



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

KEVIN M. FRIEL  
DIRECTOR

OCT 13 2010

TELEPHONE NUMBER  
(717) 772-2231  
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Ms. Margaret Pearson, Chief Executive Officer  
P&A Nursing School  
141 East Hunting Park Avenue  
Philadelphia, Pennsylvania 19124

Dear Ms. Pearson:

I am enclosing the final report of the P&A Nursing School 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 your staff was especially helpful to Barbara Miller 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,

*Tina L Long for*

Kevin Friel

Enclosures

c: Ms. Linda Blanchette  
Mr. Dale Porter  
Dr. Bryon Noon  
Ms. Deborah Glosek



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KEVIN M. FRIEL  
 DIRECTOR

**OCT 13 2010**

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

Dear Ms. Blanchette:

In response to a request from the Office of Income Maintenance (OIM), and the Bureau of Employment and Training Programs (BETP), the Bureau of Financial Operations (BFO) conducted an audit of P&A Nursing School, Inc. (P&A) employment and training contract for Fiscal Year ended June 30, 2009 and July 1, 2009 through March 31, 2010.

The report is in final form and does, as an attachment, contain P&A's views on the reported findings, conclusions and recommendations. The data used to prepare the reported findings was discussed with P&A's management at a closing conference held June 17, 2010.

**P&A Nursing School, Inc.**  
**Executive Summary**

P&A is a for profit nursing school that contracts with PWDC under the Job Specific Skills Training program to provide Nurse Assistant training. P&A has been in operation for 10 years and is located in Philadelphia.

FINDINGS	SUMMARY
<p><b><i>Finding No. 1 – Revenues Specifically Designated For Text Books And Supplies Exceeded Expenses By \$627,502.</i></b></p>	<p>P&amp;A provided each student with the text books, workbooks, handouts and supplies for the class. An itemized invoice was submitted to the CAO for payment of a Special Allowance totaling \$1,572. The actual cost of the items given to each student was significantly less that the amount charged the CAO. As a result, excess revenue over expenses for books and supplies was \$388,035 and \$239,467 for fiscal years 2008/2009 and 2009/2010 respectively.</p>

**HIGHLIGHTS OF RECOMMENDATIONS**

OIM should:

- Recover the excess revenue over actual expenses for fiscal years 2008/2009 and 2009/2010 totaling \$627,502.

**P&A Nursing School, Inc**  
**Fiscal Year Ended June 30, 2009 and July 1, 2009 through March 31, 2010**

FINDINGS	SUMMARY
<p><b><i>Finding No. 2 – Related Party Occupancy Costs Were Overstated By \$222,050.</i></b></p>	<p>P&amp;A leases space from P&amp;A Nursing LLC, a related party who owns the building used by the program. P&amp;A reported \$344,059 in rental and other related costs as eligible PWDC contract expenses.</p> <p>After determining actual costs and applying the cost allocation methodology, the total amount allowable for reimbursement under the PWDC contract is \$122,009, resulting in excess occupancy costs of \$222,050.</p>

**HIGHLIGHTS OF RECOMMENDATIONS**

PWDC should:

- Ensure costs budgeted and charged for occupancy are reflective of the square footage allocation and represent actual allowable occupancy costs when conducting the year end cost settlement.
- Allow \$122,009 in occupancy cost for the fiscal year ended June 30, 2009.

FINDINGS	SUMMARY
<p><b><i>Finding No. 3 – Documentation To Support Expenses Was Insufficient Or Non-Existent.</i></b></p>	<p>P&amp;A's records are insufficient to satisfy the Fiscal Management requirement in the PWDC contract. As a result, for fiscal year 2008/2009, expenses were reduced by \$77,490 due to insufficient documentation.</p> <p>The primary cause of insufficient documentation was an overall lack of understanding of the contract requirements as well as basic accounting procedures.</p>

**HIGHLIGHTS OF RECOMMENDATIONS**

P&A should:

- Institute policies to comply with all applicable standards and contract requirements pertaining to expense documentation.
- Hire adequate personnel to fulfill these requirements.

