



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

NOV 18 2010

KEVIN M. FRIEL
DIRECTOR

TELEPHONE NUMBER
(717) 772-2231
FAX NUMBER
(717) 705-9094

MAILING DATE

Mr. Fred F. Lettieri
Executive Director
Scranton-Lackawanna Human Development Agency
321 Spruce Street
Scranton, Pennsylvania 18503

Dear Mr. Lettieri:

I am enclosing the final report of the audit of Scranton-Lackawanna Human Development Agency recently completed by this office. Your response has been incorporated into the final report and labeled Appendix A.

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

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

Please contact Alex Matolyak of the Audit Resolution Section at (717) 783-7786 if you have any questions concerning this matter.

Sincerely,

Tina L Long for

Kevin Friel

Enclosure

c: Ms. Joan Wojdak, WIA Program Director
Ms. Joanne Glover
Mr. Bryon Noon
Ms. Deborah Glosek
Mr. Andrew Tiazkun
Ms. Lisa Watson



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Ms. Joanne Glover
Acting Deputy Secretary for Income Maintenance
Health & Welfare Building, Room 432
Harrisburg, Pennsylvania 17120

Dear Ms. Glover:

In response to a request from the Executive Deputy Secretary, the Bureau of Financial Operations (BFO) has completed a performance audit of Scranton-Lackawanna Human Development Agency (SLHDA). The audit was primarily directed to assess SLHDA's compliance with the Bureau of Employment and Training Programs (BETP) Master and Program Guidelines related to the issuances of special allowances (SPALs) for supportive services. This audit focused on the period January 1, 2009 through December 31, 2009.

The report questions the appropriateness of \$7,227 of SPALs paid by SLHDA as identified in Finding Number 1. The report also identifies lack of internal controls over issuances of SPALs as discussed in Finding Number 2. In addition, the Observation discusses concerns related to Office of Income Maintenance (OIM) policies and the Commonwealth Workforce Development System (CWDS).

Scranton-Lackawanna Human Development Agency
Executive Summary

SLHDA is a non-profit organization that operates an Employment Advancement Retention Network (EARN) Center. The EARN Center consists of two components: the Career Development Component and Work Support Component, which aim to assist recipients of cash and Supplemental Nutrition Assistance Program (SNAP) benefits in achieving financial independence through participation in employment and training activities. In conjunction with these activities SLHDA offers SPALs for certain items and services to minimize barriers that prevent employment. Individuals are referred to SLHDA by the Lackawanna County Assistance Office (LCAO).

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

FINDING NO. 1	SUMMARY
<p>Noncompliance Regarding Issuances of SPALs</p>	<ul style="list-style-type: none"> • SLHDA made 12 SPAL payments totaling \$7,010 for non-allowable contractor costs. • CAO funds were not utilized before contractor funds for 14 sampled SPALs totaling \$359. The \$359 includes five SPALs totaling \$175 which are included in the \$7,010 non-allowable costs above. • SLHDA made a \$33 duplicate payment for a driver's permit. • Overpayments totaling \$7,227 were not processed for all 22 applicable SPALs. The overpayment is comprised of \$7,010 for non-allowable contractor costs, \$184 representing failure to use CAO funds first and the \$33 duplicate payment. • The \$7,227 represents 50% of the \$14,475 cost of all 40 tested SPALs.

HIGHLIGHTS OF RECOMMENDATIONS
<p>OIM/BETP should:</p> <ul style="list-style-type: none"> • Determine the eligibility of the \$7,010 in questioned costs and recover funds from SLHDA as appropriate. • Develop criteria and procedures for recovery of contractor funds for payment of non-authorized service costs. • Direct the LCAO to begin issuing SPALs for child care registration fees when necessary. • Determine if the LCAO should reimburse SLHDA \$359 for SPALs that should have been paid using LCAO funds. • Consider providing SLHDA with increased CIS inquiry access to enable SLHDA to view SPALs issued by the LCAO, which will reduce the risk of duplicate payments. <p>SLHDA should:</p> <ul style="list-style-type: none"> • Ensure personnel performing SPAL related duties are familiar with and abide by BETP Program and Master Guidelines. • Continue to maintain ongoing communications with the LCAO to minimize the risk of noncompliance with SPAL requirements and duplicate payments.

