

**A SPECIAL PERFORMANCE AUDIT  
OF THE  
DEPARTMENT OF PUBLIC WELFARE**

***SPECIAL ALLOWANCE PROGRAM***

**AUGUST 2009**

**Bureau of Departmental Audits**

August 19, 2009

The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
225 Main Capitol Building  
Harrisburg, PA 17120

Dear Governor Rendell:

This report contains the results of the Department of the Auditor General's special performance audit of the Special Allowance Program administered by the Pennsylvania Department of Public Welfare (DPW) for the period of July 1, 2006 through December 31, 2007, including follow-up procedures performed and concluded as of February 12, 2009. This audit was conducted pursuant to Sections 402 and 403 of the Fiscal Code and in accordance with generally accepted government auditing standards (GAGAS). The aforementioned standards, issued by the Comptroller General of the United States, 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.

While management agreed with our recommendations pertaining to special allowances, it demonstrated an unwillingness to provide requested information to auditors regarding special allowances issued by employment and training (E&T) contractors. DPW claimed that the information was beyond the scope of our audit. Consequently, we were not able to determine whether recipients were receiving duplicate payments, one from a County Assistance Office (CAO) and one from an E&T contractor.

Nevertheless, our audit revealed lax oversight and the fostering of an environment that encourages potential fraud and abuse involving the administration of special allowance payments made to recipients by CAOs. Specifically, based on audit procedures performed and interviews conducted with CAO management and staff, we discovered that the organizational culture within DPW adheres to a philosophy of issuing special allowances based on entitlement, rather than based on the recipients' actual needs. Moreover, we demonstrated that significant weaknesses were uncovered in the accounting, processing, and control of Electronic Benefits Transfer (EBT) cards. During our audit period, DPW placed approximately \$127.7 million in special allowance payments on recipients' EBT cards. Our auditors exposed inadequate accountability of these EBT cards from the moment the blank cards arrived at the CAOs, through the printing, activation, and distribution of the cards to recipients. We identified these weaknesses despite DPW failing to provide an EBT data file, which precluded auditors from performing procedures that may have resulted in further identifying potential fraud and abuse with regard to how recipients spent special allowances placed on their EBT cards.

Additionally, our audit found that significant systemic management control weaknesses exist throughout CAOs, including a lack of documentation, a lack of adequate supervisory review and/or oversight, weaknesses with regard to recurring special allowance payments, and insufficient policies and procedures. Furthermore, DPW's Division of Quality Control failed to adequately monitor special allowance payments. Specifically, DPW's response to the Department of the Auditor General's 2006-07 Single Audit Finding stated that the Division of Quality Control had added a special allowance review to its monthly Temporary Assistance for Needy Families (TANF) eligibility reviews, effective October 1, 2007. However, in January 2008 and again in February 2009, we found that DPW did not adequately monitor special allowances.

We offer 32 recommendations to address identified deficiencies and strengthen DPW's policies, controls, and oversight of special allowance payments. We are confident that these recommendations, if fully implemented, will ensure a responsible allocation of taxpayer dollars, while continuing to provide the most vulnerable segments of our society with the assistance and services that they truly need.

We will follow up at the appropriate time to determine whether and to what extent all recommendations have been implemented.

Sincerely,

JACK WAGNER  
Auditor General

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**RESULTS IN BRIEF**

The Department of the Auditor General conducted a special performance audit of DPW's Special Allowance Program for the period of July 1, 2006 through December 31, 2007, including follow-up procedures performed and concluded as of February 12, 2009. Our audit has resulted in four findings and 32 recommendations. We found the following:

- **Finding No. 1** We discuss DPW's lax oversight and the fostering of an environment that encourages potential fraud and abuse involving special allowance payments made to recipients by County Assistance Offices (CAO). Specifically, based on audit procedures performed and interviews conducted with CAO management and staff, we found that the organizational culture within DPW is entitlement-driven (i.e., philosophy of issuing special allowances based on entitlement, rather than based on recipients' needs). Deficiencies discussed with regard to special allowances include:
  - Instances of potential fraud and abuse
  - DPW does not require recipients to provide receipts for what was actually purchased
  - Recipients using monies for things other than the designated purposes and DPW not requesting reimbursement of the inappropriate expenditures
  - Lack of documentation or evidence detailing payments made to recipients for purchases and repairs
  - Management and staff displayed a lack of awareness of policies pertaining to maximum limits on payments, resulting in payments to recipients above the limits allowed
  - Income Maintenance Caseworkers (IMCW) allowed identical multiple purchases without questioning the reason behind such purchases
  - DPW did not require reimbursement of special allowance monies used for purchases associated with unfinished or incomplete training programs
  - DPW demonstrated an unwillingness to provide information to auditors regarding special allowances issued by employment and training (E&T) contractors

We recommend that DPW require recipients to submit receipts for purchases and to verify that the recipient used the special allowance payment as intended. In addition, management should cooperate with auditors' requests rather than hindering the audit process by informing personnel to correct documents prior to providing them to the auditors or not providing them at all. Moreover, management should ensure that training schools or other institutions are aware of what expenses DPW is paying and notify it if the agency has made an overpayment. Furthermore, management should ensure that special allowances issued by CAOs are not duplicated with special allowances issued by E&T contractors.

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- **Finding No. 2** We demonstrate that significant weaknesses were uncovered in the accounting, processing, and control of Electronic Benefits Transfer (EBT) cards. During our audit period, DPW placed approximately \$127.7 million in special allowance payments on recipients' EBT cards. Our auditors exposed inadequate accountability of these EBT cards from the moment the blank cards arrived at the CAOs, through the printing, activation, and distribution of the cards to intended recipients. Deficiencies include:
  - DPW denial of auditors' requests for EBT data file
  - Inadequate physical security of blank EBT cards
  - Lack of blank EBT card accountability
  - EBT cards were printed and activated, but not immediately distributed
  - Recipients are not required to show identification when picking up EBT cards
  - Damaged cards are not destroyed timely and destruction of cards is not verified
  - No documentation exists to verify the reconciliation of daily card usage
  - No written standard operating procedures for the accountability, distribution, and destruction of EBT cards existed at the CAO level
  - Lack of segregation of duties

We recommend that DPW provide specific direction with respect to all aspects of EBT cards, including the development of policies and procedures. Management must provide sufficient oversight that includes performing a review of all management controls at each CAO/district office related to the inventory, printing/activating, distributing, and monitoring of EBT cards. CAOs should maintain inventory records of all blank EBT cards, conduct weekly physical inventories of all blank cards, and reconcile the total to the inventory records. Moreover, CAOs need to segregate the duties between the management responsible for maintaining the EBT cards and management responsible for conducting the weekly physical inventory and reconciliation. CAOs should secure all blank EBT cards in locked safes or other storage areas, store keys out of sight, and limit EBT cards to select individuals.

- **Finding No. 3** We found that significant systemic management control weaknesses exist throughout CAOs, including a lack of documentation, a lack of adequate supervisory review/oversight, weaknesses with regard to recurring special allowance payments, and insufficient policies and procedures. Elements of the aforementioned management control weaknesses are as follows:
  - Case file documentation did not exist for 45 percent of the special allowance payments tested by our auditors
  - Because of inadequate document support, auditors could not determine whether certain payments were justified or appropriate

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**RESULTS IN BRIEF**

- No oversight by supervisors for special allowance payments paid via recipients' EBT cards
- No verification of the accuracy of data entry for special allowance payments
- Supervisors are not identifying errors regarding payments that exceed policy maximums
- No routine special allowance reviews are conducted by management at the CAOs
- Greater risk exists that a recurring special allowance payment will continue even though the recipient is no longer eligible
- Inconsistent application of DPW policies related to the authorization of special allowances

We recommend that DPW ensure that CAOs are timely filing and maintaining adequate documentation of every special allowance payment, as well as how the IMCWs substantiated the need and special allowance amount. CAO supervisors should ensure that they do not exceed maximum payment limits by reviewing and approving all special allowances. In addition, supervisors should verify and document that special allowance payments are accurately data-entered in the automated system and reconcile that all entries are supported with appropriate documentation. Finally, DPW should prohibit CAOs from issuing recurring special allowances and require CAOs to develop written standard operating procedures to ensure that special allowance are issued properly and management controls are in place and functioning.

- **Finding No. 4** We explain how DPW's Division of Quality Control (QC) failed to adequately monitor special allowance payments. Specifically, DPW's response to the Department of the Auditor General's 2006-07 Single Audit Finding stated that QC had added a special allowance review to its monthly Temporary Assistance for Needy Families (TANF) eligibility reviews, effective October 1, 2007. However, in January 2008 and again in February 2009, we found that the agency failed to adequately monitor special allowances. Deficiencies include:
  - Inadequate sample selection process
  - Inadequate review process
  - Untimely QC supervisory review
  - DPW does not routinely report any compilation of the results of the monthly special allowance reviews



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We recommend that DPW develop and implement an effective special allowance sampling methodology to include all special allowance payments issued by the CAOs and to ensure that it reviews an adequate number of special allowance cases each month. Moreover, management should perform data analysis on special allowance payments, and select and review cases that appear to be suspicious, questionable, or abusive. DPW should also perform supervisory reviews within 30 days after completion of QC's staff work to ensure that the CAOs can efficiently correct/follow-up on any deficiencies/concerns that are uncovered. DPW should further develop a monthly report that summarizes the results of QC's special allowances review and disseminate the report to the appropriate DPW management for evaluation and decision-making purposes.

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**BACKGROUND**

The Pennsylvania Department of Public Welfare (DPW) operates as state government's leading social service agency and retains the largest budget of any agency within the Commonwealth. DPW cites its mission as one in which it works to "promote, improve, and sustain the quality of family life, break the cycle of dependency, promote respect for employees, protect and serve Pennsylvania's most vulnerable citizens and manage our resources effectively."<sup>1</sup>

DPW is one of several agencies within the Commonwealth that has the distinction of cabinet-level status within the executive branch of state government. The Governor of the Commonwealth, as head of the executive branch, appoints the Secretary of Public Welfare. The appointment is subject to confirmation by a majority of the members in the state Senate of Pennsylvania. The foundation for DPW's current organization and operations is the Public Welfare Code<sup>2</sup>, which consolidated and codified prior welfare laws.

Because DPW serves as a conduit for federal and state monies, it is also responsible for the administration and determination of eligibility for federal and state health and human service assistance programs. DPW assigns such tasks to several of the entities within its organizational structure, including the Office of Income Maintenance (OIM).

**Office of Income Maintenance and County Assistance Offices**

OIM implements and manages numerous federal and state health and human service assistance programs through the utilization of its 67 County Assistance Offices (CAO) located throughout Pennsylvania. Satellite offices, known as district offices, support the CAOs in counties that are heavily populated and/or there is a significant demand for assistance programs. For example, the Allegheny County Assistance Office is comprised of seven district offices, while the Philadelphia County Assistance Office consists of 15 district offices. Other counties that retain a CAO and at least one district office include Delaware, Luzerne, Montgomery, Washington, and Westmoreland. The OIM employs Income Maintenance Caseworkers (IMCW) in each CAO and district office to assist applicants and determine eligibility for assistance benefits. Each CAO serves as the first point of contact for those faced with economic hardship. Individuals and families seeking assistance are able to learn about and access services that provide needed amenities, including cash, food, shelter, health care, heat, and job-funding assistance.

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<sup>1</sup> Pennsylvania Department of Public Welfare website, [www.dpw.state.pa.us](http://www.dpw.state.pa.us) ("About DPW"), accessed on August 10, 2009.

<sup>2</sup> Act of June 13, 1967 (P.L. 31, No. 21), as amended, 62 P.S. § 101 et seq.

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Additionally, the OIM administers DPW's Road to Economic Self-Sufficiency through Employment and Training (RESET) program. The purpose of RESET is to provide recipients with necessary skills to obtain long-term gainful employment. Using IMCWs and employment and training (E&T) contractors to impart the appropriate job training, education, and support services, DPW gradually attempts to move recipients from assistance to independence. This effort is to adhere to Act 35 of 1996,<sup>3</sup> in which the Commonwealth amended the Public Welfare Code, establishing additional eligibility terms that require certain recipients, who receive assistance in the form of Cash Assistance and/or Food Stamp benefits, to begin mandatory participation in employment, education, and/or training courses. Exemptions to the new law were included for individuals in defined circumstances, such as situations involving age or disabilities.

**Special Allowances for Supportive Services**

The determination of eligibility for certain types of assistance begins with an IMCW's review of an individual's submitted application form, known as a PA 600, for Cash Assistance, Medical Assistance, and/or Food Stamp benefits. Individuals applying for assistance must complete, sign, and date the PA 600 application form, as well as provide proof of their identity. In addition, when completing DPW's PA 600 application for benefits, individuals have the option of checking a box indicating their interest in receiving additional assistance in the form of payments for special allowances (special allowances). According to DPW guidelines for issuing benefits, the CAO may approve special allowances for supportive services for participants in DPW's education and training program to aid them as they prepare for, seek, accept, or maintain education, training, or employment.