FINDINGS	SUMMARY
<p><b><i>Finding No. 4 – Fiscal Year 2008-2009 PWDC Program Revenue Exceeded Expenses By \$48,867.</i></b></p>	<p>After all adjustments and reclassifications were made, P&amp;A has excess revenue related to the fiscal year 2008/2009 of \$48,867 which must be returned to PWDC.</p>

**HIGHLIGHTS OF RECOMMENDATIONS**

PWDC should:

- Recover \$48,867 in excess program revenue.

**P&A Nursing School, Inc**  
**Fiscal Year Ended June 30, 2009 and July 1, 2009 through March 31, 2010**

FINDINGS	SUMMARY
<b><i>Finding No. 5 – Insufficient Internal Controls Over Financial Management.</i></b>	P&A does not have a fiscal director, controller or accounting personnel on staff. The management staff performing the accounting functions not only lack proper understanding of compliance and contract requirements, but also lack an understanding of basic accounting principles and The Internal Revenue Code.
HIGHLIGHTS OF RECOMMENDATIONS	
P&A should: <ul style="list-style-type: none"> <li>• Hire an experienced fiscal director or controller who has an understanding of Generally Accepted Accounting Principles who can manage the day to day fiscal operations of the agency.</li> </ul> PWDC should: <ul style="list-style-type: none"> <li>• Determine a salary range for such a position and commit to including this cost in P&amp;A's approved budget.</li> </ul>	

FINDINGS	SUMMARY
<b><i>Finding No. 6 – P&amp;A's Ability To Remain In Business Is Uncertain.</i></b>	Audit disallowances identified in this report will result in a significant deficit for fiscal year ended June 30, 2009. As a result, P&A as an entity must be considered a going concern.  Prior to this audit, P&A was experiencing financial difficulties. Moving forward, CAO revenue will be limited to actual cost potentially effecting placements. The current lack of fiscal oversight and understanding of program requirements may have an adverse effect on P&A's ability to remain a viable service provider.
HIGHLIGHTS OF RECOMMENDATIONS	
OIM and PWDC should: <ul style="list-style-type: none"> <li>• Make a determination as to whether they deem P&amp;A a viable agency. If so, OIM and PWDC need to work together with P&amp;A to develop a business plan that includes such things as administrative personnel enhancement, developing other funding sources and alternated uses(s) of building space.</li> </ul>	

OBSERVATION	SUMMARY
<b><i>Observation – P&amp;A Fiscal Deficiencies Continued Into The 2009/2010 Fiscal Period.</i></b>	Systematic issues identified in fiscal year 2008/2009 continued into fiscal period 2009/2010. The following issues were identified: <ul style="list-style-type: none"> <li>• Occupancy costs were overstated by \$170,474</li> <li>• Administrative costs exceed the 10% limitation by \$112,663.</li> </ul>

**P&A Nursing School, Inc**  
**Fiscal Year Ended June 30, 2009 and July 1, 2009 through March 31, 2010**

<b>Observation (Cont'd)</b>	<ul style="list-style-type: none"><li>• Audit adjustments resulting from undocumented expenses were \$17,698.</li><li>• Revenue was not posted to the general ledger resulting in understated revenue of \$1,884.</li></ul> <p>PWDC must take these items into consideration when conducting year end cost settlement on fiscal year 2009/2010 expenses.</p>
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**Background**

P&A is a for profit, Job Specific Skills Training (JSST) program located in Philadelphia. P&A provides training in the fields of nursing home care, home health care and hospital care under contract with the Philadelphia Workforce Development Corporation (PWDC). For clients participating in the program through the PWDC contract, P&A is funded 25% cost reimbursement and 75% performance. For the fiscal year ended June 30, 2009, P&A served 174 clients.