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FINDING NO. 2	SUMMARY
<p><i>Lack of Internal Controls over SPAL Issuances</i></p>	<ul style="list-style-type: none"> • BETP and SLHDA monitoring procedures must be improved to better address SPALs in regards to client eligibility, appropriateness of payment, and fiscal accountability. • SLHDA SPAL data entered into CWDS is not accurate and cannot be relied upon. • The SLHDA handbook provided to clients included inaccurate SPAL information.

HIGHLIGHTS OF RECOMMENDATIONS
<p>OIM/BETP should:</p> <ul style="list-style-type: none"> • Implement monitoring procedures that ensure SPALs paid by contractors are appropriate and accurately recorded in CWDS. • Implement policies that identify proper CWDS SPAL data entry procedures and distribute these policies to contractors. • Continue to require contractors to submit SPAL Management Plans that include written control procedures which ensure SPALs are appropriate and accurately recorded in CWDS. • Ensure SPAL Management Plans are implemented and effective. <p>SLHDA should:</p> <ul style="list-style-type: none"> • Implement a SPAL Management Plan that includes detailed procedures for reviewing policies and verifying SPALs are appropriate and accurately reported in CWDS. • Code SPALs in accordance with BETP Program and Master Guidelines. • Comply with CWDS data entry procedures set by OIM/BETP. • Not enter incentive payments as SPALs in CWDS. • Authorize SPALs prior to entry into CWDS • Ensure the fiscal office notifies the EARN Center if SPAL checks become stale so entries can be removed from CWDS. • Update their handbook in accordance with current BETP Program and Master Guidelines.

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OBSERVATION	SUMMARY
<p><i>OIM 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 contributed to the issues discussed in Findings No. 1 and 2. • The OIM/BETP must issue policies that govern proper CWDS data entry procedures. • Certain CWDS SPAL codes are invalid or include inaccurate or insufficient descriptions. • Maximum payment allowances for transportation SPALs included in the 2009 and 2010 Program and Master Guidelines Desk Guides conflict with requirements of Operations Memorandum 090402. The Desk Guide establishes a \$250 maximum allowance and the Operations Memorandum establishes a \$500 maximum allowance.

Background

SLHDA is a non-profit organization that operates an EARN Center. The EARN Center consists of two components: the Career Development Component and Work Support Component, which aim to assist recipients of cash and SNAP benefits in achieving financial independence through participation in employment and training activities. Certain recipients are required to participate in employment and training activities to continue to receive cash and/or SNAP benefits. In conjunction with these activities, SLHDA offers payments called SPALs to minimize barriers that prevent employment. Items and services provided include, but are not limited to: clothing, eyeglasses, motor vehicle purchases and repairs, and transportation costs.

Regulations governing employment and training programs and SPALs for supportive services are found in the Program and Master Guidelines issued by the BETP. The Guidelines are based on 55 Pa. Code 165.4 and the Cash Assistance Handbook at 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 SLHDA for supportive services are appropriate and in compliance with regulations.
- To determine the level of internal controls pertaining to SPALs issued by SLHDA and the extent to which payments are monitored.

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The scope of our audit was limited due to the nonexistence of reliable data for SPALs issued by SLHDA. The BFO found SPAL data maintained in the CWDS to be unreliable as discussed in Finding No. 2. Furthermore, SLHDA does not maintain an independent database of SPALs issued for comparison to CWDS data. Because of this scope limitation, we were unable to satisfy ourselves as to the completeness of the SLHDA SPAL universe from which our sample was selected for testing. This also prevented us from selecting a statistically valid random sample.

In pursuing our objectives, the BFO interviewed management and staff members from SLHDA and the LCAO. We also reviewed client case records, program monitoring 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 between June 11, 2010 and July 26, 2010. The report, when presented in its final form, is available for public inspection.

Results of Fieldwork

Finding No. 1 – Noncompliance Regarding Issuances of SPALs

Contractor SPAL Payments Made For Non-Allowable Costs

The SLHDA made SPAL payments totaling \$7,010 for supportive service costs which are not authorized to be paid by contractors. The \$7,010 of non-allowable contractor costs represents 12 out of 40 sampled SPALs issued by SLHDA. The \$7,010 is comprised of two tuition payments totaling \$4,250; five payments totaling \$2,585 to clients who are eligible for SNAP benefits but not eligible for SPALs due to being in job retention; and five payments totaling \$175 for day care registration fees.