DPW records special allowance payments, in addition to Cash and Food Stamp benefits, in its Client Information System (CIS). During the audit period, July 1, 2006 through December 31, 2007, approximately \$320 million in special allowance payments were recorded in CIS. This includes child care payments that were processed by Childcare Information Services (CCIS) agencies, which was phased in between November 2006 through May 2007. DPW contracts with 59 CCIS agencies to process and pay child care to Cash and/or Food Stamp recipients as well as other low-income programs.

According to management, special allowances are authorized and paid if the recipient is eligible for the special allowance and DPW establishes that the recipient has a need. Once paid, management does not require recipients to submit receipts to substantiate whether the items purchased or services rendered were the same items that were approved for the special allowance payments. Special allowances may cover a multitude of expenditures that recipients incur, including:

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<sup>3</sup> Act of May 16, 1996 (P.L. 175, No. 35).

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**BACKGROUND**

- **Automobile Purchases and Repairs**
  - Recipients requiring assistance to purchase an automobile must possess a sales agreement, valid driver's license, and insurance quote, and they must demonstrate why the need for an automobile is necessary, as opposed to using public transportation as a practical alternative. For those in need of assistance to cover the cost of automobile repairs, each recipient must provide a written cost estimate. The maximum amount that the department disburses for an automobile purchase is \$750. The maximum amount that recipients receive for a repair is \$400 per occurrence.
  
- **Textbooks and Supplies**
  - CAOs can provide special allowances to cover the cost of textbooks and supplies, as well as registration fees, for recipients seeking to participate in training programs. The maximum amount for textbooks and supplies is \$500 per semester, session, or term, while the department limits the maximum allocation for registration fees at \$250.
  
- **Equipment or Tool Purchases**
  - CAOs are able to provide special allowances to cover recipients' expenditures associated with the purchase of equipment or tools for training or employment purposes. Recipients are eligible for up to \$2,000 per job or activity.
  
- **Clothing Allowance**
  - CAOs provide recipients with special allowances for clothing purchases used for purposes such as interviews, employment, and/or training programs. The maximum amount allowed is \$150 per activity. In October 2007, the department instituted a pilot program that reimburses vendors that provide clothing to recipients, rather than paying the recipients directly.
  
- **Child Care Costs**
  - Maximum daily child care allowance thresholds reflect factors such as the county in which the provider cares for the children, the age of the children, and the length of time per day that each child spends in the care of others.

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**EBT Delivery System and EBT Access Cards**

For those individuals or families that have been determined to be eligible for the Cash Assistance or Food Stamp programs, DPW provides electronic access to their benefits, using an Electronic Benefits Transfer (EBT) delivery system. CAOs also disperse special allowance payments either using the EBT delivery system or issuing checks directly to vendors. During the period July 1, 2006 through December 31, 2007, DPW placed approximately \$127.7 million in special allowance payments on recipients' EBT cards.

Eligible recipients receive an EBT card, also known as a Pennsylvania ACCESS card, which is affixed with a personal identification number selected by the recipient. EBT cards are stored, processed, and disseminated to recipients through the CAOs. Recipients receive only one card. Money allocated from one or more of DPW's benefit programs is placed on the EBT card. Because DPW considers EBT cards to be highly sensitive items, management and staff are required to account for and secure all cards.

Recipients, using their EBT card, may obtain their benefits through a Point-of-Sale terminal when making a purchase or they can withdraw cash at an Automated Teller Machine. If a recipient misplaces or loses an EBT card, they are to report the loss to their local CAO. Management places a reissue order with the bank that processes the EBT cards on behalf of the Commonwealth; the bank will issue a new card to the recipient to replace the missing card. When a replacement EBT card is issued, the previous card becomes inactive.

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**AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY**

**Objectives**

The objectives of this special performance audit were to determine:

- whether the Special Allowance Program expenditures were reasonable, adequately supported, and in accordance with guidelines, laws, and regulations (see Findings No. 1, No. 2, and No. 3);
- 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 (see Finding No. 1); and
- whether the Department of Public Welfare adequately monitors the Special Allowance Program (see Findings No. 1 through No. 4).

**Scope**

Our audit covered the Department of Public Welfare's (DPW) duties and responsibilities with regard to these objectives for the period July 1, 2006 through December 31, 2007, including follow-up procedures performed and concluded as of February 12, 2009.

**Methodology**

The methodology in support of the audit objectives included:

- obtaining and reviewing appropriate laws, regulations, and policies and procedures related to the Special Allowance Program;
- conducting interviews with DPW management within the Office of Income Maintenance to assess controls and gain an understanding regarding administering and monitoring the program;
- conducting interviews with CAO management, income maintenance case workers, and clerks; and performing walkthroughs and observations at five County Assistance Offices (CAOs): Allegheny (Greater Pittsburgh East and Three Rivers districts), Dauphin, Delaware, Philadelphia (Delancey, Lehigh, Ridge/Tioga, and Unity districts), and York. These CAOs were selected because they were within the top ten highest counties with the most special allowance payments, provided geographic coverage throughout Pennsylvania, and included the two CAOs participating in the pilot program renamed PA WORKWEAR. The purpose of these procedures was to assess controls and gain an understanding as to how CAOs process and pay special allowances;

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**AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY**

- obtaining special allowance data from DPW's Client Information System and performing data analysis. As a result of our analysis, we stratified the population into seven categories and used targeted and random sampling methods to select more than 300 recipients from four CAOs (Dauphin, Delaware, Philadelphia, and York), who received special allowance payments for one of the categories. Because we found that systemic problems existed throughout these four CAOs, we decided that it was not necessary to perform testing in Allegheny;
- obtaining case file documentation maintained by the CAOs or Child Care Information Services Agencies and performing our attribute test work to include whether: the special allowance complied with DPW policies and regulations; the documentation supporting the payment was adequate, the special allowance was properly authorized and approved; and the payment properly recorded in CIS; and
- obtaining and reviewing monitoring results performed by DPW's Division of Quality Control.

However, we were not able to perform other procedures because DPW refused to provide certain information to us. Specifically:

- DPW would not provide an electronic benefits transfer (EBT) data file related to specific special allowances placed on recipients' EBT cards. As a result, additional weaknesses of potential fraud and abuse related to EBT may exist and have gone undetected due to the auditors not being able to extend audit procedures. (See Finding No. 2 for more information.)
- DPW would not provide information related to special allowances issued by employment and training (E&T) contractors. DPW claimed that the information was beyond the scope of our audit, stating that E&T contractors issue supportive services rather than special allowances. As a result, we were not able to determine whether recipients were receiving duplicate payments, one from the CAO and one from the E&T contractor. (See Finding No. 1 for more information.)

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***FINDINGS AND RECOMMENDATIONS***

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**FINDINGS AND RECOMMENDATIONS**

***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***

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**Condition:** Certain welfare recipients (recipients) who receive cash and/or food stamps benefits can also receive additional monies referred to as special allowances for supportive services (special allowances). The Department of Public Welfare’s (DPW) Office of Income Maintenance processes special allowances through its county assistance offices (CAO) and various subcontractors. Recipients, unless exempt as defined in regulation, are required to participate in an employment or training activity to qualify for cash and food stamp benefits. Recipients may enroll in training programs or participate in other activities intended to lead to gainful employment so they can support themselves and their families. Because of this requirement, DPW offers recipients special allowances to offset the costs associated with participating in these activities, including books, tools, clothing, automobile/transportation expenses, and child care costs.

According to management, if a recipient is eligible for the special allowance and DPW establishes that there is a need, the special allowance is either provided directly to the recipient in the form of money placed on the recipient’s electronic benefits transfer (EBT) card, known as an ACCESS card, which can be withdrawn as cash at an ATM machine or used like a debit card to purchase items or services at a store, or sent directly to the vendor in the form of a check.

Based on interviews with DPW management and staff, we found that the organizational culture within DPW is entitlement-driven, with a philosophy of issuing special allowances based on entitlement, rather than recipients’ actual needs. As a result, DPW does not: 1) require recipients to provide receipts for what was actually purchased, or 2) require recipients to pay special allowance funds back if they were not used for their intended purpose; instead, DPW will not issue another special allowance for the same purpose (e.g., a second monthly bus pass for the same month). However, this organizational culture purports an environment of giving the money away which may contribute to caseworkers, who authorize these payments, to not question the adequacy of the documentation. Also, this environment may eliminate caseworkers’ skepticism to consider the reasonableness of some of the special allowances issued.

Additionally, we take exception to DPW not being forthcoming in providing documentation to the auditors. For example, we obtained a copy of an e-mail written by DPW management that was inadvertently attached to the child care documentation that we received from various contractors who authorized and paid child care special allowances. DPW’s e-mail provided the following instructions:

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***Finding No. 1***

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Before forwarding the requested documentation to the Auditors, please review the case and provider information to insure that accurate payment occurred and take steps to correct any issues before forwarding the documentation to the Auditors. Additionally, inform the Subsidy Coordinator if you find it necessary to make such corrections for any of the cases on the list. This practice might pre-empt any issues the Auditors attempt to cite as part of this review.

This finding addresses our concerns regarding potential fraud and abuse found during our test work of special allowance transactions processed between July 1, 2006 and December 31, 2007, from four CAOs: Dauphin, Delaware (representing two districts), Philadelphia (representing 15 districts), and York. Utilizing special allowance data from DPW's Client Information System (CIS), and based on an assessment of audit risk, we selected a sample of recipients who received special allowances for a particular purpose: automobile, books, clothing, tools, childcare expenses, or transportation. Overall, we sampled more than 300 recipients and requested that each respective CAO retrieve the case files for test work. We examined each case file to determine the validity of the applicable transactions and whether the payments were appropriate and reasonable. Additionally, we made inquiry as of June 30, 2008 and confirmed that the procedures for special allowances had not significantly changed since our initial inquiry.

It is important to note that the weaknesses found during the audit are systemic in nature. As such, due to an overall lack of management controls, it is likely that these conditions would exist at the remaining 63 CAOs throughout Pennsylvania that were not sampled and tested. The following summarizes our concerns regarding potential fraud and abuse. Finding No. 2 and Finding No. 3 will describe other test work exceptions and control weaknesses identified at the CAOs, and Finding No. 4 will explain DPW's overall monitoring weaknesses.

- 1. Automobile purchase (maximum \$750) and repairs (maximum \$400 per occurrence):** In order to receive funds to purchase an automobile, the recipient must have a sales agreement, valid driver's license, insurance quote, and explanations of why an automobile is needed and why public transportation is not practical. In order to receive funds to obtain an automobile repair, the recipient must provide a written cost estimate. Of the 1,800 recipients receiving special allowance payments totaling \$1.2 million for automobile purchases/repairs from these four CAOs, we tested 42 recipients, who collectively received approximately \$49,000 for 39 automobile purchases and 64 repairs that were predominantly paid based on estimate documentation. We found the following conditions of potential abuse:

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***Finding No. 1***

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- 12 recipients collectively received special allowance payments totaling \$9,274 coded for 7 automobile purchases and 15 auto repairs with no supporting documentation found in the case files, including one recipient who received funds for two automobiles and two repairs totaling \$2,215. Because documentation to approve the purchase of these items is required, these special allowances are suspect.
  
- Six recipients received funds for four or more car repairs. IMCWs at the CAOs indicated that some recipients purchase cars that are “lemons”; therefore, the approvals of car repairs are necessary. According to management, these payments must be made in order for recipients to get to work or attend training. For example, one recipient received funds for seven car repair payments within a seven-month period totaling \$1,769. Five of the repairs appeared to be partially related to the same problem and some repairs appeared excessive, including spending \$50 for cleaning head lamps. Repairs can be paid if they result in making the car operate safely. The approval of certain repairs that appear excessive indicates that the IMCW did not fully review the repair estimates. **One IMCW told us that, due to the pressure by management to process special allowances timely, the number of special allowances requested, and the volume of cases assigned, the IMCW cannot complete all required documentation and approval tasks.**

Additionally, based on available documentation, we noted that, although a CAO authorizes a special allowance for a recipient to purchase an automobile, circumstances may occur that the recipient can no longer use the car, such as the car needing extensive repairs or the recipient losing his/her insurance coverage. As a result, the CAOs are required to provide a special allowance for transportation cost in order to get the recipient to training, even though the CAO already provided \$750 to purchase the car. According to CAO management, they would even approve another \$750 allowance to purchase another automobile.

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**FINDINGS AND RECOMMENDATIONS**

***Finding No. 1***

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**We also noted two instances where the recipient did not purchase the car for which the special allowance was intended based on the estimate information.** According to CAO personnel, it does not matter if the recipient purchases a different car because he/she is eligible for the \$750 allowance. However, according to IMCWs, as part of processing a special allowance for a car, the IMCW will determine if the recipient can afford the car that he/she intends to purchase and would deny the request if the car was not considered affordable. However, by allowing a recipient to purchase a different automobile than was originally requested, the CAOs increase the risk that the recipient cannot afford the car, resulting in repossession. According to a caseworker supervisor, if a car is repossessed, the recipient can request another \$750 allowance.

