northern Tier Regional Planning & Development Commission
January 1, 2009 through December 31, 2009**

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

FINDING NO. 1	SUMMARY
<p><i>Noncompliance Regarding Issuances of SPALs.</i></p>	<ul style="list-style-type: none"> • The NTRPDC through its subcontractors issued 31 SPALs totaling \$11,027 for non allowable costs comprised of the following categories: • BCA and Trehab issued 11 SPALs totaling \$5,664 which were non allowable due to the SPALs were paid to SNAP only clients in job retention. • Trehab issued a \$445 auto insurance SPAL to a client who was not receiving either TANF or SNAP benefits. • BCA and Trehab issued 8 SPALs which exceeded by \$2,086 the maximum dollar amounts outlined in the 2008-09 and 2009-10 Master Guidelines. • Trehab issued 2 SPALs totaling \$360 for which CAO funds should have been utilized first. • Trehab issued 22 SPALs totaling \$5,832 which were not verified by original receipt. Included in the total were 9 SPALs totaling \$2,472 which were not included in other non allowable categories. • BCA and Trehab did not process 31 overpayments totaling \$11,027 for the 31 applicable SPALs questioned in Finding No. 1. The BCA and Trehab shares of the overpayments totaled \$4,564 and \$6,463 respectively.

HIGHLIGHTS OF RECOMMENDATIONS
<p>OIM/BETP should:</p> <ul style="list-style-type: none"> • Determine the eligibility of \$11,027 in questioned costs and recover funds from NTRPDC as appropriate. • Develop criteria and procedures for recovery of contractor funds for payment of non allowable SPALs. <p>NTRPDC should:</p> <ul style="list-style-type: none"> • Ensure NTRPDC and its subcontractor personnel performing SPAL related duties abide by the BETP Master Guidelines.

**Northern Tier Regional Planning & Development Commission
January 1, 2009 through December 31, 2009**

HIGHLIGHTS OF RECOMMENDATIONS, continued

- Continue to maintain ongoing communication with the CAOs to minimize the risk of non compliance with SPAL requirements.

BCA and Trehab should:

- Abide by the requirements of the BETP Master Guidelines. SPALs should not be issued to SNAP only clients in job retention.
- Continue to maintain ongoing communication with the CAOs to minimize the risk of non compliance with SPAL requirements.

FINDING NO. 2	SUMMARY
<p><i>Internal Controls Over SPAL Monitoring and Issuances Need to be Strengthened</i></p>	<ul style="list-style-type: none"> • BETP and NTRPDC monitoring processes must be improved to better address SPALs in regards to client eligibility, appropriateness of payment, and fiscal accountability. • BCA and Trehab SPAL data entered into CWDS is not reconciled to source data, is not accurate and cannot be relied upon.

**Northern Tier Regional Planning & Development Commission
January 1, 2009 through December 31, 2009**

HIGHLIGHTS OF RECOMMENDATIONS

OIM/BETP should:

- Extend its monitoring procedures that ensure SPALs paid by contractors are issued appropriately and are accurately recorded in CWDS.
- Implement policies that identify proper CWDS data entry procedures and distribute the policies to contractors

NTRPDC should:

- Enhance its monitoring protocol/efforts to ensure subcontractors' SPALs are appropriate and accurately reported in CWDS.
- Require subcontractors to maintain an independent data system for SPALs with periodic reconciliation of source accounting records to CWDS data.

BCA and Trehab should:

- Periodically reconcile its independent data system for SPALs to CWDS and ensure CWDS data includes only DPW-EARN funded SPALs.
- Comply with data entry procedures and coding in accordance with procedures established by BETP.

OBSERVATION	SUMMARY
<p><i>OIM/BETP Policy and Information System Concerns</i></p>	<ul style="list-style-type: none"> • SPAL guidelines are complex, require frequent clarifications, and are subject to misinterpretation. This has contributed to the issues presented in Findings No. 1 and 2. • The OIM/BETP must issue policies that govern proper data entry procedures. • Certain CWDS codes are invalid or include inaccurate or insufficient descriptions.

Background

The BETP is responsible for the overall management of programs that were designed to assist welfare recipients prepare for, secure and retain employment. BETP utilizes employment and training contractors throughout the state to provide clients job-related training and education leading to greater opportunities for employment.