One of the 12 payments was issued to a working SNAP client based on a \$650 estimate for tools. The actual cost of the tools was \$546. Although the client attempted to refund the \$104 overpayment through return of a gift card, a note written on the invoice by a caseworker and included in the client's case file stated "I gave it to him for being a good client and being honest." The caseworker informed us she did not know she was doing anything wrong and will not let it happen again.

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The 2009 Program and Master Guidelines Supportive Services Desk Guide Chart identifies SPALs for education and training fees and child care costs are not authorized costs which can be funded by contractors. The Chart further notes, "Tuition is not a [education and training] fee." In addition, Operations Memorandum 040710, dated July 24, 2004, states "Special allowances issued for the sole purpose of insuring job retention are not permitted." Furthermore, the 2009 Program and Master Guidelines, page 192 states, "job retention itself is not an approved activity that will allow the CAO or contractor to issue supportive services."

SLHDA management informed us tuition has been paid through SPALs for several years and BETP has encouraged tuition be paid by SLHDA. SLHDA management contacted BETP during audit field work regarding the appropriateness of using of SPALs for tuition. According to SLHDA management, BETP informed them that reimbursement of tuition is currently under review.

Regarding SPAL payments to working SNAP recipients, SLHDA management was not aware clients deemed ineligible for a SPAL by the LCAO are also ineligible at SLHDA. SLHDA management presented a scenario where SLHDA could be negatively impacted by this policy: When a client loses their job and then requests a SPAL for transportation to apply for or attend another job, the client would not yet be eligible for cash benefits and therefore not eligible for the SPAL. Without issuance of the SPAL, SLHDA may not be able to re-enroll the client within five days, which negatively impacts SLHDA's performance measures.

LCAO Funds Not Utilized First

LCAO funds were not utilized before SLHDA funds for 14 of 21 sampled SPALs totaling \$359. The 21 SPALs apply to services which require LCAO funds to be used first. The 14 SPALs included driver's license fees, photo identification fees, day care registration fees and a criminal record check. The \$359 includes 5 SPALs totaling \$175 for non-allowable day care fees previously addressed. The 2009 Program and Master Guidelines Supportive Services Chart identifies "CAO allowance must be utilized first" for motor vehicle operator and professional fees.

SLHDA management explained the LCAO typically does not issue SPALs for motor vehicle operator fees and day care registration fees. The LCAO informed us SLHDA and the clients never requested vehicle operator fees be paid for any of the sampled SPALs. Per July 30, 2010 correspondence received from the LCAO, "Allowances for driver's license/photo ID will now be submitted by SLHDA to the CAO for payment as this is an allowable special allowance for both job search and employment."

Regarding day care registration fees, the LCAO July 30th correspondence stated "SLHDA will continue to pay daycare registration fees as they always have been until such time as BETP clarifies whether or not the CAO should issue this allowance instead." We could not identify any policy that prevented the LCAO from paying for day care registration fees. Furthermore, Policy Clarification 632135, dated April 19, 2010 states, "If the child care provider will not waive the child care registration fee and the client cannot make other payment arrangements, then as a last resort in order to enable participation in an approved education or training activity or employment, the CAO may authorize a special allowance."

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SLHDA informed us they issue SPALs for criminal record checks because they have the ability to request the background checks online, pay the vendor directly, and obtain a response within hours. SLHDA management further explained if the LCAO issues a SPAL for a background check, it first issues a check to the client who then must mail an application with payment to the vendor. This may take a couple weeks and result in cancellation of a job offer.

Duplicate Payment

LCAO properly paid \$33 to PennDOT for a driver's permit on December 9, 2009. SLHDA failed to identify the LCAO made the payment and paid for the same permit again on December 11, 2009. SLHDA did not provide documentation to identify the duplicate payment was refunded to SLHDA. The 2009 Program and Master Guidelines, page 176, 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."

Overpayments

Overpayments totaling \$7,227 resulting from the issues reported in Finding No. 1 were not processed as required for the 22 sampled SPALs. The total includes \$7,010 of non allowable costs, \$184 for failure to first use LCAO funds, and a \$33 duplicate payment. The 22 SPALs totaling \$7,227 represents 50% of the \$14,475 cost of all 40 tested SPALs. SLHDA management informed us overpayments are not processed when not cost beneficial to the agency, but they also responded they were not aware a number of the questioned payments such as payment of tuition constituted an overpayment.

The 2009 Program and Master Guidelines, page 194 states, "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 authorized for contractor payment.