2. **Books/Supplies (maximum \$500 per semester/session/term)/registration fees (maximum \$250):** To financially assist recipients in participating in a training program, CAOs can provide special allowances for registration fees and books/supplies. Recipients need to submit documentation showing the amount of the registration fees and an estimate of the books/supplies needs and their cost. Of the 6,600 recipients receiving \$3.6 million, we tested 42 recipients, who collectively received approximately \$65,900 that were predominantly paid based on estimate documentation. We found the following conditions of potential abuse:

- 20 recipients collectively received special allowance payments totaling \$22,300 coded for books/supplies and registration fees with no supporting documentation found in the case files, including one recipient who received nine special allowances for books/supplies totaling \$2,095. Because only estimate documentation to approve the purchase of these items is required, these special allowances are suspect.
- One recipient: 1) received an excessive amount for books totaling \$782 over three semesters, based on handwritten lists on school letterhead, and 2) received \$108 for the same books which she requested twice for the same class she was retaking. Overall, between July 2006 and March 2009 she received special allowance payments for books/supplies totaling \$6,846 all paid via EBT card. **We noted no evidence in the case file as to why the IMCW paid more than what was allowed by policy and did not question the recipient's request to pay for the same books twice.**

We also found that management at one CAO office was not aware that there was a \$500 maximum limit on books/supplies.

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3. **Equipment/tool purchases (up to \$2,000 per job or activity):** To financially assist recipients in participating in a training program or obtaining employment, CAOs can provide special allowances for equipment/tools. Recipients must provide a written estimate as to the cost of the equipment/tools. Of the 3,300 recipients receiving \$2.1 million, we tested 49 recipients, who collectively received approximately \$84,100 that were predominantly paid based on estimate documentation. We found the following conditions of potential abuse:
- 26 recipients collectively received special allowance payments totaling \$40,800 coded for equipment/tools with no supporting documentation found in the case files. We found several instances where recipients received several equipment/tool payments during the 18-month audit period; however, most, if not all, of the payments had no supporting documentation in the case files. Examples include:
    - One recipient received \$2,200 for four equipment/tools special allowances all paid within eight months, but documentation existed for only two payments.
    - One recipient received \$2,150 for three equipment/tools special allowances all paid on the same day, but no documentation existed.
  - According to information in CIS, one recipient in December 2006 received \$1,400 for equipment/tools for enrolling in a medical assistance training program and in August 2007 received \$2,100 for equipment/tools for enrolling in a dental assistance training program. In addition, not knowing whether the client finished the first program or what she did with those tools, information about the second program indicated that, eight days after the \$2,100 for equipment/tools was paid, the recipient was dropped from the program. **According to management, no effort is made to recoup the money for the equipment/tools for a training program that the recipient does not complete. As a result, recipients can start a program, obtain tools, quit, and then start another program to obtain more tools, and so on, with DPW not concerned about getting the money back and making the recipient accountable for the tools he/she received.**

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- One recipient received several special allowance payments for equipment/tools to take online classes. Documentation in the case file indicated that a husband and wife obtained a special allowance payment totaling \$1,341 for the purchase of a desktop computer and printer in March 2006. The two were enrolled in school and had taken eight online classes throughout the audit period. Additionally, from July 2006 through August 2007, special allowance payments totaling \$2,391 were authorized to purchase more computer-related equipment, including laptop and laptop upgrades, 11 months of Internet access, wireless router, ink cartridges and paper. **According to documentation, the IMCW approved all requests for payments and continued the Internet service even though the recipient was no longer taking online classes.**
  
- 4. **Clothing allowance (up to \$150 per activity):** Of the approximately 37,500 recipients receiving special allowances for clothing, totaling approximately \$9.8 million from these four CAOs, 94 percent of these transactions totaled \$150 each, the maximum amount for clothing under DPW policy. According to CAO management and staff in Philadelphia, Delaware, and Dauphin, the maximum amount is automatically given when clothing is requested. This is contrary to the York CAO, where management stated that \$75 is normally given unless more is warranted. These decisions, along with the fact that DPW does not require recipients to provide CAOs with receipts to verify what was purchased, results in an environment for potential abuse and fraud to occur.

Based on our sample of 50 recipients, who collectively received 201 clothing special allowance payments totaling \$29,265, we found the following conditions of potential abuse:

- 37 recipients collectively received special allowance payments totaling \$15,625 (53 percent) coded for clothing with no supporting documentation found in the case files. We also found several instances where recipients received several clothing payments during the 18-month audit period; however, most of the payments had no supporting documentation in the case files. Examples include:
  - One recipient's case received \$1,650 for 11 clothing payments, but documentation existed for only four payments, totaling \$600.
  
  - One recipient's case received \$1,200 for eight clothing payments, but documentation existed for only three, totaling \$450. Of the eight, four payments were made within nine days, including three made on the same day with no documentation.

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Without documentation for numerous clothing allowances for several recipients, we could not conclude whether the clothing allowances with documentation were abusive. In other words, we could not verify if clothing allowances with documentation were duplicates or ineligible because a \$150 clothing allowance can be given one time per recipient activity.

Furthermore, according to Delaware CAO management, clothing special allowances are issued whenever a client is referred to an employment and training program. **Management stated, “We basically give them money to buy a new pair of jeans to walk across the street to the [employment and training] center.”** We identified numerous cases that illustrated this philosophy of issuing clothing special allowances based on entitlement, rather than on the recipients’ need. **In addition, a caseworker supervisor stated that some clients admitted using this allowance for things other than clothing, such as rent.**

**In October 2007, DPW began a pilot program renamed PA WORKWEAR at two CAOs.** The program expanded to a total of 32 out of 67 counties by September 2008. For the majority of the 32 counties, the program only pertains to females; males would continue to receive clothing allowances. In addition, other counties still remain under the old system. **This program was designed to eliminate the need for most recipients to obtain clothing via purchases. DPW contracts and pays various vendors across the state to provide recipients with necessary clothing.**

Essentially, DPW pays the vendors to provide the clothing rather than paying the recipient. The CAOs complete a referral form, including what clothing is needed, and faxes the form to the vendors, who, in turn, will help the recipient pick out the proper attire. Each month the vendor completes a participant tracking form and forwards it to DPW. Based on our limited review of the program at June 30, 2008, we noted the following weaknesses:

- DPW does not reconcile the vendors’ monthly participant tracking forms to the referral forms provided by the CAOs;
- CAOs do not maintain a copy of the referral forms, or require the referral form to be maintained in the recipients’ case files; and
- CAOs do not maintain or compile a log of approved referrals.



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CAO and DPW management should perform appropriate reconciliation of source documentation to ensure that the approved recipient actually received the clothing and vendors are properly providing the intended services.

**5. Instances of potential fraud directly related to special allowances:**

- Delaware CAO: We believed an invoice for tools from a beauty school was altered, changing the amount from \$321 to \$821. We noted that the CAO processed the invoice as \$821 and issued checks totaling that amount to the beauty school. We contacted the beauty school, which provided documentation showing that the tool invoice was \$321. When we asked the school what happened to the additional \$500, school officials stated that any payments received in excess are first applied to the student's account balance and, if the student has no balance, the amount is refunded to the student. In this case, the school applied \$226 to the recipient's student account and the remaining \$274 was refunded to the recipient. Based on our other inquiries of schools, it is apparent that many schools will refund excess funds to the student instead of returning the money, in these cases, to DPW. Additionally, it is apparent that the schools may not notify DPW if it made an overpayment, whether inadvertently or not.
- Philadelphia CAO: A recipient was receiving special allowances for child care expenses for 10 children. One of the four child care providers receiving special allowances appears to be the father of at least five of the children, which is not allowed. By changing his last name and his Social Security number on child care forms between June and October 2007, we believe he improperly collected \$7,367 in special allowances for the five children in which paternity had been established.
- York CAO: Two recipients were attending a beauty school. A fax was sent to the CAO containing a handwritten list of nail supplies, totaling \$637 for each recipient, for a combined total of \$1,274. Based on available documentation, the caseworker questioned the requests and verified through the beauty school that these recipients were taking a nail course. However, the caseworker never verified that the lists were actually authorized by the school. DPW authorized the payments and placed \$637 on each recipient's EBT card. Questioning the handwritten request, we contacted the beauty school and requested copies of all invoices sent to DPW for these individuals as well as a financial record for each. The school had no record that these supplies were billed or paid by these recipients.

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Additionally when we interviewed CAO management regarding its awareness of fraud and abuse regarding special allowances, management at the central office of the Philadelphia CAO confirmed that a couple of potential employee fraud situations related to special allowances had been discovered. These fraud situations are separate from the three instances noted above.

In addition, Child Care Information Services (CCIS) personnel indicated that when the child care expense payment process was transferred from the CAOs to the CCIS agencies, several potential recipient fraud cases were identified. According to CCIS management, all cases were referred to the Office of Inspector General.

**6. Potential abuse with special allowance payments issued by employment and training contractors**

In addition to receiving special allowances issued by CAOs, recipients can request and receive supplemental special allowance payments, defined as special allowances for supportive services, from employment and training (E&T) contractors, who assist recipients in enrolling in training programs or school, or in obtaining employment. DPW uses E&T contractors (approximately 200 statewide) for various programs to guide the recipients' efforts in becoming self-sufficient. The E&T contractors evaluate the recipients' skills and abilities, match them with the appropriate program, and oversee their participation in the program.

DPW permits the E&T contractors to use their special allowances to supplement, but not duplicate, the payments issued by the CAOs. DPW policy establishes what types of special allowances E&T contractors can issue and the maximum amounts (e.g., clothing - \$175; automobile purchase/ repairs - \$1,300 combined; automobile insurance - \$1,500; transportation cost - \$150 per month). **Many of these types of special allowances mirror the types issued by the CAOs, while other types are in addition to what CAOs can provide, such as car insurance.** DPW explained that, in most cases, the E&T contractors are required to request the CAOs to pay their special allowance first, before the E&T contractors issue their supplemental special allowances for supportive services.

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**Because special allowances issued by the E&T contractors are not recorded in CIS, management confirmed that CAOs are not aware of the payments issued by the E&T contractors.** For example, CAO management agreed that it would be possible for a client to present a car repair estimate to both the CAO and E&T contractor, and receive duplicate special allowance payments from both entities. Based on our concerns about possible duplicate payments, lack of monitoring of E&T contractors, and program abuse, we began requesting information/documentation related to special allowances issued by E&T contractors. However, DPW refused to provide the information requested, claiming that the information was beyond the scope of our audit because it stated that this information related to supportive services rather than special allowances. As a result, we could not perform procedures to determine whether duplicate payments had been made.

**Criteria:** As part of administering any program, government agencies are inherently required to be fiscally responsible; as such, agency leaders must instill an organizational culture that addresses the importance of customer service to achieve program objectives, while simultaneously promoting a need of accountability with respect to spending public money. Furthermore, management must communicate to staff the agency's beliefs as to what is important. Unfortunately, we found that DPW management emphasizes that the timeliness of making payments is more important than ensuring that the payment should be made. This emphasis drives the organization's staff as to how to process payments.

To carry out a program's objectives, management must develop policies and procedures and a system of controls for ensuring that the program functions efficiently, effectively, and economically. Sufficient documentation must be maintained in the case file in order to support or account for the payment, as well as the decision to authorize and approve the payment. Adequate checks and balances, such as obtaining receipts when payments are authorized based on estimates, reconciliations, supervisory review, and monitoring techniques, must be included in management's policies and controls to provide a level of assurance that fraud, waste, and abuse are not occurring or are detected and to ensure that the program is functioning as designed.

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**Cause:** Based on the results of this audit, it appears that DPW does not promote that being accountable to taxpayers (e.g., the need for receipts) is important and necessary. Allowing the approval of special allowance payments based on estimates or written notes without requiring subsequent receipts sends a message to both the CAO staff and recipients that DPW does not question how special allowance payments are spent, which eliminates assurance that the special allowance was used as intended and promotes potentially abusive and fraudulent use of the payments by recipients. Furthermore, this message, along with not holding the recipient responsible for the misuse, contributes to additional misuse. For example, if the IMCW discovers that the recipient did not use a special allowance as intended, the IMCW will not request that the Office of Inspector General investigate and recover the funds. Instead, management stated that it will just not issue another special allowance for the same purpose. This entitlement/eligibility-driven culture/environment promotes a give-the-money-away attitude and can send the message to CAO staff to not use skepticism when reviewing and authorizing special allowance payments. We disagree with this approach. DPW must be accountable for the public money spent on special allowances.

