



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
BUREAU OF FINANCIAL OPERATIONS
3rd Floor, Bertolino Building
Harrisburg, Pennsylvania 17105-2675

MAY 19 2011

TELEPHONE NUMBER
(717) 705-2288
FAX NUMBER
(717) 772-2501

TINA L. LONG
ACTING DIRECTOR

Mr. Randolph Brockington, Deputy Director
Allegheny County Department of Human Services
One Smithfield Street
Pittsburgh, Pennsylvania 15222

Dear Mr. Brockington:

Enclosed is the final audit report of the Allegheny County Department of Human Services EARN Program recently completed by this office. Your Program's response has been incorporated into the final report and labeled Appendix A.

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

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

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

Sincerely,

Tina L. Long

Enclosure

c: Mr. Abromats
Mr. Kelley
Mr. Young
Ms. Adekoya
Mr. Gazzo
Mr. Walkush
Dr. Noon

bc: Mr. Crofcheck
Ms. Faulkner
Ms. Lawrence
Ms. Logan
WFO File (#W 9003)



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TINA L. LONG
ACTING DIRECTOR

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

Dear Mr. Abromats:

In response to a request from the Office of Income Maintenance (OIM), the Bureau of Financial Operations (BFO) has conducted an audit of the Allegheny County Department of Human Services (ACDHS) Employment, Advancement and Retention Network (EARN) Program.

An exit conference was held with ACDHS management on March 17, 2011 to discuss the contents of the draft report and ACDHS's response. At that conference, ACDHS provided documents that resulted in the elimination of one of the issues included in the draft. ACDHS provided a revised response, which is attached to this report as Appendix A.

Executive Summary

ISSUES	SUMMARY
Issue No. 1 – The ACDHS 09/10 EARN Budget Was Prepared Without The Fiscal Department's Input Resulting In Significantly Under Budgeting County Direct Training Costs	<ul style="list-style-type: none">• The FY 09/10 EARN budget was prepared by an EARN program planning staff person without consulting the ACDHS fiscal department.• The budget included salary information for county staff which was several years old, cost estimates that were based on prior fiscal year budgets and failed to include allocated cross function group salaries.• Actual expenses for Direct Training exceeded budgeted expenses by \$352,518 for FY 09/10.

HIGHLIGHTS OF RECOMMENDATIONS

The ACDHS fiscal department should be directly involved in the EARN program budget process and monthly actual to budgeted analysis.

Every effort should be made to obtain the most current information in order to prepare an accurate budget.

Allegheny County Department of Human Services
Employment, Advancement and Retention Network Program

Background

EARN program funding is comprised of resources from the Department of Public Welfare (DPW) and Department of Labor and Industry (L&I) under the terms of a Master Agreement between both Departments. These funds are then allocated to the Allegheny County Local Workforce Investment Area (LWIA) which then distributes them to ACDHS and the City of Pittsburgh.

The ACDHS EARN program provides job search, placement, and retention services for TANF (Temporary Assistance for Needy Families), and SNAP (Supplemental Nutrition Assistance Program) recipients, who are Allegheny County residents residing outside the city of Pittsburgh.

The ACDHS EARN program budget for fiscal year 2009-10 (FY 09/10) totaled \$10,563,558.

Objective, Scope, and Methodology

Our audit objectives were as follows:

Determine if ACDHS's reported administrative and direct service costs comply with contract requirements/guidelines.

Determine if ACDHS's controls over the administration and oversight of the subcontracting process are adequate to ensure the efficient and effective use of DPW funds.

The scope of the audit was limited to those procedures necessary to accomplish these objectives. In pursuing our objectives, we reviewed ACDHS's EARN budget, administrative and monitoring expense, as well as subcontractor budget and expense reports. Also, we reviewed various internal and external fiscal and program monitoring reports and source documents and conducted interviews with various ACDHS staff.

Government auditing standards require that the BFO obtain an understanding of management controls that are relevant to the audit objective described above. The applicable controls were examined to the extent necessary to provide reasonable assurance of compliance with generally accepted accounting principles. Based on our understanding of the controls, no material deficiencies came to our attention. Areas where we noted an opportunity for improvement in management controls are addressed in the issue section of this report.

The BFO's fieldwork primarily focused on FY 09/10 and select data pertaining to FY 08/09. The fieldwork was conducted between May 25 and July 16, 2010 with additional information requested being received on October 6, 2010. 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. This report, when presented in its final form, is available for public inspection.