In addition to the PWDC referrals, P&A provided training to clients coming directly through the County Assistance Office (CAO). The funding provided through the CAO cannot include tuition. As a result, DPW funding for this group of clients is limited to special allowances for necessary books and supplies which must be reimbursed at cost. The total number of CAO clients served for fiscal year ended June 30, 2009 was 92. P&A also provided training to a few private pay students.

Although P&A has several different funding sources, they do not have a cost allocation plan. All expense items were commingled. Therefore, to audit, it was necessary to allocate expenses based on the number of students. PWDC students were given a weighted average to more accurately distribute expenses because they typically spend more time in the program than the self initiated clients referred through the CAO. Because the CAO funding was only for books and supplies, only those expenses related to the cost of books and supplies were applied to the CAO revenue. Finally, occupancy costs were allocated based on square footage used for program activities to determine total allowable building cost which was, in turn, allocated to individual funding sources based on the number of students.

P&A leases its building from a related party, P&A Nursing, LLC; as such, occupancy costs are limited to the actual building costs incurred. Additionally, they enter into related party loans which are non-interest bearing with no formal repayment terms.

**Objective/Scope/Methodology**

The audit objective developed in concurrence with OIM was:

- To determine whether expenses charged to the PWDC contracts were accurate and in compliance with contract requirements, and to determine whether special allowance payments were made in accordance with program guidelines.

**P&A Nursing School, Inc**  
**Fiscal Year Ended June 30, 2009 and July 1, 2009 through March 31, 2010**

In pursuing this objective, the BFO interviewed OIM staff and P&A management. We also reviewed accounting and financial records, selected invoices, client files and other pertinent data necessary to complete our objective.

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 material deficiencies came to our attention (Finding No. 5). Other areas where we noted an opportunity for improvement are addressed in the findings of this report.

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

**Results of Fieldwork**

**Finding No. 1 – Revenues Specifically Designated For Text Books And Supplies Exceeded Expenses By \$627,502.**

As described, P&A students were referred either through an EARN Center, under the PWDC contract, or were self initiated. In either case, the students were eligible for a Special Allowance Payment (SPAL) to cover the actual cost of books and supplies necessary for participation in the training program. All students received the same books and supplies regardless of their referral source.

Each student received a series of text books and workbooks along with supplies such as a stethoscope, blood pressure cuff, thermometer, isolation gowns, masks, gloves and various information packets. In addition, each student received a tote bag with pencils, paper, note cards, a name tag, and various other school supplies to be used in class. The total amount of the SPAL invoice was \$1,572.

Regulations governing the issuance of SPAL payments state, "Books and supplies for an approved education or training activity...Limited to actual minimum cost up to \$500 per occurrence" (55 Pa. Code 165.45(d)(3) and Cash Assistance Handbook 135.6). The actual cost of the items supplied to the students was significantly less than the amount requested from, and paid by the CAO. For example, for the text book and workbook provided to students, P&A charged the CAO \$264, when the actual cost was \$36.15. Likewise, P&A charged the CAO \$125 for the stethoscope and blood pressure cuff while the actual cost was \$16. As a result, for the fiscal year ended June 30, 2009, P&A received \$498,358 in CAO revenue for SPALs, and incurred actual costs for the period of \$110,323<sup>1</sup>. As a result, excess revenue over actual expenses was \$388,035.

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<sup>1</sup> This includes an adjustment of \$51,870 for allowable registration fees of \$195 per student.

**P&A Nursing School, Inc**  
**Fiscal Year Ended June 30, 2009 and July 1, 2009 through March 31, 2010**

Similarity, for the period July 1, 2009 through March 31, 2010, CAO revenue totaled \$320,780, while actual expenses were \$81,313; resulting in excess revenue over expenses of \$239,467. Total excess revenue over expenses related to books and supplies for both periods (through March 31, 2010) was \$627,502.

**Recommendations**

The BFO recommends OIM take the necessary steps to recover the \$627,502 in excess revenue over expenses related to SPALs for books and supplies.