Northern Tier Regional Planning & Development Commission
January 1, 2009 through December 31, 2009

NTRPDC is a non-profit organization recognized as a Local Development District designed to help businesses and entrepreneurs, local governments, and non-profit organizations meet their challenges. NTRPDC serves the five rural Northern Tier counties: Bradford, Sullivan, Susquehanna, Tioga, and Wyoming. NTRPDC is responsible for the administration of the Workforce Investment Act (WIA) in the region and works with the Local Management Committee (LMC) to oversee welfare and welfare-to-work programs. NTRPDC subcontracts with BCA and Trehab who operate EARN Centers which provide employment and training activities for individuals referred by the CAOs.

SPALs are supportive service payments for certain job-related expenses and are issued by CAOs and/or SPAL contractors to minimize barriers that prevent employment. Items and services provided by SPALs include, but are not limited to: motor vehicle purchases and repairs, transportation costs, clothing, eye examinations and eyeglasses. An original receipt supporting the payment made must be submitted to the contractor within fourteen (14) days or the contractor is required by regulation to process an overpayment through the CAO.

In order to obtain a SPAL a client must be confirmed eligible to receive Cash (TANF) or Food Stamp (SNAP) benefits, enrolled in an approved training or educational program, actively seeking employment by submitting job applications and taking part in interviews, or accepting employment. Additionally, the contractor must verify a need for the SPAL and verify the client has no other available resource.

The Comprehensive Workforce Development System (CWDS) is a shared data system for tracking and reporting services provided by Pennsylvania's Workforce Partnering Agencies. CWDS was designed to significantly increase agency productivity and customer service, while facilitating the collection of performance data. Contractors are required to enter issued SPALs into CWDS accurately and in a timely manner.

Regulations governing employment and training programs and SPALs for supportive services are found in the Master and Program Guidelines issued by the BETP. The Guidelines are based on 55 Pa. Code §§165.41-165.46 and the PA DPW Cash Assistance Handbook (Chapter 135.6). In addition, the OIM issues various Operations Memorandums and Policy Clarifications

Objective, Scope and Methodology

The audit objectives developed in concurrence with the OIM were:

- To determine if SPALs issued by NTRPDC/subcontractors are appropriate and in compliance with regulations.
- To determine the level of internal controls pertaining to SPALs issued by NTRPDC/subcontractors and the extent to which payments are monitored.

The scope of our audit was limited due to the inability to obtain reliable data for SPALs issued by BCA and Trehab. BCA's and Trehab's independent databases contained SPAL payments not entered into CWDS, with SPALs entered into CWDS are not reconciled to the

Northern Tier Regional Planning & Development Commission
January 1, 2009 through December 31, 2009

databases. Additionally, BCA's database included SPALs paid with Federal Transportation Grant funds, and Trehab's database included incentive payments. The Transportation Grant and incentive payments could not be readily identified and excluded from the CWDS database. Because of this scope limitation, we were unable to satisfy ourselves as to the completeness of the NTRPDC SPAL universe from which our sample was selected for testing. This also prevented us from selecting a statistically valid random sample. The NTRPDC universe contained 933 SPALs issued during our audit period; we tested a sample consisting of 21 BCA SPAL payments and 33 Trehab SPAL payments.

In pursuing our objectives, the BFO interviewed management and staff members from NTRPDC, BCA and Trehab. We also reviewed client case records, program monitoring reports, financial reports, and other pertinent documentation necessary to complete our objectives.

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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Government auditing standards also require that we obtain an understanding of internal 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 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 an improvement in management's controls are addressed in the findings and observation of this report.

Fieldwork for this audit took place intermittently between December 13, 2010 and February 23, 2011. The report, when presented in its final form, is available for public inspection.

Results of Fieldwork

Finding No. 1 – Noncompliance Regarding Issuances of SPALs

The NTRPDC through its subcontractors issued 31 SPALs totaling \$11,027 for non allowable contractor costs. The costs are comprised of the following categories:

SPAL Payments Made for SNAP Only Clients in Job Retention

The BCA issued 3 SPALs and Trehab issued 8 SPALs totaling \$5,664 to SNAP only clients in job retention who are not eligible to receive SPALs. The CAOs had denied SPAL requests for these clients after the clients' cash benefit was closed due to job retention.