Also, statements made by CAO personnel we interviewed, observations made during our on-site visits, as well as what we found while performing our test work speak volumes as to the organizational culture established by DPW at CAO offices with regard to authorizing and processing special allowance payments. Management's emphasis is in getting the special allowance processed timely rather than determining whether the payment should be made in the first place. CAO management indicated that IMCWs only need to verify the need for the special allowance if it is not readily apparent. Also, according to CAO management, because the administrative law judge will mostly rule in the recipient's favor if the CAO denies a special allowance payment, questionable payments are authorized. IMCWs admitted that pressure is placed on them to process special allowances quickly resulting in IMCWs not performing all necessary review and approval tasks. We disagree with management's position. For processing special allowance payments, management's emphasis must be on the importance of verifying that the special allowance request should be paid (i.e., the recipient is eligible and participating in a program, the need and amount are validated, reasonable, and appropriate).

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Additionally, having sufficient documentation maintained and available to support the propriety of the payment and the decisions to authorize and approve the payment is not a priority for management. We found vacant offices filled with unorganized loose documents, whole case files that could not be located, and 45 percent of the payments that we tested were not supported by documentation. Additionally, management indicated that the CAOs rely on the honor system that IMCWs perform the necessary tasks to authorize special allowances (instead of ensuring that the tasks are documented) and a systemic filing problem has existed for several years. Accordingly, management does not consider documentation to be important. We again disagree. Documentation in the case file must support the propriety of the payment, including the actual receipt, and the decisions to authorize and approve the payment.

Furthermore, DPW lack checks and balances to reduce the risk of fraud and abuse and to assure itself that the special allowance payments are being spent as intended. As noted in Finding No. 2, No. 3, and No. 4, we noted numerous control and monitoring weaknesses, including the system weakness that DPW does not require recipients to provide receipts to verify that the special allowance was appropriately used.

Finally, with regard to DPW not providing special allowance documentation relating to E&T contractors, DPW stated that this was beyond the scope of the audit because the audit focused on special allowances and not supportive services. Management stated that we should either open another audit or request the information from DPW's Right-to-Know Law officer. We disagree with this restrictive approach. As auditors, we are entitled to obtain necessary documents and information in order to achieve our audit objectives regardless of whether or not such documents or information are available to the general public. Furthermore, this decision by DPW came months after DPW had already permitted us to meet with an E&T contractor and DPW personnel to gain an understanding of contractor-issued special allowances, as well as allowing us to obtain documentation from the contractor. Additionally, throughout its policy, DPW identifies CAO-issued special allowances as "special allowances for supportive services."

***Effect:*** DPW's existing organizational culture, policies and procedures, and management controls do not provide assurance that special allowances have been appropriately authorized and approved, and have been spent for their intended purpose. As a result, recipients may be receiving special allowance payments that they do not need or are not eligible for, which is a waste of taxpayers' dollars, and may constitute abusive and fraudulent activity, which negatively affects the integrity of the program, as well as of the program's management.

Additionally, DPW's failure to provide us documentation related to E&T contractors resulted in the auditors not being able to determine if potential abuse of duplicate payments was occurring between the CAOs and E&T contractors.

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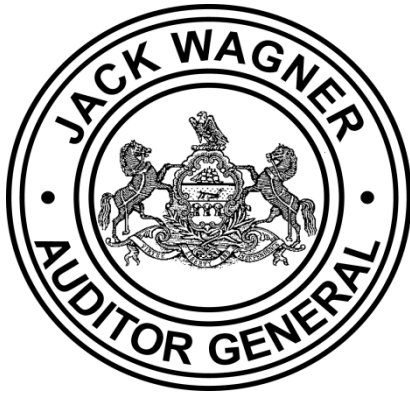
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**Recommendations:** We recommend that DPW:

1. Provide proactive leadership, and appropriate policies and procedures to the CAOs to ensure that they are effectively operating the program, and held accountable for the approval and use of special allowances through adequate documentation, supervisor review, and management oversight;
2. Require recipients to subsequently submit receipts to verify that the recipient used the special allowance payment as intended;
3. Cooperate with auditors' requests rather than hindering the audit process by informing personnel to correct documents prior to providing them to the auditors or not providing them at all;
4. Ensure that training schools or other institutions are aware of what expenses DPW is paying and require those institutions to notify DPW if they believe that DPW has overpaid for these expenses; and
5. Monitor to ensure that special allowances issued by CAOs are not duplicated with special allowances issued by E&T contractors.



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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***

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**Condition:** The Department of Public Welfare (DPW) issues electronic benefits transfer (EBT) cards, commonly known as ACCESS cards, to recipients to obtain their cash and food stamp benefits, as well as some special allowance payments. The special allowance payments, placed on EBT cards, can either be withdrawn as cash at an ATM machine or used like a debit card to purchase items or services at a store. The EBT cards are considered highly sensitive items, and as such, are required to be accounted for and secured. Blank EBT cards arrive at county assistance offices (CAO) in boxes of 200 cards, wrapped in bundles of 50. To activate a card, it is first placed in a card printer to affix the necessary recipient account information and then it is assigned a four-digit personal identification number (pin) by the recipient. During the period July 1, 2006 through December 31, 2007, DPW placed approximately \$127.7 million in special allowance payments on recipients' EBT cards.

The EBT card does not compel the recipients to purchase the type of special allowances that they requested and were authorized by DPW. For example, a recipient requests from his/her income maintenance caseworker (IMCW) a special allowance payment for a \$50 monthly bus pass to attend training. The IMCW would verify that the recipient is in training and needs the bus pass and document it in the case file. Once approved, the IMCW completes a data entry form and forwards the form to a clerk for data entry into the Client Information System (CIS). The CIS will send the information to the bank that handles the EBT card activity, which adds the \$50 to the recipient's EBT account. The recipient can now use his/her EBT card to withdraw the cash or use the debit function to purchase the bus pass or anything else. According to DPW management, they do not require receipts as to what was purchased and does not monitor the activity as to how the recipient spent the money. In this example, if the client did not buy the bus pass and found a free way to get to training that month, he/she could have used that money to purchase anything. DPW indicated that it does not object because the recipient had a need for the bus pass.

As part of our audit, we conducted on-site interviews and observations, which were completed in December 2008, at 10 offices representing five counties: Allegheny CAO (Greater Pittsburgh East and Three Rivers districts), Dauphin CAO, Delaware CAO (Darby and Crosby districts), Philadelphia CAO (Delancey, Lehigh, Ridge/Tioga, and Unity districts), and York CAO. Additionally, we conducted on-site interviews at the Philadelphia and Allegheny CAOs' central headquarters. Specifically, we gained an understanding of how the 10 offices accounted for and secured their EBT cards from when the blank cards are received at the offices to distributing the activated cards to the recipients to include: the processes of authorizing special allowances, data-entering special allowances, printing and assigning a pin to EBT cards, and monitoring the use of EBT cards by the recipients. We made inquiry as of June 30, 2008 and confirmed that the procedures for special allowances had not significantly changed since our initial inquiry. We found the following weaknesses with respect to these areas:



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*Finding No. 2*

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**1. Inadequate accountability of EBT cards from when the blank cards are received at the offices to printing/activating and distributing the cards to the recipients**

*Inadequate physical security of blank EBT cards*

The physical security of blank EBT cards at four of the five CAOs is inadequate:

- The York CAO, in lieu of a safe, stored thousands of blank EBT cards (approximately 8,000 at the time of our visit) in a cabinet in an unlocked clerical supervisor's office. Although the cabinet locks, the key was hanging on the side of the cabinet. Auditors observed on two separate occasions that the clerical supervisor opened the cabinet without the key, demonstrating that the cabinet was not locked. The clerical supervisor stated that everyone knows where the key is and she permits any staff to come in and take cards without recording who takes them and how many cards were taken. Furthermore, in the reception area in which EBT cards are printed/activated, we noted that the cabinet drawer, which contained 250 blank EBT cards, was half opened and not locked. We inquired with the CAO's administrative officer as to how blank EBT cards were controlled. Based on our discussion, she was unaware of the lax handling of blank EBT cards by the clerical supervisor and staff.
- The two Delaware County offices stored their main supplies of blank EBT cards in locked utility rooms. However, we observed that the Crosby and Darby offices also stored 2,000 cards and 800 cards, respectively, in unlocked drawers in the rooms where clerks print cards and help recipients pin their cards. Also, although Darby management indicated that the room in which pin numbers are assigned is to be locked when not in use, we observed that the door to the room was wide open with no one in it. Furthermore, Crosby management indicated that this room remains unlocked during the day. Management at both sites acknowledged that they leave blank EBT cards in the card printer from business day to business day continuously.
- The Dauphin CAO stored up to 200 cards in a clerical supervisor's office cabinet with the cabinet key hanging on the back of the office door.
- The Greater Pittsburgh East office in Allegheny County stored cards in an administrative officer's office cabinet with the cabinet key hanging next to the cabinet.

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*Lack of blank EBT card accountability*

The offices in the five counties control and secure their blank EBT cards inconsistently. Of the 10 offices, nine (except Dauphin) maintained some records of blank cards, but do not conduct a routine inventory to ensure an accountability for all blank cards, and five offices (except Dauphin and Philadelphia offices) do not maintain the appropriate records to account for the blank cards.

However, regarding Dauphin and Philadelphia offices, we noted additional weaknesses related to inventories. According to the Director of Administrative Support from the Philadelphia CAO headquarters, her staff conducts an annual inventory and reconciliation of cards at each Philadelphia district on a yearly basis. However, only conducting one inventory may not detect an immediate or timely concern regarding cards. In addition, although the Dauphin CAO performs a weekly inventory and reconciliation, the clerical supervisor conducting the inventory and performing the reconciliation is the same individual maintaining the majority of the blank cards, thereby increasing the risk of error and potential theft through a lack of segregation of duties.

*EBT cards printed/activated, but not immediately distributed*

CAO personnel at the locations visited in Allegheny, Philadelphia, and York counties admitted that EBT cards may be printed/activated before recipients arrive at the office to pick them up, but stated that those cards would be destroyed within a few days if the recipients did not pick them up. However, during our on-site visits, we found printed/activated EBT cards stored in cabinets and in trays on desks behind the CAOs' front counters that were created up to two months prior.

*Recipients not required to show photo identification when picking up EBT cards*

According to a clerk who has security access to the equipment to pin EBT cards, known as a card pinner, at Greater Pittsburgh East, pinners are not required to view recipients' photo identifications prior to giving their EBT cards to them. The card pinner explained that, because photo identification was already shown to the IMCW, it was not necessary to do it again. Additionally, although the other nine districts stated that photo identification is required, we found case file evidence that an EBT card at the Philadelphia North district was picked up and used by the wrong recipient.

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*Damaged cards not destroyed timely and destruction is not verified*

During our observations, we noted numerous EBT cards stacked on desks or in-bins at three districts, including one district that had at least 100 cards stacked on a desk in small piles. According to management, these cards were returned by recipients, who stated that they did not work, and were replaced with new EBT cards. These damaged cards were waiting to be destroyed, but the clerk did not have time to destroy them. When destruction does occur, CAO personnel from six of the 10 districts indicated that no one verifies the cards are being destroyed.

*Reconciliation of daily card usage reconciliation not documented*

Each CAO location has a standardized form for tracking daily card workflow or activity. The form includes how many cards were removed from the safe (or other secure location) that day, the number of cards used (issued and voided) and the number of cards not used that day. Although management at all 10 locations indicated that a reconciliation is performed to verify that cards used equals cards issued and void, only two locations document that this reconciliation was performed.

*Lack of written standard operating procedures for the accountability, distribution, and destruction of EBT cards*

CAO management at all 10 locations indicated that they do not have detailed standard operating procedures for the accountability, printing, activating, distribution, and destruction of EBT cards. Instead they rely on the Cash Assistance Handbook, the bank's manual, and DPW operations memoranda, along with on-the-job training, to operate this program. These references, however, do not describe how each office should control, inventory, distribute, and destroy EBT cards.

- 2. Inadequate segregation of duties found with regard to data entering special allowances, printing/activating EBT cards, and pinning EBT cards**

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*Clerks can data-enter special allowance payments and print/activate cards*

Management at the 10 offices we visited indicated that clerks, who mainly perform data entry, can be designated as a card maker (printer) or a card pinner, but never both. Depending on the office, the clerk rotation for printing cards or pinning cards varies, some may be a week in length, and some may be six months. Additionally, other clerks or supervisors may fill in for the card maker or card pinner during lunch breaks, or to ensure coverage during the entire period the office is opened. As a result, the potential exists for card makers to fraudulently print/activate a card and enter data for special allowance payments to a recipient's account.

*Delaware offices admitted to sharing EBT access for printing/activating or pinning cards*

According to a clerk supervisor in one district, after she printed a card, she used another supervisor's EBT access to assign a pin to the same card. Additionally, in the other district, another clerk supervisor stated that he allowed a clerk to use his EBT access to print/activate cards, because the clerk's EBT printing access was currently not available.