**Finding No. 2 – Related Party Occupancy Costs Were Overstated By \$222,050.**

P&A leases space from P&A Nursing LLC, a related party who owns the building used by the program. P&A and P&A Nursing LLC are related parties; therefore, allowable occupancy costs are limited to the actual building costs such as mortgage interest, depreciation and utilities.

During the fiscal year ended June 30, 2009, P&A recorded rental expense, building repairs and utilities totaling \$344,059 as eligible PWDC contract expenses. In accordance with the PWDC contract, Pennsylvania State and U.S. Federal regulations “rent” for related party transactions cannot exceed the total of interest expense on the mortgage and the cost of depreciation. Based on the costs incurred actual allowable occupancy expense for the space used by P&A Nursing was \$154,264. This amount was further reduced to \$122,009 which represents the cost associated with just the PWDC clients.

**Recommendations**

The BFO recommends PWDC take the necessary steps to ensure that actual costs budgeted and charged for occupancy are reflective of the square footage allocation and actual allowable occupancy costs when conducting the year end cost settlement.

The BFO also recommends PWDC allow \$122,009 in occupancy cost for the contract period ending June 30, 2009.

**Finding No. 3 – Documentation To Support Expenses Was Insufficient Or Non-Existent.**

As part of our audit, selected expense transactions were chosen for review. For the most part, P&A was unable to produce sufficient documentation to support the requested expense items. For the fiscal year ended June 30, 2009, unsupported documentation resulted in a reduction of allowable expenses of \$77,490.

Management stated that they were unaware of the degree of documentation that was required to support expenses charged; management was under the impression that proof of payment was enough to verify the expense. The PWDC contract states in Section C (2)(a) Fiscal Management that “Contractor agrees to maintain financial records in accordance with Generally Accepted Accounting Principles (GAAP) and to institute fiscal controls in order to satisfactorily account for all costs incurred during the operation of this agreement.” P&A’s fiscal records are insufficient to satisfy this contract requirement.

**P&A Nursing School, Inc**  
**Fiscal Year Ended June 30, 2009 and July 1, 2009 through March 31, 2010**

Management further stated they became aware of deficiencies in their record keeping for fiscal year ended June 30, 2009, but believed they had done a better job of documenting expenses in the following year. While our testing revealed a lesser amount of undocumented expenses, the systematic problem had not been corrected.

**Recommendation**

The BFO recommends P&A institute policies to comply with all applicable standards and contract requirements pertaining to expense documentation. This should include having adequate personnel to fulfill these requirements.

**Finding No. 4 – Fiscal Year 2008-2009 PWDC Program Revenue Exceeded Expenses By \$48,867.**

PWDC's contract defines Program Income as revenue in excess of actual allowable expenses incurred during the contract year. The contract requires that program income be returned to PWDC. P&A had program revenue of \$48,867 for fiscal year ended June 30, 2009, due in part to the audit adjustments as detailed below:

- Occupancy Adjustment – Finding No. 2 details the adjustment made to occupancy costs. Related party transactions must be at actual cost; as a result, occupancy cost was overstated by \$220,050.
- Undocumented Expenses – Finding No. 3 details the adjustments made to expense items not supported by sufficient documentation.
- Excess Administration – The PWDC contract limits administrative costs to 10% of total program costs. For fiscal year ended June 30, 2009, P&A exceeded this administration limitation by \$89,925.
- P&A's approved budget included a profit margin of 4.9% of program costs, as such, \$25,329 was allowed as profit.

Based on the audit adjustments and other financial data, program revenue for the fiscal year ended June 30, 2009, is \$48,867.

**Recommendations:**

The BFO recommends PWDC recover \$48,867 in excess revenue.

**Finding No. 5 – Insufficient Internal Controls Over Financial Management.**

P&A does not have a fiscal director, controller or accounting personnel on staff. The agency contracted the services of an independent accountant who prepares monthly bank reconciliation, posts transactions and prepares interim reports and schedules. P&A's fiscal and accounting needs far exceed the services available to them by the contracted accounting service.