The 2009 Master Guidelines, page 192 states "job retention itself is not an approved activity that will allow the CAO or contractor to issue supportive services." Additionally, Operations

Northern Tier Regional Planning & Development Commission
January 1, 2009 through December 31, 2009

Memorandum 040710, dated July 24, 2004 states "Special allowances issued for the sole purpose of insuring job retention are not permitted."

SPAL Payment Made for a Client Not Eligible for Cash or Food Stamp Benefits

Trehab issued a \$445 auto insurance SPAL to an ineligible client who was not receiving either TANF or SNAP benefits at the time.

Maximum Dollar Amounts for Certain SPAL Categories Were Exceeded

BCA issued 3 SPALs and Trehab issued 5 SPALs which exceeded the maximum dollar amounts established per BETP Master Guidelines. The overpayments totaled \$2,086. The BCA overpayments totaled \$1,485 and the Trehab total was \$601. Six of the nine SPALs in question involved the use of code 280 (Other).

All five of the Trehab transactions were for eyeglasses and each exceeded the \$200 maximum allowed under code 298 which is the appropriate code for eyeglasses. By using the 280 code the provider was allowed to exceed the limits established for these expenses.

We also identified a number of SPALs which exceeded the maximum limit which are not included in the \$2,086 total identified above. These overpayments have been cited and addressed under other categories identified in this report. For example, BCA issued two auto repair SPALs and two auto purchase SPALs totaling \$2,616 to a client. The \$2,616 exceeded the \$1,300 maximum by \$1,316. The two auto purchase SPALs totaling \$2,072 were unallowable and thus were included in the \$5,664 questioned under SNAP only clients in job retention.

CAO Funds Not Utilized First

Trehab issued 2 SPALs totaling \$360 for clothing and operator fees which CAO funds should have been utilized first. The 2009 Program and Master Guideline Supportive Service Chart states "CAO allowance must be utilized first" for clothing and motor vehicle operator fees. Additionally, the 2008-09 Master Guideline's page 109 states, "Allowances issued by the contractor for supportive services are based on the availability of program funds and should supplement, not duplicate, allowances that are available to the participant from the CAO."

Missing Original Receipts

Twenty-two Trehab SPALs were not supported by original receipts that would have allowed the provider to verify that the SPALs were appropriately paid. Included in the total were 9 SPALs totaling \$2,472 which were not included in the other non allowable categories. The 2008-09 and 2009-10 Master Guidelines state throughout the documents, "Need and cost must be verified." The OIM's SPAL Desk Guide page 1 states, "The recipient of a SPAL must provide an original receipt showing that it was used for its intended purpose within 14 days of receiving the benefit."

Northern Tier Regional Planning & Development Commission
January 1, 2009 through December 31, 2009

Incentive Payments Should Not Have Been Paid Using EARN Funds

Trehab issued 3 SPALs totaling \$864, for car insurance, as six month job retention incentives. According to the Master Guidelines incentives are not considered to be supportive services and therefore should not be reimbursed with SPALs. The cost of the SPALs has been separately questioned under the categories of ineligible client (\$445) and SNAP only job retention (\$419). The \$864 of incentive payments is not separately included in the \$11,027 questioned cost total.

Overpayments Not Processed

Overpayments totaling \$11,027 were not processed for 6 BCA and 25 Trehab SPALs. The BCA and Trehab share of the overpayments totaled \$4,564 and \$6,463 respectively.

According to page 194 of the 2009 Master Guidelines, "An overpayment for supportive services exists when the actual cost of the service or item was less than the estimated cost of the service or item for which the allowance was issued, or the TANF client used a special allowance for its intended purpose but was later found to be ineligible for benefits in the month the allowance was issued."

The overpayment criteria do not specifically address the issue of payment of a SPAL for a service not allowable for contractor payment. NTRPDC and subcontractor management responded they were not aware that many of the questioned costs constituted an overpayment based on interpretation of BETP criteria which defines an overpayment.

SPAL Verification Forms Were Not Found in Client Files

SPAL Verification Forms which were required for all SPALs starting August 4, 2009 were not on file for one BCA and four Trehab SPALs issued during the period August 4 through December 31, 2009. One Trehab SPAL Verification Form was found to be verified by the client, not a collateral contact as required.