**3. Inadequate monitoring and resolution of excessive EBT card usage by recipients**

*Some recipients have received almost 100 EBT cards*

Management at the Greater Pittsburgh East office in Allegheny County stated that DPW headquarters has informed it that a recipient has received 99 EBT cards. Additionally, district personnel indicated that recipients try to sell their EBT cards for cash (called card trafficking), and, in fact, one CAO clerk stated that she had been propositioned by a recipient in a store to buy her EBT card with food stamp money on the card.

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***Finding No. 2***

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Additionally, DPW's Director of the Division of Automation Planning and Support, Bureau of Program Support, stated that a number of recipients are approaching receiving more than 90 EBT cards and indicated that this is an ongoing situation. Although DPW has stated that, once an EBT card is replaced with another EBT card, the previous card becomes inactive and no longer has any benefits on it, there is still a risk that card trafficking is occurring. As a result, according to DPW management, recipients who receive six or more replacement cards in a four-month period are referred to the OIG for investigation. However, we question the effectiveness of DPW's monitoring and resolution of this ongoing condition, because according to management, it remains a significant issue.

**4. DPW denied auditors an EBT data file of recipient special allowance information**

*Lack of data may have prevented the auditors from detecting fraud and abuse*

Based on our program assessment of fraud risk as high, DPW stating that it does not require receipts or monitor what the recipients are purchasing with special allowance payments via their EBT cards, and inadequate management controls, we found it necessary to extend our audit procedures. As a result, we requested from DPW a data file of the special allowance activities occurring in recipients' EBT accounts during the audit period. DPW shared this request with a non-profit legal aid organization that represents recipients. The organization threatened legal action against DPW if DPW provided this information to the Department of the Auditor General. After discussions with DPW, we limited our data request, but the organization still objected. As a result, we never received EBT account data from DPW. We are concerned that additional weaknesses or potential fraud and abuse related to EBT may exist and have gone undetected due to the auditors not being able to extend audit procedures.

**Criteria:** According to DPW's Supplemental Handbook, Section 810.1, DPW is required by federal and state regulations to maintain procedures for providing security, accuracy, and accountability of controlled documents. The handbook further indicates that a controlled document includes any document issued to the recipient to obtain a benefit. As a result, it appears that DPW would consider EBT cards as a controlled document. Section 810.4 also requires CAOs to secure controlled documents in locked cabinets when the work area is vacated.

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***Finding No. 2***

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Additionally, the administration of the special allowance program should include a strong system of management controls to ensure that the inventory of blank EBT cards are properly accounted for and safeguarded. Controls should include maintaining inventory records, conducting routine/timely inventory counts of all blank EBT cards, and timely voiding cards that recipients do not pick up. Also, controls should include requiring recipients to show photo identification when picking up EBT cards, monitoring the use of the cards, and having written standard operating procedures at each office.

Management should also establish appropriate segregation of duties, especially between the clerks making cards and data-entering of special allowance payments and ensuring that management and/or staff do not share EBT system access, which can break down existing segregation of duties.

Furthermore, adequate oversight and monitoring should exist to detect and resolve potential fraudulent activity.

Finally, based on our authority as the independent watchdog of how the Commonwealth's money is being spent, DPW should be cooperative and provide information and/or documentation to auditors that are related to the audit objectives and scope of the engagement.

**Cause:** DPW headquarters has not provided sufficient direction and oversight with respect to the safeguarding and accountability of EBT cards, as evidenced by the inconsistencies noted and numerous weaknesses found during our testing of the CAOs in five counties. DPW delegated the responsibility for establishing and maintaining controlled documents to the CAOs, as indicated in DPW's Supplemental Handbook, Section 810.11, which states, "The CAO is responsible for establishing and maintaining a security system for the receipt, storage, transfer, issuance, and destruction of controlled documents." Additionally, based on the interviews and on-site visits, we found that CAO management does not consider blank EBT cards and/or damaged EBT cards to be worthy of tight physical controls. In other words, if a card is not active (blank or damaged), it has no value. We disagree. Uncontrolled and easy access to blank or damaged EBT cards may lead to fraudulent activity.

With respect to segregation of duties, based on existing operating procedures, although CAO management has segregated clerks from being both a card maker and a card pinner, it does not realize that clerks can do both as stated by CAO management in Delaware County, or does not consider the need to segregate the duties of a clerk who is a card maker from the duties of entering special allowance payments. We disagree, as explained in the condition of this finding.

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With respect to failing to provide the auditors with the requested information, DPW collaborated with an outside organization and complied with that organization's demands that DPW not cooperate with our audit. We disagree with an outside organization dictating how state government should operate. Outside pressure should not intimidate government officials from providing necessary information to the auditors.

**Effect:** Failing to properly control and secure EBT cards and impose proper segregation of duties increases the risk that EBT cards could be stolen, and potentially fraudulent special allowance payments or other fraudulent card activity exist. In fact, DPW has acknowledged that potentially fraudulent employee activity has been detected in Philadelphia related to circumventing and taking advantage of weak EBT and special allowance controls. DPW management indicated that these cases were forwarded to the Office of Inspector General.

Additionally, failing to provide requested documentation to the auditors reduced our ability to conduct a complete audit.

**Recommendations:** We recommend that DPW:

6. Provide sufficient oversight with respect to all aspects of EBT cards, including performing a review of all management controls at each CAO/district office related to the inventory, printing/activating, distributing, and monitoring of EBT cards;
7. Provide specific direction with respect to all aspects of EBT cards, including the development of policies and procedures;
8. Require CAOs to maintain inventory records of all blank EBT cards;
9. Require CAOs to conduct weekly physical inventories of all blank cards and reconcile the total to the inventory records;
10. Ensure that CAOs segregate the duties between the management responsible for maintaining the EBT cards and management responsible for conducting the weekly physical inventory and reconciliation;
11. Require CAOs to secure blank EBT cards in locked safes or other storage areas, storing keys out of sight, and limiting EBT to select individuals;
12. Require CAOs to remove blank cards from the printer and return to the safe or other secure area;

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13. Prohibit CAOs from printing EBT cards without the recipient present. However, in the case where the recipient leaves the district without picking up the printed EBT card, require the districts to void them at the end of the day;
14. Require recipients to show photo identification 100 percent of the time when picking up printed EBT cards;
15. Require CAOs to destroy damaged EBT cards on an ongoing basis with someone verifying/documenting the destruction;
16. Require CAOs to develop standard operating procedures for detailed daily operations for the accountability, distribution, and destruction of EBT cards;
17. Prohibit clerks that are card makers from entering special allowances data;
18. Ensure that CAO personnel do not share their EBT access;
19. Adequately monitor and resolve inappropriate activity of EBT card usage by recipients; and
20. Cooperate fully with government audits and provide the auditors with all requested information in a timely manner.





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**FINDINGS AND RECOMMENDATIONS**

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

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**Condition:** Based on interviews conducted with various DPW management and staff responsible for authorizing, processing, and supervising special allowance payments and related audit procedures, we identified systemic management control weaknesses that increased the risk of fraudulent and abusive special allowance payments. We conducted numerous interviews and on-site visits between February and December 2008 of 10 offices representing five county assistance offices (CAO): Allegheny CAO (Greater Pittsburgh East and Three Rivers districts), Dauphin CAO, Delaware CAO (Darby and Crosby districts), Philadelphia CAO (Delancey, Lehigh, Ridge/Tioga, and Unity districts), and York CAO. After gaining an understanding of the offices' procedures, we selected more than 300 recipients and tested 3,201 special allowance payments received during the audit period, totaling approximately \$1.3 million, related to automobile purchases/repairs, books, tools, clothing, child care, and transportation to ensure the existence and effectiveness of program controls identified by DPW. We made inquiry as of June 30, 2008 and confirmed that the procedures for special allowances had not significantly changed since our initial inquiry.

Our audit identified four significant systemic control weaknesses that were present and affected special allowance processing at every CAO location we visited. These weaknesses are as follows:

**1. Lack of Adequate Documentation**

- CAO management indicated that recipients are not required to submit receipts to substantiate whether the items purchased or services rendered were the same items that were approved for the special allowance payments. As long as the recipient is eligible and the special allowance was not previously provided, the special allowance payment will be approved. According to management, it is not DPW's responsibility to ensure that recipients spend special allowance payments as intended.
- Of the 3,201 special allowance payments tested, 1,429 payments (45 percent) totaling \$564,700 issued to 163 recipients lacked any case file documentation, including the PW-764 form, which DPW uses as the initial document to authorize and process special allowance payments. Of the 1,429 payments, 907 (63 percent) totaling \$410,500 were for child care expenses. Additionally, entire case files could not be located for seven recipients.

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- Of the 1,772 special allowance payments with documentation (3,201 minus 1,429):
  - 64 payments totaling \$12,900 were only supported by the PW-764 form. The required support that corroborates the PW-764 was missing. Therefore, we could not determine whether the payments were justified or appropriate.
  - 129 payments totaling \$26,800 did not contain adequate documentation, including no evidence that the IMCW verified the need or lack of third-party verification.

According to DPW management, documentation to verify the need is only required when the need is not readily apparent.

**2. Lack of Adequate Supervisory Review/Oversight**

***Not approving special allowance payments paid via recipients' EBT cards***

Based on our on-site interviews, we found that the York CAO and Delaware's Crosby district do not review and approve special allowance PW-764 forms that are paid via recipients' EBT cards. Furthermore, according to management at Allegheny's Greater Pittsburgh East district, supervisors only review and approve PW-764 forms that are paid via recipients' EBT cards if the payment was greater than \$500.

Based on our test work with respect to the other offices, we found 4 instances in Dauphin CAO, 34 instances in Delaware's Darby district, and 18 instances in Philadelphia where the PW-764 forms used to approve payments via recipients' EBT cards lacked a supervisor approval signature.

**By not requiring supervisors to approve all special allowance EBT payments, DPW is allowing IMCWs to authorize these payments without any checks and balances, increasing the risk of potential fraud and abuse.**

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*Not verifying the accuracy of data entry for special allowance payments*

Through our interviews at the CAOs, we found that supervisors are not verifying that all special allowance payments are accurately entered into CIS and reconciled to the PW-764 forms. According to management, there is no routine printout available to confirm what has been data-entered. Some clerical supervisors said that they may spot check some data entry; however, no documentation verifying the spot checking exists.

Based on our test work, we found 62 data entry errors, including: 41 with the wrong line number of the family member associated with the special allowance, 16 with the wrong reason code, and 5 with wrong amounts.

*Not identifying errors regarding exceeding policy maximums*

Based on our test work, we found 20 instances in which the special allowance payment exceeded the maximum amount per policy. For example, although the amount for tools is limited to \$2,000 per job, we found a recipient receiving \$2,500 for tools for a job that the recipient no longer held four months later. We also noted several instances involving books/supplies, including one instance where a Delaware recipient received \$1,200 for books, when the limit for books is \$500. These violations should have been caught and the amount exceeding the maximum not allowed by supervisors reviewing and approving these payments.

*Insufficient monitoring of special allowances at the offices*

Based on interviews with CAO management, no routine special allowance reviews are conducted at the CAOs. Each month, caseworker supervisors review at least three recipient case files for each IMCW that they supervise in order to ensure that the IMCWs are accurately processing and documenting recipient benefits. However, the supervisor would only review a special allowance payment if one was issued for the selected case file during the period under review. This level of oversight is insufficient, especially for offices in which EBT special allowances are not reviewed and approved by supervisors.

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**3. Weaknesses Found with regard to Recurring Special Allowance Payments**

The CIS allows IMCWs to add special allowance payments to the recipients' bi-weekly cash benefit, which is placed on the recipient's EBT card. These payments are known as recurring special allowances because, once established, the special allowance continues to be added to the recipient's cash benefit until the IMCW determines that the recurring special allowance should stop. Recurring special allowances are normally established for ongoing transportation expenses (e.g., monthly bus passes). Of the CAO's we visited, only Philadelphia issued recurring special allowance payments during the audit period.

To establish a recurring special allowance, the IMCW simply enters the CIS system and adds the amount to the recipient's biweekly benefit payment. The benefit to establishing a recurring special allowance is that the IMCW does not have to authorize a new special allowance each month by completing a PW-764 form and having it approved and data-entered into CIS. However, we determined the following weaknesses: 1) no supervisor review or data entry by a clerk is needed to establish the recurring special allowance; 2) recurring special allowances are not easily identified in CIS because the payment is included in the biweekly cash benefit; and 3) greater risk exists that a recurring special allowance payment will continue even though the recipient is no longer eligible because the IMCW is not compelled to verify the recipient's eligibility monthly in order to complete the PW-764 form for processing.

**4. Insufficient Policies and Procedures**

Based on our interviews and test work, we noted instances where IMCWs were inconsistently applying DPW policies related to authorizing special allowances, including the following:

- Within the York CAO, we found that one IMCW, who authorized a special allowance for tools to a recipient enrolled in a beauty school, later denied the recipient's request for similar tools needed for a job she acquired after graduation. However, under the same circumstances, another IMCW approved the request for payment for similar tools to a different recipient.