P&A management is primarily focused on the programmatic functions of the agency; none of the management staff have sufficient understanding of contract compliance and financial requirements of running this agency as evidenced by the following:

**P&A Nursing School, Inc**  
**Fiscal Year Ended June 30, 2009 and July 1, 2009 through March 31, 2010**

Payroll: P&A did not always pay staff through the payroll register. This allegedly was done to reduce payroll tax expense; however, salaries paid outside the payroll register were not reported to the taxing authorities. Management stated they intended to report these salaries on Form 1099Misc; however, no documentation was ever produced.

Medical Insurance Buy-Out: One staff received periodic payments of \$600 in lieu of health benefits. Such payments totaled \$7,200 for the calendar year 2009. During the same period, the same staff received \$10,550 in payments apart from the payroll process. There was an additional payment of \$1,619 which management indicated represented payment to the staff member's husband for landscaping services. In summary, payments totaling \$19,369 were made to this staff person but were not reported properly to the taxing authorities.

Salaries Posted to Other Expense Line Items: Salaries totaling \$73,375 were posted incorrectly in several other expense line items in the general ledger. For example, expense line items such as Education, Instruction, Administration and Health Insurance erroneously contained expenses related to salaries.

Revenue: Revenue transactions were not always posted correctly. One expense line item contained a revenue deposit posting, and there were several bank deposits which were not posted to the general ledger.

Insufficient Supporting Documentation: As stated in Finding No. 3, many of the audit adjustments were due to lack of sufficient documentation. Management stated that proof of payment, cancelled checks, should be enough to document the validity of the expense.

Budget Preparation: P&A's budget is not reflective of actual costs. Budget line items such as salaries and occupancy were significantly different than the cost posted to the general ledger. Additionally, the budget included items which were not on the general ledger and had no cost associated with them. Management was under the impression that PWDC set a specific allocation amount and P&A had to make the budget conform to that amount.

In summary, the above points indicated that P&A management staff performing the accounting functions not only lack proper understanding of the compliance and contract requirements, but also did not demonstrate basic understanding of accounting principles or the Internal Revenue Code.

**Recommendations:**

The BFO recommends P&A hire an experienced fiscal director or controller who has an understanding of Generally Accepted Accounting Principles, and who can manage the day to day financial operations of the agency. A detailed job description should be developed with input and approval from BETP and PWDC.

The BFO also recommends that PWDC determine a salary range for this position and commit to paying their share of this position.

**Finding No. 6 – P&A's Ability To Remain In Business Is Uncertain.**

The application of audit disallowances put forth in this report will result in P&A incurring a significant deficit for the fiscal period ending June 30, 2009.

Additionally, during the audit, the following was revealed or observed:

- Audit disallowances will be applied for fiscal year 2009-2010. At a minimum the excess revenue pertaining to books and supplies through March 31, 2010, is \$239,467.
- Future SPAL payments will be reduced to actual cost. The OIM has concluded a SPAL payment for current items invoiced cannot exceed \$370. This may also affect program participation if self-initiated individuals cannot acquire the necessary funding, over and above the SPAL payment, for program attendance.
- Related party regulations limit building occupancy cost to actual expenses including depreciation. As such, rental charges between the entities structured to support the building mortgage payments cannot be supported through contract revenue.
- During the audit process the auditors were requested by P&A management to intervene with PWDC to expedite a payment so that P&A could meet their payroll requirements.

Prior to the DPW sanctioned audit, P&A was experiencing financial difficulties. Moving forward, CAO revenue will be limited to actual cost, potentially having an impact on placements. These issues coupled with P&A's lack of fiscal oversight and understanding of program requirements will have an adverse effect on P&A's ability to remain a viable service provider.