Areas of Compliance

The BFO identified a number of areas in which NTRPDC, BCA and Trehab generally complied with and efficiently managed the issuance of SPALs. BCA and Trehab made timely SPAL payments to clients and had eligibility forms on file. In addition, we determined SPAL coverage periods and client hours were documented, cost estimates and invoices were on file, and continued eligibility was verified.

We would like to commend NTRPDC, BCA and Trehab staff involved with this audit for their positive attitude displayed throughout the audit process. NTRPDC, BCA and Trehab management showed a genuine interest in our audit results and welcomed our suggestions for improving their SPAL process. NTRPDC also played a proactive role by starting to implement corrective action to the report findings before issuance of this report.

**Northern Tier Regional Planning & Development Commission
January 1, 2009 through December 31, 2009**

Recommendations

BFO recommends the OIM/BETP determine if \$11,027 in non allowable and questioned costs are eligible for reimbursement. A recovery of any costs determined as ineligible should be initiated.

The BFO also recommends the OIM/BETP develop criteria and procedures for recovery of contractor funds for payment of non allowable SPALs.

The BFO also recommends NTRPDC and both subcontractors ensure personnel performing SPAL related duties abide by the BETP Master Guidelines.

The BFO also recommends both subcontractors abide by the requirements and limits found in the Master Guidelines with emphasis on SPALs should not be issued to SNAP only clients in job retention.

The BFO further recommends both subcontractors issue a SPAL Verification Form with every requested SPAL to verify and document the need and ensure verification is obtained from a collateral contact.

The BFO finally recommends Trehab discontinue paying SPALs for incentive payments using EARN funds.

Finding No. 2 – Internal Controls Need to be Strengthened

Deficiencies in the system of internal control contributed to discrepancies discussed in Finding No. 1.

Insufficient Monitoring Regarding Appropriateness of SPALs

BETP provides technical assistance to employment and training contractors and conducts time and attendance and annual monitoring as described on pages 344 and 345 of the 2009 BETP Master Guidelines. The monitoring is directed towards compliance with employment and training program operations, including applicable laws, guidelines, regulations, and policies and generally is not extended to SPAL eligibility, appropriateness of payment and fiscal accountability. NTRPDC conducts self-monitoring as described on Page 344 of the Master Guidelines. The monitoring primarily focuses on the issues covered in the BETP monitoring.

The current emphasis of BETP and NTRPDC is directed to monitoring the timeliness of the SPAL issuance. If SPALs are not issued, cash and SNAP clients are less likely to participate in approved employment and training activities. This could lead to a decrease in performance scores, which would negatively impact NTRPDC and its subcontractors.

While timeliness is important BETP and NTRPDC must enhance oversight of SPALs to include greater emphasis in monitoring the appropriateness of SPALs. When adequate monitoring procedures are not in place to ensure SPALs are appropriate and accurately

Northern Tier Regional Planning & Development Commission
January 1, 2009 through December 31, 2009

recorded, there is no assurance necessary controls are in place and can be relied upon to verify compliance with laws and regulations, minimize errors, and prevent and detect fraud and/or abuse. This has resulted in part to the issuance of non allowable SPALs identified in Finding No. 1.

CWDS SPAL Data is Unreliable

We determined data entered into CWDS by BCA and Trehab did not accurately capture and report allowable SPALs. Additionally, BCA and Trehab did not maintain reliable source accounting records of SPALs which allowed reconciliation to CWDS. This resulted in areas of non-compliance with BETP's Master Guidelines regarding its data reporting and reconciliation requirements. The 2009-10 Master Guideline's page 522 states, "Contractors are entrusted with public money and are responsible for ensuring that data reporting is accurate." According to page 523 contractors must properly track SPALs in CWDS and spot check the data for accuracy and appropriateness.

Based on our testing of SPAL transactions, we identified the following examples of errors recorded in the CWDS data bases involving both subcontractors:

- 6 allowable SPALs were not recorded in CWDS.
- 3 incentive payments were inappropriately recorded in CWDS.
- 2 Transportation Grant SPALs were inappropriately recorded in CWDS.
- 25 SPALs were incorrectly coded in CWDS.

A contributing factor to the errors was transportation SPALs coded to 251 and 272 were available for contractor use on the CWDS data entry screen. However, neither code was listed in the 2008-09 and 2009-10 Master Guidelines and therefore should not have been assigned to the SPALs.