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- With respect to verifying that the recipient is currently in an activity, several IMCWs stated that they view a recipient's employment or training activity and hours of participation in CIS to ensure that the recipient was in compliance with the required number of hours per week. Other IMCWs stated that they only view a recipient's employment or training activity in CIS, and approve or deny special allowance requests based only on program enrollment, and not on whether the recipient is actually participating. Furthermore, some IMCWs would print screens to show that they verified a recipient's employment or training activity and place in the case file, but most state that they look at the screens, without documenting that this procedure was performed. In addition, caseworker supervisors stated that they use the honor system when asked how they ensure that the IMCWs are properly confirming recipient participation.
  
- With respect to special allowance reason codes, we noted inconsistencies with respect to using the reason codes for books/supplies or tools/equipment. For example, one IMCW would code beauty school supplies as books/supplies and another IMCW would code the beauty school supplies as tools/equipment.

These inconsistencies resulted from insufficient policies and procedures related to authorizing special allowances due to CAO personnel interpreting the policies differently.

**Criteria:** As part of administering special allowance payments, a strong system of management controls, including sufficient policies, written procedures, and adequate supervisory oversight, must exist to ensure that the CAOs issue special allowances that are necessary and appropriate to recipients who are eligible and participating in training or work activities. Adequate supervisory review should include approving special allowance payments authorized by IMCWs and ensuring that payments are accurately data-entered into CIS. Additionally, the case file must contain adequate documentation to evidence that the special allowance was requested, the need was verified, the amount was reasonable and within policy, and the special allowance was spent as intended.

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**Cause:** According to CAO management, the documents that we were unable to find in the recipients' case files for our selected special allowance payments existed but could not be located. A Philadelphia district administrator was confident that the paperwork was in the CAO, but had no idea where. She stated that having an efficient filing system for the enormous volume of paperwork generated has been a problem for a long time. Another Philadelphia district administrator speculated that the missing special allowance support must be in piles waiting to be re-filed back into the case files or the documents in question were scanned into the system and the hard copies discarded. However, after reviewing the system for our selected cases, documentation was not found. We observed stacks of documents all around the CAOs. For example, in the Cheltenham district, there are rooms and hallways full of filing cabinets and boxes filled with unorganized documents. A third Philadelphia district administrator pointed out that each recipient, required to participate in a work or training activity, has two case files, an ongoing file and a Career Development Unit (CDU) file. The CDU includes IMCWs who work with recipients participating in employment searches and training programs. He believed that this increased the risk of misfiling paperwork. However, we had requested both files for each recipient. Because 45 percent of the documentation we requested could not be located, it is clear this problem is systemic. It is DPW's responsibility to maintain records and be able to readily retrieve documentation when needed.

With regard to supervisors at some CAOs not reviewing and approving special allowance authorizations for some or all payments placed on EBT cards, management indicated that if the EBT amounts are wrong, the recipients will contact the offices and a supervisor will review the special allowance documentation at that time. We disagree with management's position. Relying on recipients to find errors is not a reliable or prudent management control.

Management acknowledged that written standard operating procedures for authorizing and processing special allowance payments do not exist for each CAO. CAOs rely on program policies that outline recipient eligibility and program parameters in DPW's Cash Assistance Handbook and Food Stamp Handbook. However, these handbooks do not provide daily operational procedures such as document flow and supervision review requirements to ensure that special allowances are appropriately and accurately processed.

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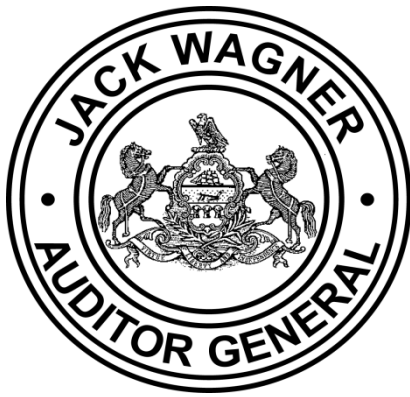
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**Effect:** Systemic control weaknesses at CAOs significantly increase the risk that potentially fraudulent and abusive activity exists regarding special allowance payments. Inadequate documentation, supervisory oversight, and monitoring also increase the risk that employee fraud could be occurring, as noted in Finding No. 1. Also, DPW cannot assure Commonwealth taxpayers that the millions of dollars provided to welfare recipients for special allowance payments are, in fact, spent as intended. Some CAO personnel interviewed admitted knowing that recipients used a special allowance payment for something other than the reason it was authorized. According to a supervisor, the CAO did not process overpayments to recoup those funds from the recipients, emphasizing that the recipients would not be issued another special allowance for the same purpose. However, recipients who do not use the funds as intended, and were not sanctioned or required to return the money are not held accountable for misusing taxpayers' funds. Additionally, we question whether the recipients, in fact, needed the special allowance payment.

**Recommendations:** We recommend that DPW:

21. Become accountable to the taxpayers by requiring recipients to produce receipts to substantiate all items purchased (also recommended in Finding No. 1);
22. Ensure that CAOs are timely filing and maintaining adequate documentation of every special allowance payment, including the PW-764 form, and how the IMCW substantiated and verified the need and special allowance amount;
23. Require CAO supervisors to review and approve all special allowance payments. The review should ensure that policy maximums are not exceeded;
24. Require CAO supervisors to verify and document that special allowance payments are accurately data-entered into CIS and reconcile that all entries are supported with appropriate documentation;
25. Prohibit CAOs from issuing recurring special allowances;
26. Ensure that policies are sufficiently detailed to eliminate inconsistent interpretations and applications by CAOs; and
27. Require CAOs to develop written standard operating procedures to ensure that special allowances are properly issued and management controls are in place and functioning.





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**FINDINGS AND RECOMMENDATIONS**

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

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**Condition:** As part of our audit, we followed up on the Department of the Auditor General’s 2007 Single Audit Finding No. 07-49 regarding internal control weaknesses and inadequate support for special allowance payments. Finding No. 1 and Finding No. 3 of this report address the main issues to the 2007 Single Audit Finding and this finding addresses DPW’s monitoring of special allowance payments by its Division of Quality Control (QC) within the Office of Income Maintenance. As part of DPW’s response to the Single Audit Finding, DPW stated that QC had added a special allowance review to its monthly Temporary Assistance for Needy Families (TANF) eligibility reviews effective October 1, 2007.

In January 2008, we made inquiry and obtained documentation as to the nature, timing, and extent of the special allowance review and found that DPW failed to adequately monitor special allowance payments. Additionally, we made inquiry in February 2009 and confirmed that the procedures for this special allowance review had not changed since our initial inquiry. The following describes these deficiencies:

**Inadequate sample selection process:**

According to QC management, each month, QC selects 60 to 70 TANF cases from the sample of TANF Work Participation cases submitted to the federal government and reviews them to verify TANF eligibility. Beginning with the June 2007 activity, QC added a review of special allowances to its TANF eligibility review. As a result, if the TANF cases selected had received a special allowance payment(s) during that month, QC indicated that it would review the payments to ensure timeliness. We determined that this methodology of selecting special allowances is inadequate, as noted below:

- It fails to include the special allowances issued to non-TANF recipients, such as food stamp-only recipients. QC is only using its TANF recipient population for an eligibility review in order to monitor special allowance payments; no other populations are being used. As a result, for the months of June, July, and August 2007, approximately 6,500, 5,600, and 7,800 food stamp-only cases, respectively, that contained special allowance payments were not subject to QC’s review.

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- It fails to ensure that a minimum number of cases with special allowance payments are selected for review each month. Although QC management estimated that about 25 percent of the TANF cases reviewed have a special allowance payment, we found this estimate to be inflated based on information provided by QC for a three-month period. QC reviewed a total of 30 TANF cases with special allowance payments for June through August 2007. This equates to 15 percent of special allowance coverage, not 25 percent as claimed.
  
- It fails to target cases with special allowance payments that appear to be suspicious, questionable, or abusive based on: the amounts or reason codes for the payments, the number of jobs and type of recipient employment and/or training activities over a period of time, and compliance with applicable dollar thresholds per program policies.

Inadequate review procedures:

QC's review is mainly limited to ensuring the timely issuance of special allowances and fails to evaluate whether the special allowance should have been paid. Specifically, QC reviews the hard-copy case file record and the Client Information System (CIS) to identify the date the special allowance was requested, the date the supporting documentation was submitted, the date the request was approved or denied, and the date the recipient was notified. From this information, it then determines whether the CAO issued/denied the special allowance timely based on DPW policy. However, this review does not determine if the need for the special allowance was valid and sufficiently documented, if the amount of the payment was appropriate and in accordance with program policies, and if the request was properly authorized, approved, and data-entered into CIS.

Untimely QC supervisory review and reporting of results:

According to QC management, QC staff completes its monthly review and forwards its review to QC supervisors. Upon QC supervisors completing their review of the work performed by the staff, the results are entered into a database and sent to the respective CAOs. However, according to management, supervisory reviews of staff's work are backlogged. During the time of our interview in January 2008, there was a backlog of four months.

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Furthermore, only errors that may be systemic in nature are forwarded for discussion to the Error Review Committee, which consists of DPW personnel from various bureaus. According to QC management, DPW does not routinely prepare a report compiling the results of the monthly special allowance reviews.

**Criteria:** Monitoring procedures should be designed to ensure that a process or specified procedures achieve their intended purpose, that systemic errors would be detected, and that resources are used prudently. DPW's special allowances monitoring should provide reasonable assurance that only eligible recipients who have a valid need for a specific item or service relating to their employment or training activity are receiving the appropriate amount of funds within the established timeframes. Sampling is an effective monitoring tool that can produce reliable results while saving resources and time. However, sampling methods must be properly designed to ensure the reliability and representation of the monitoring results. For example, to effectively monitor special allowances, every special allowance payment issued during the month must be included in the population from which the monthly sample of payments is selected. Additionally, data analysis should be used to monitor special allowance payments to assess whether any patterns or trends of suspicious, questionable, or abusive transactions are occurring. If the data analysis reveals a concern, QC should request and review the appropriate information to determine if the condition is valid and to assess the magnitude of the issue.

Furthermore, timely review, compilation, and distribution of the monitoring results are critical to ensure that inappropriate conditions are identified and corrective actions taken to maximize program efficiency and effectiveness.

**Cause:** According to the QC director, due to a court decision regarding the timeliness of DPW issuing special allowance payments to a TANF recipient, DPW management made it a priority for QC to monitor the timeliness of special allowance issuances to TANF recipients. The QC director indicated that CAO management has the responsibility to monitor special allowances at a more detailed level. We acknowledge that CAOs have certain responsibilities; however, monitoring at the departmental level is essential to ensure that decentralized operations are properly adhering to applicable laws, policies, and management controls. With regard to the backlog of management's review of QC staff's work, QC management stated that the review encompasses QC's entire oversight of TANF eligibility, not just special allowances. Regardless of QC's scope of review, results should be timely summarized and evaluated by the executive level to determine whether program changes are needed.

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JULY 1, 2006 THROUGH DECEMBER 31, 2007**

**FINDINGS AND RECOMMENDATIONS**

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***Finding No. 4***

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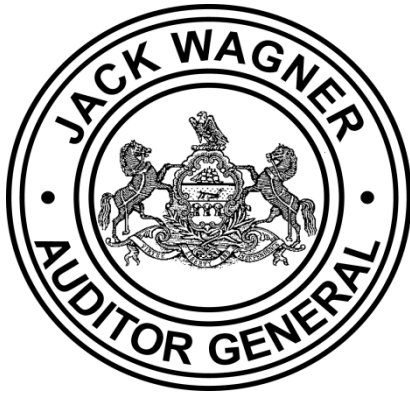
**Effect:** Failure to have an adequate special allowance sampling methodology and failure to establish adequate review procedures increases the risk that special allowance payments susceptible to fraud and abuse will go undetected. Not including the entire population in its sampling methodology would preclude QC from ever finding problems relating to food stamp-only recipients. Also, identifying the entire population is critical in determining the integrity of the file prior to sampling. Additionally, only focusing on timeliness and not ensuring that the special allowance payments were appropriate and in accordance with program policies provides no assurance that the CAOs are properly authorizing and processing special allowances. Finally, deficient operations and inappropriate payments may go undetected because of DPW's lack of timely supervisory review and reporting procedures.

**Recommendations:** We recommend that DPW require its QC to:

28. Develop and implement an effective special allowance sampling methodology to include all special allowance payments issued by the CAOs and to ensure that it reviews an adequate number of special allowance cases each month;
29. Perform data analysis on special allowance payments, and select and review cases that appear to be suspicious, questionable, or abusive;
30. Develop and implement additional review procedures to verify, at a minimum, the following:
  - the need for the special allowance was valid and sufficiently documented;
  - the payment was appropriate and in compliance with program policies; and
  - the special allowance request was properly authorized, approved, and data-entered into CIS;
31. Perform supervisory reviews within 30 days after completion of QC's staff work to ensure that the CAOs can efficiently correct/follow up on any deficiencies/concerns found; and
32. Develop a monthly report that summarizes the results of QC's special allowances review and disseminate the report to the appropriate DPW management for evaluation and decision-making purposes.

