



County of Allegheny

Office of the Controller

**Neighborhood Legal Services Association
Report on Contract Compliance Procedures
For the Period
July 1, 2010 through June 30, 2011**

(Non-Audit Service)

March 27, 2012

**Chelsa Wagner
Controller**

**104 County Courthouse
436 Grant Street
Pittsburgh, PA 15219
Phone: (412) 350-4660
Fax: (412) 350-4770**

E-mail: Controller@alleghenycounty.us

Contents

Letter	1
Introduction	3
Scope & Methodology	4
Findings and Recommendations:	
Finding #1: NLSA was Overpaid \$12,939	5
Response from Neighborhood Legal Services Association	7
Response from the Department of Human Services	9



CHELSEA WAGNER
CONTROLLER

COUNTY OF ALLEGHENY

OFFICE OF THE CONTROLLER

104 COURTHOUSE • 436 GRANT STREET
PITTSBURGH, PA 15219-2498
PHONE (412) 350-4660 • FAX (412) 350-3006

February 24, 2012

Mr. Marc Cherna
Director
Department of Human Services
One Smithfield Street
Fourth Floor
Pittsburgh, PA 15222

Subject: Neighborhood Legal Services Association
Report on Contract Compliance Procedures
For the Period July 1, 2010 through June 30, 2011

Dear Mr. Cherna:

We performed certain procedures to determine Neighborhood Legal Services Association's (NLSA) compliance with its contract #114666 with the Allegheny County Department of Human Services (DHS) for the period July 1, 2010 through June 30, 2011. These procedures were performed as a non-audit service. Therefore, this engagement is not covered by Generally Accepted Government Auditing Standards. Our purpose was to analyze and review NLSA's services funded by the Allegheny County Department of Human Services.

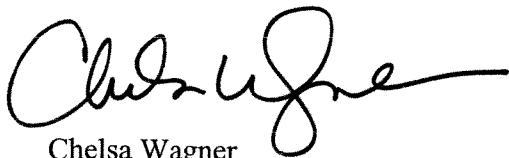
NLSA is a non-profit law firm that provides free civil legal services to low income, elderly and abused individuals in Allegheny, Beaver, Butler and Lawrence Counties. NLSA received \$47,000 through the Allegheny County Office of Community Services for a legal helpline for the contract period. It also received \$162,500 from the Allegheny County Department of Human Services Area Agency on Aging (AAA) to provide legal services to older adults, aged 60 and over, and legal education workshops for providers and AAA staff.

Our procedures found that NLSA was overpaid \$12,939 by AAA for the contracted period. The overpayment was due to incorrect reporting by NLSA that resulted in AAA awarding a contract modification in excess of actual expenditures.

Mr. Cherna
February 24, 2012
Page 2

We would like to thank the management and staff of NLSA and DHS for their courtesy and cooperation during our engagement.

Kind regards,



Chelsa Wagner
Controller



Lori A. Churilla
Assistant Deputy Controller, Auditing

cc: Honorable Charles Martoni, President, County Council
Honorable Nicholas Futules, Vice-President, County Council
Honorable Rich Fitzgerald, Allegheny County Executive
Mr. James M. Flynn Jr., County Manager, Allegheny County
Ms. Jennifer Liptak, Chief of Staff, County Executive
Mr. Warren Finkel, Budget Director, Allegheny County
Mr. Joseph Catanese, Director of Constituent Services, County Council
Mr. Walter Szymanski, Budget Director, County Council
Mr. Randolph Brockington, Deputy Director, Dept. of Human Services
Mr. William Pagonis, Administrator, Department of Human Services
Ms. Mildred E. Morrison, Administrator, Area Agency on Aging, DHS
Mr. Reginald Young, Deputy Director, Office of Community Services, DHS
Mr. Robert V. Racunas, Esq., Executive Director, Neighborhood Legal Services
Association
Ms. Amy Griser, Deputy Controller
Mr. Seth Hufford, Chief of Staff, Controller's Office
Mr. Louis Takacs, Communications Specialist, Controller's Office

I. Introduction

Background:

Neighborhood Legal Services Association (NLSA) is a non-profit law firm that provides free civil legal services to low income, elderly and abused individuals. NLSA received \$47,000 through the Allegheny County Office of Community Services (OCS) for a legal helpline for the contract period. It also received \$162,500 from the Allegheny County Area Agency on Aging (AAA) to provide legal services to older adults, aged 60 and over, and legal education workshops for providers and AAA staff. Both OCS and AAA are offices under the Allegheny County Department of Human Services.