Tracking Form Use Needs Improvement

Both subcontractors, with the exception of Trehab's Susquehanna County EARN Center utilized a form entitled Supportive Service/Incentive Tracking to track SPALs issued for categories having maximum dollar limits. The form is a helpful tool in ensuring maximum limits are not exceeded, especially for categories such as motor vehicle costs in which there may be multiple SPALs issued during an enrollment period. We identified the "remaining balances" column which highlights the remaining EARN funds available in a specific category was generally not being used. Not maintaining the remaining balance data to monitor maximum limits negates one of the primary benefits the form was designed to achieve. Additionally, reaching the maximum limits should result in stopping issuance of additional SPALs rather than the current practice of entering a zero (0) balance but not stopping issuance of additional SPALs.

In summary, BETP and NTRPDC and its subcontractors' monitoring and internal controls were not sufficient to ensure SPALs paid with DPW EARN funds were allowable and accurately reported in CWDS.

**Northern Tier Regional Planning & Development Commission
January 1, 2009 through December 31, 2009**

Recommendations

The BFO recommends that OIM/BETP extend its monitoring to procedures that ensure SPALs paid by contractors are issued appropriate and are accurately recorded in CWDS.

The BFO also recommends OIM/BETP implement policies that identify proper CWDS data entry and coding procedures and distribute the policies to contractors.

The BFO recommends NTRPDC enhances its monitoring protocol/efforts to ensure subcontractors' SPALs are appropriate and accurately reported in CWDS.

The BFO also recommends NTRPDC requires subcontractors to maintain an independent data system for SPALs with periodic reconciliation of source accounting records to CWDS data.

The BFO recommends both subcontractors periodically reconcile its independent data system to CWDS and ensure CWDS data includes only DPW-EARN funded SPALs.

The BFO also recommends both subcontractors comply with data entry procedures and coding in according with procedures and coding established in the current BETP Master Guidelines.

Observation - OIM/BETP Policy and Information System Concerns

SPAL guidelines are complex and are subject to misinterpretation which has resulted in the need for OIM/BETP to issue a number of policy clarifications. NTRPDC, BCA, and Trehab management have expressed their concern in keeping informed of current policies. The misinterpretation of or lack of awareness of policy changes and CWDS system weaknesses has contributed to the issues discussed in Findings No. 1 and 2. OIM should ensure contractors receive timely updates when policies are changed and/or clarified.

We could not locate detailed policies and procedures on data entry requirements for entering SPALs into CWDS and therefore conclude they do not exist. Our review of the SPAL coding used by NTRPDC for SPALs entered into CWDS identified the NTRPDC Trehab subcontractor was using transportation codes 251 and 272 which have not been valid since October 1, 1999. Other CWDS codes were available on the data entry screen that should not have been available for use by contractors. Examples include codes 259/859 which are not identified in the 2008 through 2011 Master Guidelines and codes 257/857, 274/874, and 278/878 which are for CAO use only.

Additionally, descriptions in CWDS for codes 260/860 and 261/861 are inaccurate or incomplete. For example, the Master Guidelines specify CWDS code 261 should be used for motor vehicle purchases, yet the word "purchase" is found on the CWDS data entry screen under code 260.

Vehicle repairs and rentals should also be added to the CWDS descriptions for codes 260 and 860. Adding detail to code 280 (Other) in CWDS should reduce excessive use of the

**Northern Tier Regional Planning & Development Commission
January 1, 2009 through December 31, 2009**

code, limit the ability to use code 280 to avoid maximum limits, and provide more clarity to the SPALs coded to 280.

NTRPDC did not request an exit conference; therefore, an exit was not held. NTRPDC's written response dated July 8, 2011 has been incorporated into the final report and is labeled Appendix B.

NTRPDC's response takes issue with certain audit findings. To assure clarity, the BFO has included an Auditor's Commentary to address certain comments made in the NTRPDC July 8, 2011 response. The Auditor's Commentary is included as Appendix A to the report.

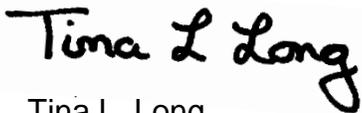
In accordance with our established procedures, an audit response matrix will be provided to your office. Once received, please complete the matrix within 60 days and email the Excel file to the DPW Audit Resolution Section at:

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.