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*APPENDIX A*



## *APPENDIX A*

What follows in Appendix A is the Department of Public Welfare's verbatim response to our findings and recommendations. In addition, our auditors' conclusions are included with each response. We are pleased that management has agreed with our recommendations pertaining to special allowances. However, we also believe that it is important that management make certain that it always provides all requested documentation to auditors during the performance of an audit.

We are confident that the recommendations that evolved from our findings, if fully implemented by management, will ensure a responsible allocation of taxpayer dollars, while continuing to provide the most vulnerable segments of our society with the assistance and services that they truly need.



*APPENDIX A*

August 11, 2009

The Honorable Jack Wagner  
Auditor General  
Room 229, Finance Building  
Harrisburg, Pennsylvania 17120-0018

Dear Mr. Wagner:

I am writing in response to the Department of the Auditor General's draft findings and recommendations for the special performance audit pertaining to the Special Allowance Program administered by the Department for the period July 1, 2006 through December 31, 2007.

At the outset, we would like to state our agreement with the Auditor General's conclusion that our special allowance policies and procedures need to be improved. This response outlines some of the changes that the Department has already implemented as well as some changes that are currently underway. We appreciate the thoroughness of the audit report and the thoughtfulness of many of its recommendations.

We believe that many of the ideas in the report have merit and will help serve as a roadmap for future change. Going forward, we anticipate working with the Auditor General's office on individual audit recommendations that will help improve program operations. The Department's responses to the individual recommendations included in the audit report are included as Attachment 1.

We were particularly concerned by statements that seemed to describe a workplace culture that does not appropriately focus on the accurate issuance of special allowances. The Department has taken many steps to emphasize that special allowances can only be issued to individuals who meet eligibility criteria and who have a verified need. Although we believe the majority of our staff conscientiously tries to meet this goal, some of the statements in the audit show that we need to take more action to reinforce this point.

## *APPENDIX A*

### **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.**

The Department has implemented several policy and procedural changes to strengthen the administration and improve the integrity of special allowance payments:

- November 2006. Initiated child care unification; CAOs no longer issue child care payments to individuals; payments are made by CCIS agencies directly to child care providers, greatly reducing the opportunity for misdirection of payments.
- October 2007. Began implementation of PA WORKWEAR (PAWW), which is now operational in 53 counties. In these counties, CAOs no longer issue special allowance payments for work/training clothing to individuals; instead, the participant gets referred to PAWW who assists in selecting and providing appropriate work/training attire. In FY 08/09 DPW saved \$8.7 million over FY 07/08 through this initiative. Using vouchers greatly reduces the opportunity for misdirection of payments.
- January 2008. Stopped issuing recurring special allowances for transportation; CAOs verify participation and issue a monthly allowance only if the individual is participating as required.
- June 2008. In non-PAWW counties, participants must present proof of need and proof of purchase for work/training appropriate clothing. This resulted in a 38 percent reduction in CAO-issued clothing special allowances in non-PAWW counties.
- August 2008. Implemented system changes to improve accuracy in coding and tracking special allowances; updated and consolidated special allowance policies and guidance for CAOs.
- September 2008. Issued policy clarifications that a special allowance cannot be issued for a second vehicle in the household, and that CAOS are to issue restricted endorsement checks for books and supplies. Restricted endorsement checks require that both the client and the service provider sign the check. This practice helps to ensure that special allowances are used for their intended purpose.
- July 2009. Additional procedures were implemented to ensure program integrity. Examples of key changes are:

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1. Staff training. A full review of current special allowance policy was conducted in every CAO with all IMCW staff.
2. Verification of need. Emphasis on the client's responsibility to demonstrate that the special allowance is **required** to participate in an approved work activity was clarified and reinforced.
3. Exhaust alternative resources. In order to document that the requested allowance is required and to ensure that other alternative resources are considered, the IMCW will complete a Self-Reliance Check List with the client at the time of request.
4. Tighter documentation before allowances are issued and to ensure appropriate use of funds. To further strengthen the verification process, the following requirements have been established:
  - a) Individuals requesting special allowances for supportive services must verify that the item or service is required by the employer or the training provider in order for the individual to participate.
  - b) A receipt verifying that the special allowance was used to purchase the intended item(s) must be provided by the individual within 14 days of receiving the benefit. If the verification is not submitted, the allowance will be discontinued and recoupment procedures will commence.

Revised special allowance regulations that will significantly improve accountability and integrity are under development and expected to be promulgated in the fall of 2009. Examples of key changes are:

- Stricter verification and documentation requirements prior to issuance to ensure the item is required for participation in approved work activity. Reinforce the message that documentation is required subsequent to issuance to validate that funds were used as intended.
- Assures that special allowances are issued only for actual costs by eliminating set amounts and allowing payment only for actual cost.
- Reduces instances of multiple purchases by changing frequency from 'as required' to a limited amount within a 12 month period or once in a lifetime for a vehicle purchase.
- Establishes recoupment of payments from recipients if payments are not used for the intended purpose or where other instances of fraudulent activity are found.

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PA WORKWEAR (PAWW) - PAWW began as a pilot in October 2007 and is continuing to be rolled out statewide with full implementation expected by the end of FY 2009/10. The Bureau of Employment and Training Programs (BETP) has implemented the following which contribute toward program quality assurance and fiscal responsibility of PAWW:

- Required that each PAWW provider maintain a “Client Referral Tracking List” to record every referral received by the CAO and E&T contractor. This list also tracks client appointments, the show rate, and documents the follow up actions with the individual who did not show.
- The “Client Referral Tracking List” is sent via email to BETP on a monthly basis for review and analysis. This monthly report records the number of clients referred, those who are provided with clothing and other supports, those who don’t show for a scheduled appointment, and those who never make contact to schedule an appointment. The review will inform the development and implementation of BETP monitoring procedures and program revisions.
- Specified that Employment and Training contractors must be advised by PAWW when individuals do not show for clothing appointments, in order for the contractor to do appropriate follow-up to ensure that the individual remains in compliance with program requirements.
- Mandated that PAWW providers attend Local Management Committee meetings at least quarterly to report the number of individuals referred and seen and to seek recommendations for improvement from referring agencies.
- The Bureau of Employment and Training Programs (BETP) is responsible for the monitoring of PAWW. Monitoring activities will include the review of client referral forms and other programmatic and fiscal documents to assure compliance and accountability.

In order to ensure that there is no duplicate issuance between CAOs and employment and training agencies, DPW is revising policy to require CAOs to confirm what contractor supportive services have been issued to clients prior to approving special allowances.

BETP staff regularly monitors contractor compliance with the provisions, in particular, during annual program evaluations.

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**Auditors' Conclusion:** We commend DPW for its willingness to implement all of our recommendations related to improving operations within the Special Allowance Program. In addition, we encourage DPW to expedite the development and promulgation of the revised regulations that it believes will address many of our concerns.

However, with respect to Recommendation 3, in which we recommend that DPW cooperate with auditors' requests for information rather than hindering the audit process, DPW states that it believes that it has complied with this request. We disagree with this position. This recommendation, which stems from two situations discussed in the finding's conditions, namely DPW informing personnel to correct documents prior to providing them to the auditors and failing to provide information needed for the audit, was not complied with during audit execution.

Also, to clarify some of the information related to the changes that DPW has already implemented:

- The November 2006 date identified by DPW as the initiation date for child care unification was only for Phase 1 of the multi-phase program rollout. All counties completed child care unification on June 1, 2007. Although unification reduces the opportunity for recipients to misdirect child care payments, it does not eliminate the need for adequate monitoring procedures to ensure that the CCIS agencies are appropriately providing child care special allowances to recipients.
- The PA WORKWEAR program, which began as a pilot in October 2007, was limited to two CAOs: Dauphin and York. Additional counties were not added to the program until after May 2008. Again, this initiative must include adequate monitoring procedures to ensure that the PA WORKWEAR contractors are properly providing services and are accountable to DPW.

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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.**

DPW recognizes that EBT cards are controlled documents that must be secured. EBT cards are governed by procedures that have been promulgated to ensure compliance with Federal Regulation 7CFR274.12(i)(3) and 277.18(p)(2)(E) regarding EBT System Security. Adherence to these procedures is mandatory. Directives, Operations Memos and EBT Card Inventory Control Procedures have been issued to reemphasize the procedure and provide specifics regarding the maintaining of appropriate logs and physical inventory of all controlled documents. A directive which has been in place since 2005 provides a process for each CAO to review internal security procedures.

As detailed in Attachment 1, DPW will review and, as appropriate, revise the directive in place which provides a process for each CAO to review internal security procedures. DPW will also reinforce related directives, Operations Memos and EBT Card Inventory Control Procedures to ensure that CAOs are clear as to the expectations regarding the security of EBT cards.

DPW will develop a physical inventory policy and perpetual inventory forms for CAOs and incorporate on-site reviews of inventories and records within on-site audit programs. On-site audits and associated audit programs will include audit steps to validate CAO management of inappropriate usage and recommend any necessary improvements.

OIM's Bureau of Program Evaluation, Division of Corrective Action (DCA), conducts an annual internal review of EBT card protocols based on direction provided by USDA, Food and Nutrition Service (FNS) in the Management Evaluation Review. FNS provides DCA with a table of mandatory target areas and a description of the pertinent review objectives. The results of these internal reviews are used to develop corrective action plans for individual CAOs as appropriate. DCA also reviews the corrective action plans to determine if they adequately address the concerns or need to be revised, and ensures that the plans are properly implemented.

**Auditors' Conclusion:** We commend department management for including additional oversight and monitoring procedures as well as revising, enforcing, and implementing policies to improve the security and accountability of EBT cards at CAO offices. However, with respect to Recommendation 20, in which we recommend that DPW provide the auditors with requested information, the department states that it believes that it has complied with this request. We disagree with this position. Failing to provide an EBT file precluded the auditors from performing procedures, which may have allowed the auditors to identify potential fraud and abuse regarding how recipients spent special allowances placed on recipients' EBT cards. We hope that in future audits that DPW will not succumb to pressure from an outside organization to withhold necessary information from the auditors.

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### **Finding No. 3 - Significant Systemic Management Control Weaknesses Exist Throughout County Assistance Offices.**

OIM is currently reviewing and revising special allowance policies and processes to ensure proper supervisory review and oversight is being conducted. In addition to the processes outlined in Finding #1, Targeted Supervisory Reviews will be conducted, focusing on proper data entry and identifying error trends. Additionally, the current process of supervisory review and sign-off before a special allowance is authorized is being reemphasized.

Special allowance authorizations are tracked in the Client Information System (CIS) by issuance codes and dates. Policies and procedures have been reviewed with supervisory and Income Maintenance Case Worker staff to ensure verification is received and reviewed. Additional policies and procedures are being developed to strengthen this process.

DPW has implemented scanning, imaging and attaching of documents which has improved document management in the CAOs. Implementation of the verification improvements outlined in Finding #1 combined with scanning and imaging, will allow for the better tracking of documents, including those for special allowances.

**Auditors' Conclusion:** We acknowledge DPW's concurrence with the finding and are encouraged by the corrective actions outlined in its response. We are especially pleased with DPW's decision to require recipients to submit receipts to the CAOs to verify that the special allowance payments were used to purchase the intended item. This control will strengthen this program and reduce potential fraud and abuse. DPW should monitor the CAOs to ensure that this control is being performed on a consistent basis.

Additionally, we want to point out that DPW must stress to CAO personnel that sufficient documentation to support the propriety of special allowance payments must be present in the recipients' case files. DPW must also insist that CAOs timely file special allowance documentation. Filing documentation must be a normal function performed on a daily basis.

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

Effective with the April 2009 TANF review month and the July 2009 Supplemental Nutrition Assistance Program (SNAP) review month, OIM began an eligibility review of non-childcare special allowances (Please note that the childcare special allowances are administered through the DPW's Office of Child Development and Early Learning through its own processes described below).

#### *Non-Childcare Special Allowances*

The review tests the client's eligibility for and verifies the amount of any non-childcare special allowance issued in the review month in accordance with applicable state and federal regulations. The review is conducted in accordance with stringent QC policies and procedures and will be completed within currently established timeframes. Erroneous payments will be identified and sent to the appropriate County Assistance Offices (CAO) via a findings memo. Findings will be adjudicated through the Error Review Committee (ERC) process; as needed the CAO will be required to submit a Corrective Action Plan (CAP). The Division of Corrective Action (DCA) monitors the CAP to ensure it adequately addresses the identified concerns and is properly implemented.

Special allowances to be reviewed will be drawn from cases sampled for the TANF and SNAP eligibility reviews. Each non-child care special allowance received by a sampled household will be reviewed for eligibility. QC samples are representative of the overall TANF and SNAP population; thus, the findings from the sample will be representative of the overall population.