Areas of Compliance

The BFO identified a number of areas in which SLHDA generally complied with and efficiently managed the issuance of SPALS. SLHDA 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 SLHDA staff involved with this audit for their positive attitude displayed throughout the audit process. SLHDA management showed a genuine interest in our audit results and welcomed any suggestions for improving their SPAL process. SLHDA also played a proactive role by starting to implement corrective action to the report findings before issuance of this report.

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Recommendations

The BFO recommends the OIM/BETP determine if the \$7,010 in 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-authorized service costs.

The BFO further recommends OIM/BETP direct the LCAO to begin issuing SPALs for child care registration fees and determine if LCAO should reimburse SLHDA \$359 for SPALs that should have been paid using LCAO funds.

The BFO finally recommends OIM/BETP consider providing SLHDA with increased CIS inquiry access to enable SLHDA to view SPALs issued by the LCAO, which will reduce the risk of duplicate payments.

The BFO recommends SLHDA ensure staff performing SPAL related duties are familiar with and abide by BETP Program and Master Guidelines.

The BFO also recommends SLHDA continue to maintain ongoing communications with the LCAO in order to reduce the risk of noncompliance with SPAL payment procedures and duplicate payments.

Finding No. 2 – Lack of Internal Controls over SPAL Issuances

Issues noted in this Finding contributed to discrepancies discussed in Finding No. 1.

Lack of 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 Program and Master Guidelines. SLHDA conducts self-monitoring as described on page 344. Monitoring procedures are directed toward achievement of performance goals. The monitoring is not directed to SPAL eligibility, appropriateness of payment, and fiscal accountability. SLHDA management commented the BFO is the only agency who has examined the appropriateness of SPALs issued by SLHDA.

Operations Memorandum 090801, dated August 5, 2009, required SLHDA to submit a SPAL Management Plan to BETP by August 17, 2009. The Plan requires the submission of written procedures for determining eligibility for and authorizing SPALs. The BETP implemented the requirement for written procedures in 1993. The SPAL Management Plan must include the following quality assurance activities: Review current policy related to issuing SPALs, close monitoring of SPALs by management, and targeted supervisory reviews. Although SLHDA did submit a plan, the plan is vague and does not identify detailed procedures that will ensure compliance with guidelines. Additionally, the monitoring procedures presented in the Plan are similar to the procedures which were in place during the audit period. The issues and discrepancies identified in Finding No. 1 support these procedures are not effective in maintaining compliance with SPAL policies and procedures.

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A BETP monitoring report issued to SLHDA for 2008-09 highlights BETP's lack of focus on SPALs. BETP reported all SLHDA staff responsible for CWDS data entry had been trained. BETP also reported great improvement over previous years' data entry and made no recommendation for corrective action. However, the results of our audit identified SPAL data entered into CWDS is not accurate and cannot be relied upon.

OIM must enhance oversight of SPALs to include greater emphasis of monitoring the appropriateness of SPALS, in addition to monitoring timely issuances of SPALS. This emphasis on monitoring timely issuance more than on appropriateness of SPALS extends to SLHDA as they strive to meet programmatic/contractual performance requirements, which lead to continued funding. If SPALS are not issued, cash and SNAP clients are less likely to participate in approved employment and training activities, which leads to a decrease in performance scores, which negatively impacts SLHDA. SLHDA informed us participation is so crucial caseworkers now make house calls to increase client participation.

When adequate monitoring procedures are not in place to ensure SPALS are appropriate and accurately recorded, there is no assurance the 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.

CWDS SPAL Data is Unreliable

We determined the SLHDA SPAL data in CWDS is not accurate and cannot be relied upon for use as a database which captures only SLHDA issued SPALS. This prevented us from selecting a statistically valid random sample. Our analysis of the CWDS data for calendar year 2009 identified the following issues:

The 1,382 payments entered into CWDS which are intended to represent only SLHDA SPALS included 898 payments made by the LCAO or by SLHDA for incentives. The 898 non-SLHDA SPALS included 816 transportation payments made by the LCAO and 82 incentives paid by SLHDA. Through substantive testing, we identified the CWDS total included an additional 20 SPALS not paid by SLHDA.