Allegheny County Department of Human Services
Employment, Advancement and Retention Network Program

Results of Fieldwork

Issue No. 1 - The ACDHS 09/10 EARN Budget Was Prepared Without The Fiscal Department's Input Resulting In Significantly Under Budgeted Direct Training Costs

The ACDHS EARN budget for FY 09/10 significantly understated Direct Training. The budget was prepared by an EARN program planning staff person without adequate input from the ACDHS fiscal department. An analysis of the various budget components revealed that that budgeted salary information was several years old and that other cost estimates were based solely on prior fiscal year budgets. We also noted that the EARN program allocation of salary expense for the ACDHS Cross-Function Group (administrators who oversee all county human service programs) was not included in the FY 09/10 EARN budget.

Expense information available for FY 09/10 indicates that actual Direct Training expenses exceeded budgeted expenses by \$352,518 as of the close of our fieldwork. Considering that all of the EARN funding in excess of the Administration and Direct Training budget categories was allocated to the EARN subcontractors, the county would have to absorb any expenditures that may exceed the EARN allocation.

Recommendation

The BFO recommends the ACDHS fiscal department be directly involved in the EARN program budget process and monthly actual-to-budgeted analysis. Every effort should be made to obtain the most current information in order to prepare an accurate budget.

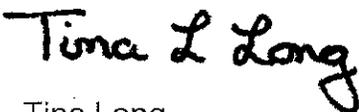
In accordance with our established procedures, an audit response matrix will be provided to your office. Once received, please complete the matrix within 60 days and email the Excel file to the DPW Audit Resolution Section at:

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

Sincerely,



Tina Long

**ALLEGHENY COUNTY DEPARTMENT OF HUMAN SERVICES
RESPONSE TO THE DRAFT REPORT**

APPENDIX A

ALLEGHENY COUNTY DEPARTMENT OF HUMAN SERVICES

Marc Cherna, Director

Dan Onorato, Allegheny County Executive

Reginald Young, DHS Deputy Director
Office of Community Services
Human Services Building - Suite 200
One Smithfield Street
Pittsburgh PA 15222-2221



Ph: 412-350-6611
Fax: 412-350-2785
www.alleghenycounty.us/dhs

April 25, 2011

Mr. Michael J. Kiely
Department of Public Welfare
Bureau of Financial Operations
Western Field Office
Room 320, 11 Stanwix St.
Pittsburgh, PA 15222

RE: Draft Audit Report of the Allegheny County Department of Human Services EARN Program

Dear Mr. Kiely,

This letter is in response to the draft audit report of the Allegheny County EARN Program dated February 7, 2011. We thank you and your staff for the exit conference on March 17, 2011 and feel everything went well.

Issue 1: The ACDHS 09/10 EARN Budget was prepared without the fiscal department's input resulting in significantly under budgeted administrative costs.

- The FY09/10 EARN budget was prepared by an EARN program planning staff person without consulting the ACDHS fiscal department.
 - Response: All budgeting is done with the full input of the fiscal bureau and our EARN planner. We have made changes in our budgeting process to make sure all future EARN budget submissions to DPW are complete and correct. Both the DHS fiscal bureau staff and the EARN planning staff will review and sign off on the EARN budget submission before it is sent to DPW.
- The budget included salary information which was several years old and other cost estimates which were based on prior fiscal year budgets.
 - Response: As noted above, we have made changes in our process so all future EARN budget submissions to DPW will have up-to-date salary information, cost estimates and other fiscal data provided by DHS human resources, DHS fiscal and EARN planning staff.
- Actual Expenses exceeded budgeted expenses by approximately 30% for FY 09/10. The County will need to absorb any excess expenditures above the FY09/10 EARN allocation.
 - Response: The County's actual EARN expenses have never exceeded our total allocation. Amounts for either the administrative portion of the allocation (10%) or the overall allocation were under the total amount allocated for each expense category. The changes we have made in our internal budget review processes, include closer monitoring and review of the budget to actual expenses to ensure our EARN program continues to maintain costs under or up to the amount submitted to DPW.

A Community Action Agency

Area Agency on Aging
Office of Children, Youth and Families

Office of Intellectual Disability

Office of Behavioral Health
Office of Community Services

ALLEGHENY COUNTY DEPARTMENT OF HUMAN SERVICES

Marc Cherna, Director

Dan Onorato, Allegheny County Executive

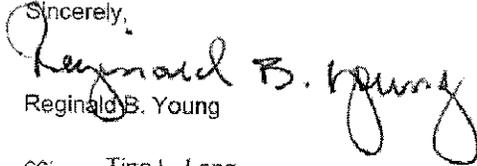
Reginald Young, DHS Deputy Director
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Human Services Building – Suite 200
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Issue 2 has been resolved and we have forwarded to your office all appropriate documentation. We hope this completes the issues relative to this audit.

Sincerely,


Reginald B. Young

cc: Tina L. Long
Dr. Noon
Ms. Rose
Catherine Adekoya, Administrator
Jonathan Walkush, Manager
Bernard Kelley, Financial Manager

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