Please contact Alexander Matolyak, Audit Resolution Section at (717) 783-7786 if you have any questions concerning this audit or if we can be of any further assistance in this matter.

Sincerely,



Tina L. Long
Director

Attachments

c: Ms. Cynthia J. Fay
Mr. Frank Thompson, NTRPDC WIB Director
Mr. Bryon Noon
Ms. Deborah Glosek
Mr. Andrew Tiazkun
Ms. Lisa Watson

**Northern Tier Regional Planning & Development Commission
January 1, 2009 through December 31, 2009**

bc: Ms. Karen Deklinski
Mr. Thomas Crofcheck
Mr. Jack Hoover
Mr. Alex Matolyak (N1000-K99)
Ms. Kenya Faulkner
Ms. Shelley Lawrence
NEFO Audit File

AUDITOR'S COMMENTARY

APPENDIX A

Northern Tier Regional Planning & Development Commission
January 1, 2009 through December 31, 2009

The BFO's review of NTRPDC's response identified comments that warrant clarification:

NTRPDC Response Page 1, Paragraph 2

The response asserts NTRPDC does not have a copy of the Cash Assistance Handbook but does operate in accordance with rules and regulations cited in the BETP Master Guidelines.

BFO Comment

In addition to the Master Guidelines, the program must operate in accordance with the Cash Assistance Handbook. Page 5 of the BFO's audit report identifies the Guidelines are based on 55 Pa. Code §§165.41-165.46 and the PA DPW Cash Assistance Handbook (Chapter 135.6). The 2009-10 Master Guidelines states, "Regulations governing employment and training related special allowances for supportive services are found at 55 Pa. Code §§165.41-165.46 and in the Cash Assistance Handbook at Chapter 135.6" and "As agents of DPW, contractors are obligated to follow these rules and regulations."

Finding No. 1 – NTRPDC Response Page 1
SPAL Payments Made for SNAP Only Clients in Job Retention

NTRPDC's response states, "Contractors may provide special allowances for supportive services to participants during the job retention phase."

BFO Comment

The BFO audit report provides 2 citations which reference SNAP only clients in job retention must also be enrolled in an eligible education and training (E&T) program to receive special allowance payments. None of the clients included in the \$5,664 questioned SPALs had documentation in their files supporting their participation in an EARN center E&T program during their job retention period.

Finding No. 1 – NTRPDC Response Page 2
SPAL Payment Made for a Client Not Eligible for Cash or Food Stamp Benefits

NTRPDC's response states, "The amount was deducted from the Transportation Grant."

BFO Comment

The Payment Voucher found in the client's file identifies the \$444.73 transaction was charged to "Earn/CDC."

Finding No. 1 – NTRPDC Response Page 2
Incentive Payment Should Not Have Been Paid Using EARN Funds

NTRPDC's response states "Vehicle insurance incentives for the completion of six months of job retention were deducted from the Transportation Grant where the narrative clearly identified how the funds were to be used."

BFO Comment

The Payment Vouchers found in the clients' files identifies all 3 SPAL transactions were charged to EARN/CDC.

Appendix A
Page 1 of 1

**Northern Tier Regional Planning & Development Commission
January 1, 2009 through December 31, 2009**

NORTHERN TIER REGIONAL PLANNING & DEVELOPMENT COMMISSION'S
RESPONSE TO THE DRAFT REPORT
APPENDIX B

Northern Tier Regional Planning & Development Commission
January 1, 2009 through December 31, 2009



312 Main Street, Towanda, PA 18848 USA
phone: 570.265.9103 • toll-free: 888.868.8800 • fax: 570.265.7585 • info@northerntier.org • www.northerntier.org

July 8, 2011

Mr. John Hoover, Audit Manager
Division of Audit and Review
Bureau of Financial Operations
Department of Public Welfare
Rm. 325 Scranton State Office Building
100 Lackawanna Avenue
Scranton, Pennsylvania 18503

Dear Mr. Hoover:

Thank you for the opportunity to respond to the draft proposed audit report. A detailed response to the audit was sent to Andrea Tirpak on May 9, 2011 explaining why expenses were charged to specific line items. It was not our intent to knowingly charge a special allowance incorrectly. As explained to the auditor allowable expenses were charged to the Transportation Grant first and then supplemented with the Transportation Fund. Transportation Fund expenses were charged as indicated in the narrative for the Transportation Grant. When the additional funds were received we were not instructed as to how the monies were to be expended.