In addition, we identified three SPALS paid by SLHDA were not recorded in CWDS. We could not determine how many additional SPALS were not entered into CWDS for calendar year 2009 because SLHDA did not maintain a separate database to record only SPALS paid by the agency. SLHDA management explained the data entry person who began employment with SLHDA during the audit period mistakenly entered only CAO SPALS for a period of time. In addition, SLHDA enters SPALS into CWDS before authorization or denial, and the SLHDA fiscal office does not notify the EARN Center when a check is not cashed and becomes stale. SLHDA informed us they plan to begin tracking SPALS independently of CWDS with reconciliation of the two databases. Also, incentive payments will no longer be entered into CWDS.

Incorrect Coding of SPAL Payments

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A total of 815 out of 816 LCAO paid transportation SPALs included in the SLHDA universe were improperly coded. The incorrect codes used by SLHDA were invalidated by OIM in October 1999, but are still listed in CWDS. During substantive testing, we identified an additional 15 of 27 SPAL payments totaling \$6,057 were miscoded. In many cases code 280 – Other was used when items and services were captured under other, more specific codes. SLHDA also entered incorrect payment amounts for 4 of the 40 SPALs tested overstating payments by \$700.

The 2009 Program and Master Guidelines, page 522 states, “Contractors are entrusted with public money and are responsible for ensuring that data reporting is accurate.” Page 523 identifies contractors must properly track SPALs in CWDS and spot check the data for accuracy and appropriateness.

When data is not accurate and complete the risk of fraud and abuse increases. Additionally, budgetary information is effected which may adversely impact management’s decision making capabilities. The absence of a reliable universe also limits the ability to efficiently and effectively monitor and audit SPAL payments.

Agency Handbook Is Inaccurate

The 2009 Program and Master Guidelines, page 185 states, “The contractor will inform participants, verbally and in writing, of the types and amounts of allowances available for supportive services.” To help accomplish this SLHDA provides clients with a handbook which provides information about the EARN program, including SPALs. However, the Supportive Services and SPALs chart included in the handbook is not accurate and/or is insufficient. This may provide clients with inaccurate information regarding SPALs allowed for transportation, car insurance, motor vehicle operator fees, pre-employment health care, books and supplies, professional fees, clothing, child care, education and training fees. SLHDA informed us the handbook was updated after the audit closing conference.

Recommendations

The BFO recommends OIM/BETP implement monitoring procedures which include a review of the appropriateness of contractors SPAL payments.

The BFO also recommends OIM/BETP implement policies and instruct contractors on proper CWDS SPAL data entry procedures. The procedures must address whether SPALs issued by the CAO should be entered into CWDS and if so, how CAO payments can be deciphered from SLHDA payments.

The BFO finally recommends OIM/BETP continue to require submission of a SPAL Management Plan that includes effective written procedures and management controls over SPALs. OIM/BETP should verify these procedures are implemented to ensure SPALs are appropriate and accurately recorded in CWDS.

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The BFO recommends SLHDA develop and implement a SPAL Management Plan that includes detailed procedures for reviewing SPAL policies and procedures to verify SPALs are appropriate and accurately reported in CWDS.

The BFO also recommends SLHDA code SPALs in accordance with BETP Program and Master Guidelines and comply with updates the OIM/BETP may recommend for CWDS data entry procedures.

The BFO further recommends SLHDA not report performance incentive payments as SPALs in CWDS, authorize SPALs before entry into CWDS, and require the fiscal office to notify the EARN Center when checks become stale dated so SPAL entries can be removed from CWDS.

The BFO finally recommends SLHDA update their handbook in accordance with current BETP Program and Master Guidelines.

Observation No. 1 – OIM 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. SLHDA and LCAO management have expressed their concern in keeping informed of current policies. The misinterpretation of or lack of awareness of current policy has contributed to the issues discussed in Findings No. 1 and 2.

We could not locate any policies that identify the data entry requirements for entering SPALs into CWDS and therefore conclude policies and procedures do not exist. SLHDA management informed us BETP has never addressed this topic during annual training sessions or in provision of technical assistance. Our review of the SPAL coding used by SLHDA for SPALs entered into CWDS identified SLHDA was using transportation codes 251 and 272 which have not been valid since October 1, 1999. Additionally, the descriptions in CWDS for codes 260, 261 and 860 are inaccurate or incomplete. CWDS identifies code 260 applies to vehicle purchases for non-working clients, while the 2009 Program and Master Guidelines Desk Guide identifies code 261 should be used. 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 code and provide more clarity to the SPALs coded 280.

