



Commonwealth of Pennsylvania
Department of the Auditor General

Performance Audit

**Department of Public Welfare's
Special Allowance Program**

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Presentation Objectives

- Organization of the Pennsylvania Department of the Auditor General.
- Overview of the DPW Special Allowance Audit.
- Audit Innovations and Efficiencies.
- Legislative Changes and Way Ahead.

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Pennsylvania Department of the Auditor General Organization

- Mission: “Improving the performance of government so that it improves the quality of life for all Pennsylvanians.”
- Auditing Responsibility: Ensuring that all state money is spent legally and properly through performing financial audits of state government and certain local government entities, including GAAP and Single Audits and related performance audits.
- Who/What Gets Audited: Corporate tax returns, county assistance audits, hospitals and nursing homes, liquor stores, municipal pension plans, school districts, state agencies, state prisons, state related universities, and volunteer firefighters’ relief associations, and other individuals and entities receiving state funds.
- Staff and Bureaus: Approximately 680 employees and 12 bureaus.

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Pennsylvania Department of the Auditor General Bureau of Departmental Audits

- Primary Responsibility: Conducts performance audits of the affairs of the departments, boards, and commissions of the Executive branch. The bureau audits 38 agencies within various audit cycles.
- Employees: 23 employees holding professional certifications of CPAs, CISAs, CGAPs, CGFMs, CFE, and graduate level degrees.
- Primary Audit Team for the Special Allowance: Senior Audit Manager, Audit Supervisor, 2 staff and an Accounting Systems Analyst who provided data mining, analysis, and evaluation of data files for potential fraud and sampling.

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Special Allowance Program Background

- Purpose of the Program: To provide certain goods or services to welfare recipients participating in employment and training programs.
- Administered by the Department of Public Welfare's (DPW) Office of Income Maintenance through:
 - 67 CAOs (County Assistance Offices) 1 per county
 - Various contractors
 - State and federally funded
 - \$320 million program (18-month period)
 - 150,000 recipients (18-month period)
- Why we Selected this Program to Audit:
 - Risk-based approach
 - Value added to the taxpayer
- Website:
www.auditorgen.state.pa.us/departments/press/wagnerdpwallowprogrifewithmismanagement.html

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Special Allowance Program Audit Scope and Objectives

Audit Period: July 1, 2006 through December 31, 2007, including follow-up procedure performed and concluded as of February 12, 2009.

Audit Objectives:

- Determine whether Special Allowance Program expenditures were reasonable, adequately supported, and in accordance with guidelines, laws, and regulations;
- Determine whether the Department of Public Welfare has an effective system of tracking recipients participating in the Special Allowance Program to ensure proper usage of tangible goods received; and
- Determine whether the Department of Public Welfare adequately monitors the Special Allowance Program.

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Finding No. 1 – DPW’s Lax Oversight Promotes an Environment that is Conducive to Potential Fraud and Abuse of Special Allowance Payments to Recipients by County Assistance Offices.

Deficiency Highlights:

- Organizational culture purports an inappropriate environment of giving the money away;
- Instances of potential fraud and/or abuse involving child care, books/supplies, equipment/tools, automobile purchases/repairs and clothing; and
- DPW refused or was not forthcoming in providing necessary information to auditors.

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Finding No. 2 – Weaknesses Found in the Accounting, Processing, and Controlling of EBT Cards Used to Purchase Items and Withdraw Cash from ATM Machines.

Deficiency Highlights:

- Inadequate accountability and segregation of duties with regard to EBT cards;
- Inadequate monitoring and resolution of excessive EBT card usage by recipients; and
- DPW denied auditors an EBT data file of recipient special allowance information.

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Finding No. 3 – Significant Systemic Management Control Weaknesses Exist Throughout County Assistance Offices.

Deficiency Highlights:

- Lack of adequate documentation;

- Lack of adequate supervisory review/oversight :
 - not reviewing and approving special allowance payments;
 - not verifying accuracy of data entry for special allowances;
 - not identifying errors regarding exceeding policy maximums; and
 - insufficient monitoring of special allowance payments at CAOs.

- Insufficient policies and procedures.

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Finding No. 4 – DPW's Division of Quality Control Failed to Adequately Monitor Special Allowance Payments.

Deficiency Highlights:

- Inadequate sample selection process;

- Inadequate review procedures; and

- Untimely supervisory review and reporting results.

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Special Allowance Program Audit Recommendation Highlights

DPW should:

- Provide active leadership and appropriate policies and procedures to CAOs to ensure accountability of special allowances through adequate documentation, including receipts of purchases, supervisory review, and management oversight.
- Monitor to ensure duplicate special allowances are not issued by CAOs and contractors.
- Cooperate fully with government audits and provide auditors with requested information in a timely manner, and do not hinder the audit process by informing personnel to correct documents prior to providing them to the auditors.
- Provide sufficient oversight with respect to all aspects of EBT cards, including performing a review of all management controls at each CAO.

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Audit Innovations and Efficiencies

- Extensive data mining/analysis to target potential fraud and abuse and identify trends;
- Obtaining external read-only access to DPW's Client Information System;
- Utilizing the PIC, PIB, and PUB/brainstorming sessions to bridge knowledge gap;
- Maximizing bureau resources by cross-leveling audit pools, utilizing phone conference calls with auditee, e-mail/attachments, and/or scanning documents;
- Based on a designed matrix, we simultaneously used multiple auditing teams to obtain/test information across the state and utilized a roving audit supervisor at multiple audit sites;
- Upon determining systemic weaknesses at CAOs, further CAO test work was deemed unnecessary;
- Professional certifications encouraged at all levels; and
- Annual bureau-wide training: Lessons Learned/Way Ahead.

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Legislative Changes and the Way Ahead

- Auditor General held press conference and various network interviews.
- Substantial state-wide media coverage television/radio/newspapers.
- DPW was receptive to recommendations and the need to make changes to the program for improvement and accountability purposes.
- Legislation has been drafted by both the Pennsylvania House and Senate regarding changes to the program. Auditor General provided testimony to the Senate Health and Welfare and Senate Republican Policy Committees on December 16, 2009.
- DPW drafted regulation changes to the special allowance requirements and submitted them to Pennsylvania's Independent Regulatory Review Commission (IRRC) in April 2010. Public comment on the changes closed on May 24, 2010. The IRRC's response to those changes are due in late June 2010.

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Questions

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