**Recommendations:**

The BFO recommends OIM and PWDC make a determination as to whether they deem P&A can be a viable agency moving forward. If so, OIM and PWDC need to work together with P&A to develop a business plan to move forward and continue to provide services. In short, reorganization should be enacted to include administrative personnel enhancement, other funding sources based on diversification in training courses offered and alternate use(s) of building space.

**Observation – P&A Fiscal Deficiencies Continued Into The 2009/2010 Fiscal Period.**

Audit procedures on selected expense items were conducted in the subsequent fiscal period through March 31, 2010. The result of the testing is as follows:

- Occupancy costs were adjusted to reflect the actual allowable cost including mortgage interest and depreciation. Total allowable occupancy costs allocated to the PWDC contract were \$70,691; P&A charged \$241,165 resulting in an overcharge of \$170,474.
- Administration costs exceeded the 10% limitation for the period July 1, 2010 through March 31, 2010 by \$112,663.
- While management indicated that their record keeping had improved in this fiscal period, audit adjustments resulting from undocumented expenses or insufficient documentation were \$17,698.

**P&A Nursing School, Inc**  
**Fiscal Year Ended June 30, 2009 and July 1, 2009 through March 31, 2010**

- Revenue related to PWDC's Labor and Industry contract was not recorded in the general ledger resulting in under reporting revenue by \$1,884.
- Because fiscal year activity was still open, program income could not be determined for fiscal year 2009/2010.
- Beginning in fiscal year ended June 30, 2011, P&A has entered into a sublet agreement with a day care center for a portion of the building space previously used for the program. The space leased to the day care center represents 34% of the allowable program space.

In summary, the systematic issues identified in fiscal year 2008/2009 continued into fiscal year 2009/2010. PWDC needs to take the necessary steps to validate the costs reported at year end and to ensure that expenses have been properly allocated. If P&A continues as a contractor PWDC needs to ensure that occupancy costs allocated to the program are exclusive of the space and related costs included with the sublet area.

**Exit Conference/Summation**

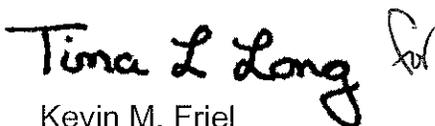
An exit conference was held on September 30, 2010. P&A reviewed their response to our draft report (attachment) and highlighted areas where they have made, or are in the process of making, changes to strengthen their business and move forward as a stable provider. P&A's response was in agreement with our report findings and recommendation; as such no changes were made to the draft report. Additionally, a representative from PWDC attended the exit conference and verbally agreed to the report findings and recommendations.

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](mailto: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,

 Tina L Long

Kevin M. Friel

Attachment

c: Ms. Margaret Pearson  
Mr. Dale Porter  
Dr. Bryon Noon  
Mr. Leon Simmons  
Ms. Deborah Glosek

**P & A  
RESPONSE TO THE DRAFT REPORT**

**APPENDIX**

*P & A Nurse Aide Training Program & Services  
141 East Hunting Park Avenue, Philadelphia Pa 19124  
Phone: 215-329-1322, Fax 215-329-4080*

September 14, 2010

Mr. Daniel Higgins, Audit Manager  
Division of Audit and Review  
Bureau of Financial Operations  
Department of Public Welfare  
801 Market Street, Suite 5040  
Philadelphia Pennsylvania 19107-3126

Dear Mr. Higgins:

After receiving your "draft" performance audit report for P&A Nursing School, we have executed, revised, reorganized and are in the process of making the necessary changes within our organization here at P&A.

We have addressed all of the findings and stride to move forward with all of the changes needed for P&A to continue to serve our client base and community. P&A is a for profit nurse aide training school that contracts with PWDC under the Job specific Skills Training program. We have been in operation for 10 years and located in Philadelphia.