The 2009 and 2010 Program and Master Guidelines Desk Guides conflict with Operations Memorandum 090402 in regard to maximum allowances for transportation SPALs. For CAOs, the Desk Guides identify a \$250 maximum allowance per month for car pool or van service and public transit. Operations Memorandum 090402, dated 4/8/09, states, "Effective April 1, 2009, the maximum monthly special allowance will increase from \$250 to \$500 for the actual cost for any transportation expense (taxi/van/public/private mileage)." Based on our statewide CAO SPAL audits, CAO's are following the \$500 maximum allowance per the Operations Memorandum. The acceptance of the \$500 maximum allowance will require the Master Guidelines be updated to reflect OIM policy.

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SLHDA did not request a formal exit conference. SLHDA's written response provided on November 4, 2010 has been incorporated into the final report and is labeled Appendix A.

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 for

Kevin M. Friel

Enclosure

**SCRANTON-LACKAWANNA HUMAN DEVELOPMENT AGENCY (SLHDA)
RESPONSE TO THE DRAFT REPORT**

APPENDIX A



**THE SCRANTON - LACKAWANNA
HUMAN DEVELOPMENT AGENCY, INC.**

321 SPRUCE STREET 1ST FLOOR, SCRANTON, PENNSYLVANIA 18503

Phone: (570) 963-6836

Fax: (570) 496-7713

FRED F. LETTIERI
Executive Director

November 3, 2010

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:

We are responding to your audit report draft mailed September 20, 2010. We are complying with all recommendations in your report. Our SPALs policy has been adjusted to include a more accurate tracking system to avoid problems identified in your report.

All Special Allowance requests are channeled through one person who makes all requests of CAO and SLHDA. A CAO request is made using the Verification Form on pages 258-59 in the Master Guidelines 2010-2011; SLHDA requests are made on their internal request form. SLHDA requests are sent to the person in charge of SPALs by the case manager, the request is determined to be either a CAO or SLHDA item and prepared accordingly. SLHDA items require authorization of the program director or assistant program director. They are either approved or denied and must be read and signed by the requesting participant. If denied, a reason is provided giving the participant a chance to comply, if appropriate. If not, a policy is in place to request a hearing on the matter. Upon approval at SLHDA a request is submitted to the executive director for authorization. If approved, it is then sent to fiscal to cut a check. When a check is given to the participant it is entered into CWDS. All submissions are being made in compliance with the 2010-2011 Master Guidelines, pages 273-284. Returned checks are now being identified in CWDS; however, this capability was not available until July, 2010. The reason for return is being identified in the notes.

Participants are required to bring in receipts on all purchases. If the request was greater than the cost of the item the participant is required to return the monies or an overpayment will be pursued.

SLHDA is reconciling all SPAL entries in CWDS with the requests submitted on a monthly basis. This should assure accuracy of entries and returned checks.

SLHDA is no longer entering incentives or CAO payments as SPALs per recommendation of BFO. It must be noted that this too creates tracking issues on transportation charges. Bus passes are in effect for thirty-one days from date of purchase. When we made the entry in CWDS under SPALs the date of issuance could be checked immediately. Since we don't have access to CIS and we are not entering the payment another spreadsheet needs to be maintained. This is not difficult, but time consuming. We make the request; therefore, we need to know if the request is appropriate. CAO has the data but the request does not originate with them. We are striving to resolve this issue.

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All requests are being coded according to guidelines. Car purchases are being coded 260; car insurance payments are being coded 261 as identified in the Master Guidelines.

All requests for child care registration, driver's permit fees, identification card fees, and background check fees are now being requested of CAO. However, SLHDA's inability to request background checks is counterproductive to the goals of the programs. If the requests for the fee are made from CAO with the client making the request you may be looking at a three (3) week process. If SLHDA were allowed to continue doing background checks and the client has no record, the response is immediate. The time lag can result in the loss of a job. Every available job on the horizon has a number of people ready to fill it; an employer is not likely to wait. We have discussed this issue with our BETP advisor.

This report identifies tuition costs as a SPAL overpayment. SLHDA has viewed tuition as a program cost and as such a legitimate payment. We are no longer authorizing tuition payments. All such requests are being made of CAO.

We are requesting an In-service on SPALs and acceptable procedures from our BETP advisor. We feel this would insure our procedures were in line with all other programs.

If you have any questions, please contact me at (570) 963-6836.

Sincerely,



Fred F. Lettieri
Executive Director