Results of the special allowance reviews will be entered into the Quality Control Management Information System (QCMIS). Reports are issued from QCMIS which will identify error trends, provide a basis for analysis, and guide implementation of corrective actions.

The Division of Corrective Action (DCA) will conduct a monthly, targeted review of 100 TANF or SNAP cases in selected counties. The review will verify the need for the allowance, that the allowance was used for the intended purpose, and that the allowance was issued properly and documented in the automated system. Reports will be issued monthly to the Executive Director, Area Manager, and the Bureau Director for Operations. The reports will include identification of error cases, analysis of the errors, and recommendations for corrective action. CAOs will be required to correct cases identified to be in error and provide a CAP to the DCA outlining their plan to prevent similar errors. The DCA will evaluate the effectiveness of the corrective action plan at 6 and 12 months to determine if additional corrective action is needed.



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### *Childcare Special Allowances*

The Office of Child Development and Early Learning (OCDEL) began managing payments for TANF child care special allowances during the 2006 -2007 fiscal year. This work is locally managed by 59 Child Care Information Services (CCISs) grantees providing services in all 67 Commonwealth counties.

Since that time, OCDEL began an annual process to monitor CCIS performance in issuing child care special allowances. Through the process that includes an on-site review of all 59 CCIS facilities each year. Through these reviews, OCDEL generates a random sample of cases from its data information system for review. Using a spreadsheet tool, each case is rated from “commendable” to “needs improvement” based on answers to screening questions in the tool that measure quality of service and the accuracy of payment authorizations.

Since the process began, approximately 62 percent of cases sampled have been rated commendable with a majority of the remainder receiving a satisfactory rating. The Auditor General’s Office then draws a sample of these cases for its own review.

**Auditors’ Conclusion:** DPW’s planned corrective actions explained in its response should greatly improve the effectiveness of its monitoring of the Special Allowance Program. We again commend DPW for being proactive to implement/address all recommendations related to the administration of the program.

Thank you for the opportunity to respond to this audit. If you have any further questions, please contact Ms. Deborah Glosek, Director of the Division of Management and Budget, at 787-0257.

Sincerely,

Linda T. Blanchette

Enclosure

c: Ms. Glosek

## Attachment 1: Responses to Individual Audit Report Recommendation

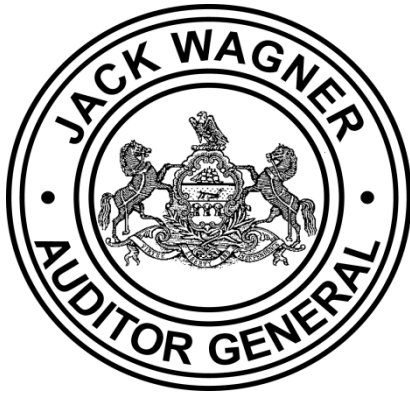
Auditor General Recommendation	DPW Response
<p>1. Provide proactive leadership, and appropriate policies and procedures to the CAOs to ensure that they are effectively operating the program, and held accountable for, the approval and use of special allowances through adequate documentation, supervisor review, and management oversight.</p>	<p>DPW has issued a directive to every CAO Executive Director instructing them to review special allowance policies and procedures with staff to ensure that all CAO staff is clear about expectations of accountability and integrity in this program. The directive enforces the requirement that individuals must provide proof that the allowance is required in order for them to get or keep a job or to stay in a training program and that all other available resources must be explored before a special allowance can be issued. Every CAO has submitted a management plan that describes the steps they will take to make sure that there are appropriate and effective controls in place for special allowance issuance in their county.</p>
<p>2. Require recipients to subsequently submit receipts to verify that the recipient used the special allowance payment as intended.</p>	<p>DPW has implemented procedures to strengthen the verification process to require that</p> <ul style="list-style-type: none"> <li>a) Individuals requesting special allowances for supportive services must verify that the item or service is required by the employer or the training provider in order for the individual to participate.</li> <li>b) A receipt verifying that the special allowance was used to purchase the intended item(s) must be provided by the individual within 14 days of receiving the benefit.</li> </ul>
<p>3. Cooperate with auditors' requests rather than hindering the audit process by informing personnel to correct documents prior to providing them to the auditors or not providing them at all.</p>	<p>DPW believes that it has complied with this request and believes it should be removed from the audit report. If audit staff reasonably requires any additional information to complete their analysis, the Department will provide it.</p>
<p>4. Ensure that training schools or other institutions are aware of what expenses DPW is paying and require those institutions to notify DPW if they believe that DPW has overpaid for these expenses</p>	<p>DPW agrees with and will develop procedures to address this recommendation.</p>
<p>5. Monitor to ensure that special allowances issued by CAOs are</p>	<p>DPW is implementing changes that will eliminate contractor</p>

<p>not duplicated with special allowances issued by E&amp;T contractors.</p>	<p>issued special allowances with the exception of a limited number of categories that will be exclusive of those issued by the CAOs. This change will eliminate the potential for duplicate issuances.</p>
<p>6. Provide sufficient oversight with respect to all aspects of EBT cards, including performing a review of all management controls at each CAO/District Office related to the inventory, pinning, activating, distributing, and monitoring of EBT cards.</p>	<p>To improve internal controls within CAOs, ensure compliance with directives and provide adequate oversight and monitoring, the Department will develop a plan for the utilization of the OIM's Quality Control Unit and our internal auditors to conduct unannounced and on-site audits of our CAOs and their controls over the EBT card program. These assignments will be incorporated within the DPW Annual Agency Audit Plan.</p>
<p>7. Provide specific direction with respect to all aspects of EBT cards, including the development of policies and procedures.  8. Require CAOs to maintain inventory records of all blank EBT cards.  9. Require CAOs to conduct weekly physical inventories of all blank cards and reconcile the total to the inventory records.  10. Ensure that CAOs segregate the duties between the management responsible for maintaining the EBP cards and the management responsible for conducting the weekly physical inventory and reconciliation.  11. Require CAOs to secure blank EBT cards in locked safes or other storage areas, storing keys out of sight, and limiting EBT to select individuals.  12. Require CAOs to remove blank cards from printer and return to safe or other secure area  13. Prohibit CAOs from printing EBT cards without the recipient present. However, in the case where the recipient leaves the district without picking up the printed EBT card, require the districts to void them at the end of the day.  14. Require recipients to show photo identification 100 percent of the time when picking up printed EBT cards.  15. Require CAOs to destroy damaged EBT cards on an ongoing basis with someone verifying/documenting the destruction.  16. Require CAOs to develop standard operating procedures for detailed daily operations for the accountability, distribution,</p>	<p>In response to Recommendations #7 through # 18, DPW will review and, as appropriate, revise the directive in place which provides a process for each CAO to review internal security procedures.</p> <p>DPW will also reinforce related directives, Operations Memos and EBT Card Inventory Control Procedures to ensure that CAOs are clear as to the expectations regarding the security of EBT cards.</p> <p>Finally, DPW will develop a physical inventory policy and perpetual inventory forms for CAOs and incorporate on-site reviews of inventories and records within on-site audit programs. On-site audits and associated audit programs will include audit steps to validate CAO management of inappropriate usage and recommend any necessary improvements.</p>

<p>and destruction of EBT cards.</p> <p>17. Prohibit clerks that are card makers from entering special allowances.</p> <p>18. Ensure that CAO personnel do not share their EBT access.</p> <p>19. Adequately monitor and resolve inappropriate activity of EBT card usage by EBT recipients.</p>	
<p>20. Cooperate fully with government audits and provide the auditors with all requested information in a timely manner.</p>	<p>DPW believes that it has complied with this request and believes it should be removed from the audit report. If audit staff reasonably requires any additional information to complete their analysis, the Department will provide it.</p>
<p>21. Become accountable to the taxpayers by requiring recipient to produce receipts to substantiate all items purchased.</p>	<p>DPW has implemented procedures to strengthen the verification process to require that:</p> <ul style="list-style-type: none"> <li>a) Individuals requesting special allowances for supportive services must verify that the item or service is required by the employer or the training provider in order for the individual to participate.</li> <li>b) A receipt verifying that the special allowance was used to purchase the intended item(s) must be provided by the individual within 14 days of receiving the benefit.</li> </ul>
<p>22. Ensure that CAOs are timely filing and maintaining adequate documentation of every special allowance payment, including the PW-764 form and how the IMCW substantiated and verified the need and special allowance amount.</p>	<p>Please refer to the response to Recommendations #27 through #32 below for DPWs plan to improve quality assurance and documentation of special allowances.</p>
<p>23. Require CAO supervisors to review and approve all special allowance payments. The review should ensure that policy maximums are not exceeded.</p> <p>24. Require CAO supervisors to verify and document that special allowance payments are accurately data entered into CIS and reconcile that all entries are supported with appropriate documentation.</p>	<p>DPW has reviewed special allowance policies and processes to ensure proper supervisory review and oversight is being conducted. Targeted Supervisory Reviews will be conducted, focusing on proper data entry and identifying error trends.</p> <p>Special allowance authorizations are tracked in the Client Information System (CIS) by issuance codes and dates. Policies and procedures have been reviewed with supervisory and Income Maintenance Case Worker staff to ensure verification is received and reviewed.</p>

<p>25. Prohibit CAOs from issuing recurring special allowances.</p>	<p>In January 2008, DPW stopped issuing recurring special allowances for transportation; CAOs verify participation and issue a monthly allowance only if the individual is participating as required</p>
<p>26. Ensure that policies are sufficiently detailed to eliminate inconsistent interpretations by CAOs</p>	<p>DPW has issued a directive to every CAO Executive Director instructing them to review special allowance policies and procedures with staff to ensure that all CAO staff is clear about expectations of accountability and integrity in this program. The directive enforces the requirement that individuals must provide proof that the allowance is required in order for them to get or keep a job or to stay in a training program and that all other available resources must be explored before a special allowance can be issued. Every CAO has submitted a management plan that describes the steps they will take to make sure that there are appropriate and effective controls in place for special allowance issuance in their county. DPW management will ensure that the plans are clear and sufficiently detailed and they comport with special allowance policy.</p>
<p>27. Require CAOs to develop written standard operating procedures to ensure that special allowances are properly issued and management controls are in place and functioning.</p>	<p>Every CAO has submitted a management plan that describes the steps they will take to make sure that there are appropriate and effective controls in place for special allowance issuance in their county.</p>
<p>28. Develop and implement an effective special allowance sampling methodology to include all special allowance payments issued by the CAOs and to ensure that it reviews an adequate number of special allowance cases each month.</p> <p>29. Perform data analysis on special allowance payments, and select and review cases that appear to be suspicious, questionable and abusive.</p> <p>30. Develop and implement additional review procedures to verify, at a minimum, the following:</p> <ul style="list-style-type: none"> <li>• The need for the special allowance was valid and sufficiently documented</li> <li>• The payment was appropriate and in compliance with program policies</li> </ul>	<p>DPW has implemented Quality Control reviews of special allowances that test the client's eligibility for and verifies the amount of any non-childcare special allowance issued in the review month in accordance with applicable state and federal regulations. Findings will be adjudicated through the Error Review Committee (ERC) process; as needed the CAO will be required to submit a Corrective Action Plan (CAP). The Division of Corrective Action (DCA) monitors the CAP to ensure it adequately addresses the identified concerns and is properly implemented.</p> <p>Special allowances to be reviewed will be drawn from cases sampled for the TANF and SNAP eligibility reviews. Each non-</p>

<ul style="list-style-type: none"><li>• The special allowance request was properly authorized, approved, and data entered into CIS</li></ul> <p>31. Perform supervisory reviews within 30 days after completion of QC staff work to ensure that the CAOs can efficiently correct/follow up on any deficiencies/concerns found.</p> <p>32. Develop a monthly report that summarized the results of QC's special allowances review and disseminate the report to the appropriate DPW management for evaluation and decision making purposes.</p>	<p>child care special allowance received by a sampled household will be reviewed for eligibility. QC samples are representative of the overall TANF and SNAP population; thus, the findings from the sample will be representative of the overall population.</p> <p>Results of the special allowance reviews will be entered into the Quality Control Management Information System (QCMIS). Reports are issued from QCMIS which will identify error trends, provide a basis for analysis, and guide implementation of corrective actions.</p> <p>The Division of Corrective Action (DCA) will conduct a monthly, targeted review of 100 TANF or SNAP cases in selected counties. The review will verify the need for the allowance, that the allowance was used for the intended purpose, and that the allowance was issued properly and documented in the automated system. Reports will be issued monthly to the Executive Director, Area Manager, and the Bureau Director for Operations. The reports will include identification of error cases, analysis of the errors, and recommendations for corrective action. CAOs will be required to correct cases identified to be in error and provide a CAP to the DCA outlining their plan to prevent similar errors. The DCA will evaluate the effectiveness of the corrective action plan at 6 and 12 months to determine if additional corrective action is needed.</p>
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