In review of the audit report, there are many references made to CAO's cash assistance handbook of which the Northern Tier does not have a copy. The program is operated in accordance with rules and regulations cited in the Department of Public Welfare, Bureau of Employment and Training Programs Master Guidelines.

Finding No. 1 – Noncompliance Regarding Issuances of SPALs

SPAL Payment made for SNAP Only Clients in Job Retention

In accordance with the Employment and Training Master Guidelines – Participants whose cash assistance and food stamp benefits terminate are not eligible for allowances from the CAO. This includes participants whose welfare benefits terminate due to employment. **Contractors may provide special allowances for supportive services to participants during the job retention phase.**

Many of the payments were for car insurance provided to the client after their cash closed. As stated in Appendix B, page 202 of the Employment and Training Master Guidelines:

- Must have a signed EDRP,

SERVING PENNSYLVANIA'S BRADFORD, SULLIVAN, SUSQUEHANNA, TIOGA & WYOMING COUNTIES.

EOP

Appendix B
Page 1 of 3

**Northern Tier Regional Planning & Development Commission
January 1, 2009 through December 31, 2009**

- Must have current enrollment, PS enrollment or K closed project in CWDS,
- Limited to actual cost up to \$1500 total per period of program enrollment,
- Must be issued as a restricted endorsement and for the least expensive minimum required coverage payable in the smallest increment available.
- Pre-expenditure approval required.

All clients that were provided the insurance payments met the criteria described above.

SPAL Payment Made for a Client Not Eligible for Cash or Food Stamp Benefits

This client completed six months of job retention and was awarded the insurance as an incentive. The amount was deducted from the Transportation Grant. The Transportation Grant narrative states: "An incentive of six month paid auto insurance at the state minimum required coverage will be offered to a client once they have completed job retention."

Maximum Dollar Amounts for Certain SPAL Categories Were Exceeded.

In reference to the allowance for eyeglasses, the \$200 cap was not exceeded. When the cost of the eyeglasses exceeded the \$200 maximum, the remaining balance was charged to pre-employment health care. This was a clarification received from Katherine Weaber on September 7, 2004.

CAO Funds not Utilized First

I agree with this finding.

Missing Original Receipts

In review of the Employment & Training Master Guidelines, a statement where a receipt is required could not be found in the Supportive Service Section. Reference was made to rules and regulations as follows:

- Information and disclosure;
- Participation requirements;
- Documentation and verification;
- Timeframes;
- Notification; and the
- Right to appeal.

NTRPDC provided supportive services in accordance with the above rules and regulations.

Incentive Payment Should Not Have Been Paid Using EARN Funds

NTRPDC has issued incentive payments using EARN funds. We were granted an additional \$150,000 in program funds for the sole purpose of providing incentive payments. Vehicle insurance incentives for the completion of six months of job retention were deducted from the Transportation Grant where the narrative clearly identified how the funds were to be used.

Overpayment Not Processed

NTRPDC was not aware of invoices where an overpayment should have been collected from the client. In review of the Employment and Training Master Guidelines for the period of the audit review it states:

- Notify the CAO of the details of the overpayment;
- Attempt collection; and

**Northern Tier Regional Planning & Development Commission
January 1, 2009 through December 31, 2009**

- Notify the CAO of the results of the collection attempts. (Note: contractors should not turn the process over to a collection agency.)

This process would have been followed if an overpayment was identified.

SPAL Verification Forms Were Not Found in Client Files

NTRPDC received an extension for the submission of the Special Allowance Management Plan until the end of October. The budget impasse forced subcontractors to lay off staff. They were called back the end of October – beginning of November timeframe. On December 1, 2009 staff was provided formal training regarding the issuance of special allowances. The Special Allowance Verification form and the Self-Reliance Checklist were introduced and discussed at this meeting. Invoices selected prior to December 1st would not have those documents present in the file.

Areas of Compliance

No comment.

Finding No. 2 – Internal Controls Need to be Strengthened

No comment.

Thank you for allowing us to express concerns.

Sincerely,



Frank L. Thompson
Deputy Director