Funding for the legal helpline comes from the Community Services Block Grant (CSBG) which is a federal block grant program that provides a range of services that have a measurable and significant impact on the causes of poverty in the community. It aims to support low-income families and individuals to move toward self-sufficiency. Persons eligible to receive services under a CSBG funded program must meet federal poverty guidelines as established yearly by the federal Office of Management and Budget. Individuals calling the NLSA helpline self-declare household income. The intake personnel determine the CSBG eligibility by comparing the declared income against the established income guidelines for family size.

Individuals receiving legal services through NLSA's elder law program are referred by Area Agency on Aging (AAA) senior sites within Allegheny County. There is no income requirement to receive service. The person does need to be 60 or older. Service can also be provided to seniors who directly contact NLSA for emergency services only. The person is informed that registering with an AAA senior site within five days of services is required.

As of the date of this report, NLSA received \$209,500 from the Allegheny County Department of Human Services for contract period July 1, 2010 through June 30, 2011.

II. Scope & Methodology

Our procedures evaluated Neighborhood Legal Services Association's (NLSA) compliance with its contract #114666 for the period July 1, 2010 through June 30, 2011. Specifically, we performed the following:

- Interviewed NLSA personnel to gain an understanding of the programs and billing/payment processes.
- Reviewed applicable regulations and NLSA's agreement with the Allegheny County Department of Human Services.
- Tested a sample of case files for both the helpline and elder law programs to ensure compliance with eligibility and documentation requirements.
- Tested a sample of time sheets to ensure that time records used in the calculation of hourly rates were accurate.
- Traced a sample of salaries back to payroll records to ensure wages used in the calculation of hourly rates were accurate.
- Tested a sample of non-salary expenses to ensure expenses were reasonable and properly supported.

We conducted our procedures during February 2012. We provided a draft copy of this report for comment to NLSA's Executive Director and the Director of the Department of Human Services. NLSA's response begins on page 7. The Department of Human Services response begins on page 9.

III. Findings and Recommendations

Finding #1

NLSA was Overpaid \$12,939

Allegheny County Area Agency on Aging (AAA) requires providers to report actual expenditures up to the contracted amount as well as cash match expenditures that exceed the contracted amount. The cash match expenses are those expenses related to the County funded program for which the provider had to use other revenue sources because the expenses are in excess of the contract amount received. The cash match amount reported to AAA should not include expenses already covered by the County contract amount.

Neighborhood Legal Services Association (NLSA) reported expenses incorrectly to AAA. NLSA originally received \$87,500 from AAA to provide legal services to older adults through its elder law program. They then reported cash match expenses of \$149,500. AAA modified the contract to award NLSA an additional \$75,000 to offset a portion of the cash match expenses. However, the reported \$149,500 was NLSA's total expenses including the \$87,500 already paid by the County contract. NLSA had also received \$12,000 from Beaver AAA for salary expenses. Therefore, NLSA should have reported \$50,000 in cash match expenses. Incorrect reporting resulted in an overpayment by AAA of \$25,000 based on expenses reported.

Aging Expenses	\$149,500
Beaver AAA	(12,000)
<u>A/C AAA</u>	<u>(87,500)</u>
Cash Match	50,000
<u>A/C AAA Modification</u>	<u>(75,000)</u>
Overpayment to NLSA	\$(25,000)

NLSA recorded this revenue as a carryover to be used on elder law expenses for fiscal year 2011/2012. AAA does not allow funding to be carried forward to a new fiscal year and this amount would have been owed back to the County. However, NLSA did not allocate all expense accounts to its Aging funding stream that would have been eligible for reimbursement in fiscal year 2010/2011. These include utilities, maintenance, telephone and other general operating expenditures related to the central office located

III. Findings and Recommendations

in Pittsburgh out of which the Allegheny County funded programs operate. These additional expenses of \$12,061 reduce the amount owed back to Allegheny County to \$12,939.

RECOMMENDATIONS

We recommend that Neighborhood Legal Services Association:

- Reimburse the Department of Human Services \$12,939,
- Account for all eligible expenses when determining actual program expenses, and
- Obtain guidance from the Allegheny County Area Agency on Agency on reporting expenses.

We recommend that the Department of Human Services:

- Ensure the \$12,939 is received from NLSA, and
- Explicitly instruct provider agencies that funding cannot be carried forward to a new fiscal year.