**Finding No. 1- Revenues Specifically Designated for Text Books and Supplies:**

- Management Response: P&A now has a full understanding of the requirements and guidelines under the BETP regulations concerning the necessary costs for Text books and supplies for clients. P&A has changed the Supportive of Services Allowance request for clients wishing to enter our program, under the guidance of Ms Lay.
- P&A understands that the tuition fee is not an allowable cost. P&A has begun the process of Accreditation which will allow clients to apply for the Pell Grant and possible financial aid for the tuition fee. P&A has completed Phase one of the process and was approved to move forward. Phase two that P&A staff must attend a workshop conference in October which they have register to attend. P&A is hoping to have the process completed within 30 to 60 days after the conference work shop date in October of this year.

**Finding No. 2 --Related Party Occupancy Costs Were Overstated;**

- Management Response: P&A developed a square footage allocation plan that properly represents the actual allowable occupancy costs to the various entities contained in the building.
- P&A also has secured three new tenants occupying space in the building. The tenants will off set the overall expenses for the building. One the tenant is a child

care facility and which will allow our clients to utilize the convenience of the day care on site. The second tenant is an employee agency that will also accept referrals from our clients as they complete their training. To assist with possible employment leads. The third tenant is the American Red Cross; P&A is a Regional test center as well as an in-facility test center. This allows our clients to be tested on site after they complete their training.

**Finding No.3 –Documentation to Support Expenses was insufficient or Non-existent;**

- Management Response: P&A has rewritten and revised current policy concerning expenses and how all receipts must show exact expenses that an employee would incur. Along with the process of getting reimbursed and the time frame for the reimbursement. Also a clear definition as what is allowed under our contract for expenses.
- P&A is also in the process of hiring the personnel that would fill those requirements. With the assistance and guidance of Mr. Porter a detailed Job Description has been developed to ensure that the individual has the correct qualifications to satisfy the fiscal responsibilities of P&A.

**Finding No.4 – Fiscal Year 2008-2009, PWDC Program Revenue Exceeded Expenses**

- Management Response: P&A and PWDC are in the process of discussion concerning the exceeded expenses. The final outcome has not been reached at this time. Moving forward P&A has reallocated expenses for contract year 2009-2010 to avoid any further issues.

**Finding No.5 – Insufficient Internal Controls over Financial Management**

- Management Response: P&A is in the process of interviewing and hiring a fiscal director. With the assistance of Mr. Porter P&A hopes to have this individual in place within 30-60 days from this date.
- PWDC is working with P&A to set a salary range for this individual and the salary will be placed in the budget for approval. Moving forward this will allow Ms. Pearson to market and pursue more possible avenues of revenue for P&A's future.

**Finding No.6- P&A's Ability to remain in business**

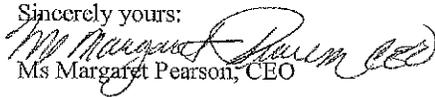
- Management Response: After many long meetings and discussions P&A has made the decision to keep the school open. The outcome and decision from those meetings has given us some new insight as to how our school must be ran and managed. We do a great service here at P&A and want to maintain our reputation and integrity. We have already made some serious changes here and will continue to do so, with the help of many individuals. As stated in the one of the previous findings we have written new policies concerning expenses, hiring an individual and have secured three tenants as part of our new changing business plan.

In conclusion to this response, P&A is a vital part of this community and the needs of the growing demands of the medical field. We need qualified Nurse Assistants and P&A staff

members assist our graduates to become qualified Nurse Assistants. Our graduates find employment and our past rate for the state exam is well over the state average. We have developed many relationships with local business agencies, that hire our graduates prior to them being state tested. We are committed to make the necessary changes to ensure that P&A remains one of the top training school in the Commonwealth of Pennsylvania. Moving forward we welcome any further suggestions, recommendations from your staff and yourself. It has been a true learning experience for us and we look forward to many years of training and serving this community and the growing health care field.

Mr. Higgins, I would like to take this opportunity to thank you and your staff for all of their help and assistance during this audit. Please feel free to contact me at any time with any of your concerns or questions. I look forward working with you and your staff in the future.

Sincerely yours:

  
Ms Margaret Pearson, CEO