Neighborhood Legal Services Association

928 Penn Avenue
Pittsburgh, PA 15222-3799

Toll Free: 1-866-761-6572

Phone: 412-586-6100

Fax: 412-765-3223

Web site: www.nlsa.us

March 12, 2012

Allegheny County Controller's Office
Chelsa Wagner, Controller
219 County Courthouse
436 Grant Street
Pittsburgh, PA, 15219

RE: Neighborhood Legal Services Association
Compliance Audit

Dear Ms. Wagner:

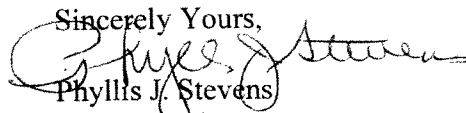
We are in receipt of the "Draft" report and the accompanying recommendations stemming from the Allegheny County audit of our fiscal year 2012-2011 contract for services. First of all, we would like to thank your staff for their courtesy and cooperation in conducting the audit. I have reviewed the draft and spoken to staff regarding the recommendations and our response is as follows:

1. We agree that NLSA will reimburse the Department of Human Services \$12,939.00 .
2. We agree that NLSA will improve its method of accounting for all eligible expenses when determining actual program expenditures. NLSA is in the process of reviewing our budget for any needed modifications under the current contract so as to ensure reporting accuracy.
3. We agree that our accountant will obtain guidance and communicate with the Allegheny County Area Agency on Aging regarding any additional expenses which may be added to the existing or future budgets.

I do, however, think that it is important to note that of the numerous files reviewed by your staff to ensure eligibility and documentation compliance with applicable regulations concerning eligibility and documentation, no errors were found. In Allegheny County, our program handled a total of 10,407 cases during fiscal year 10-11 of which the reviewed cases represented 13.5%. A zero error rate, evidences our

strong commitment to ensuring the highest level of compliance with funder regulations. NLSA provides a valuable and much needed service to the citizens of Allegheny County many having limited means.

We thank the county for acknowledging our value and look forward to continuing what we believe to be a strong partnership towards ensuring equal access to justice for the community.

Sincerely Yours,

Phyllis J. Stevens
Assistant Director

Cc: Lori Churilla, CPA
Robert V. Racunas, Executive Director
Leo Clements, NLSA Comptroller
Ray Demmel, NLSA Accountant
Pamela Dalton-Arlotti, NLSA Director of Program Performance and Compliance

ALLEGHENY COUNTY DEPARTMENT OF HUMAN SERVICES

Marc Cherna, Director

Rich Fitzgerald, Allegheny County Executive



Executive Office
Human Services Building
One Smithfield Street, Suite 400
Pittsburgh, PA 15222-2221

Phone: 412-350-5701
Fax: 412-350-4004
TDD: 412-473-2017
www.alleghenycounty.us/dhs

March 20, 2012

Lori Churilla
Assistant Deputy Controller, Auditing
104 Courthouse
436 Grant Street
Pittsburgh, PA 15219-2498

Subject: Neighborhood Legal Services Association Report on Contract Compliance Procedures for the Period July 1, 2010 through June 30, 2011

Dear Ms. Churilla,

In response to the recommendations made in the above referenced compliance report, the Department of Human Services will implement the following procedures:

Recommendation #1

Ensure the \$12,939 is received from the NLSA.

DHS Response:

Once the compliance report has been issued, the Department of Human Services (DHS) will notify Neighborhood Legal Services that \$12,939 is due to DHS immediately based on findings from the County Controller's Compliance Report. DHS will implement a repayment plan with NLSA to be effective immediately.

Recommendation #2

Explicitly instruct provider agencies that funding cannot be carried forward to a new fiscal year.

DHS Response:

As part of each fiscal year's contract process, there are mandatory technical assistance trainings that cover all fiscal and contract requirements for the coming contract period. The fiscal component of this training covers the guidelines set forth by federal, state and county regulations. Each of these guidelines is also documented in the AAA section of the DHS Payment Provision Manual. In each year's contract technical assistance session the providers are instructed how to classify, document and support their program allocations and prepare the contract budget forms required for submission to DHS and the state. This year there will be a more specific focus on the budget process which includes the use of the funds awarded for each program service. Under PA Department of Aging (PDA) regulations and the DHS/AAA payment specification guidelines all funds not expended by the end of each fiscal period must be returned to DHS. No funds can be carried-forward, rolled over or reallocated for use in a future program period. This directive from the state's accounting guidelines, section 2. Titled Revenues on page 16 will be added to the AAA section of the DHS Payment Provision Manual. It states:

"Funds received from PDA must not be recognized as earned revenue until actual Aging Program Services have been rendered and the related costs have been incurred. If at the end of the contract period the AAA has not expended the funds received during the period the unearned funds must be returned to the Department of Aging."

Thank you for the opportunity to respond to this report. If you need additional information please contact Catherine Adekoya, DHS Administrator, Financial Management, Budgets and Reports, (412) 350-7146.

Sincerely,

A handwritten signature in black ink, appearing to read "Marc Cherna".

Marc Cherna
Director

cc: Chelsea Wagner, County Controller
Randolph W. Brockington, Deputy Director
Mildred Morrison, Administrator
William Pagonis, Administrator
Catherine Adekoya, Administrator