



# County of Allegheny

## Office of the Controller

**Peer Support and Advocacy Network  
Report on Contract Compliance Procedures  
For the Period  
July 1, 2009 through April 30, 2011  
*(Non-Audit Service)***

**August 31, 2011**

**County of Allegheny  
Office of the Controller  
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## Contents

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Letter	1
Executive Summary	3
Introduction	8
Scope & Methodology	9
Findings and Recommendations:	
Finding #1: PSAN Should Reimburse Allegheny County \$287,530 for Disallowed Expenses	10
Finding #2: PSAN Should Reimburse Allegheny County \$35,321 for Overcharged Salary Expense	14
Finding #3: PSAN Charged Allegheny County \$48,993 In Excess of PAP Guidelines for 12 Employees	18
Finding #4: PSAN Does Not Consistently Maintain Vehicle Logs	21
Exhibit I: Schedule of Amounts Due to Allegheny County	23
Response from Peer Support and Advocacy Network	24
Response from the Department of Human Services	29



**MARK PATRICK FLAHERTY**  
CONTROLLER

# COUNTY OF ALLEGHENY

## OFFICE OF THE CONTROLLER

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**GUY A. TUMOLO**  
DEPUTY CONTROLLER

June 29, 2011

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

Subject: Peer Support and Advocacy Network  
Report on Contract Compliance Procedures  
For the Period July 1, 2009 through April 30, 2011

Dear Mr. Cherna:

We performed certain procedures to determine Peer Support and Advocacy Network's (PSAN) compliance with its contracts #100453 and #114259 with the Allegheny County Department of Human Services for the period July 1, 2009 through April 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 PSAN's expenses funded by Allegheny County.

For the service period July 1, 2009 through June 30, 2010, Allegheny County paid PSAN \$1,580,812 for peer mentor and advocacy services. For the service period July 1, 2010 through April 30, 2011, PSAN received \$1,863,066 for peer mentor, advocacy and drop-in center services.

Our procedures found that PSAN overcharged Allegheny County \$371,844 for the period July 1, 2009 through April 30, 2011. This includes \$287,530 for administrative expenses that were not properly allocated across programs and funding streams, ineligible expenditures and an erroneous rent calculation. An additional \$35,321 is attributed to the over-reporting of wages on the fiscal year 2009/2010 Roster of Personnel. PSAN also

Mr. Marc Cherna

invoiced salaries in excess of the approved Personnel Action Plan in the amount of \$9,779 and violated the requirement that all bonuses be of equal amount or percentage which results in an additional \$39,214 disallowed. We also noted that PSAN's required vehicle logs are not consistently maintained.

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

Very truly yours,



Lori A. Churilla  
Assistant Deputy Controller, Auditing



MARK PATRICK FLAHERTY  
Controller

cc: Honorable James Burn, Jr., President, County Council  
Honorable William Russell Robinson, County Council  
Honorable Dan Onorato, Chief Executive, Allegheny County  
Mr. James M. Flynn Jr., County Manager, Allegheny County  
Mr. Randolph Brockington, Deputy Director, Department of Human Services  
Mr. William Pagonis, Administrator, Department of Human Services  
Ms. Shirlee Hopper-Scherch, Executive Director, PSAN  
Ms. Lynda Marnoni, Board Chairperson, PSAN  
Ms. Amy Griser, Budget Director, Allegheny County  
Mr. Joseph Catanese, Director of Constituent Services, County Council  
Ms. Jennifer Liptak, Budget Director, County Council  
Mr. Guy A. Tumolo, Deputy Controller, County Controller's Office  
Ms. Pamela Goldsmith, Communications Director, County Controller's Office

## EXECUTIVE SUMMARY

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### **Purpose:**

The purpose of this engagement was to analyze and review Peer Support and Advocacy Network's (PSAN) expenditures funded by Allegheny County for the period July 1, 2009 through April 30, 2011.

### **Background:**

PSAN is a consumer-run non-profit agency offering program services to individuals affected by mental illness. The following programs are funded through the Allegheny County Department of Human Services (DHS):

- Peer Mentoring – Certified Peer Specialists provide support to individual consumers as they re-integrate into the community. Consumers are assisted with social outings, doctor appointments, grocery shopping, etc.
- New Horizons – A drop-in center located in Bellevue offering peer support, advocacy services, meals, activities, and other programs to promote consumer well-being.
- Advocacy Services – Assistance is provided to consumers in obtaining benefits, housing, etc. as well as community outreach.

PSAN also provides service through its two calling programs, Warmline and Warm and Friendly. These programs are fully funded through Community Care Behavioral Health Organization (CCBHO). PSAN also received a fixed grant amount from CCBHO for fiscal year 2009/2010 to fund the New Horizons program. In fiscal year 2010/2011, New Horizons was fully funded by the DHS.

As of the date of this report, PSAN received \$3,443,878 from Allegheny County for services rendered from July 1, 2009 through April 30, 2011.

### **Results in Brief:**

Our testing disclosed:

#### Finding #1:

PSAN did not allocate administrative expenses across programs and funding sources which resulted in the DHS being overcharged \$279,744 for July 1, 2009 through April 30, 2011.

## *EXECUTIVE SUMMARY*

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PSAN charged the DHS \$7,207 for ineligible expenses that included employee parties, parking tickets, late fees, finance charges, a donation, excessive personal data charges, gift cards for employees, and program expenses for non-County funded programs.

Additionally, errors in the calculation of rent resulted in and overcharge to the DHS of \$579.

### Finding #2:

PSAN improperly reported its year end Roster of Personnel (Roster) for fiscal year 2009/2010 due to its improper methodology of including a portion of the salaries from multiple employees under one employee's name instead of reporting each employee that worked in an Allegheny County funded program at any time throughout the fiscal year and the corresponding salary earned in those programs. These reporting issues did not affect the total salary amount reported on the Roster. However, PSAN also failed to reverse the prior year-end pay accrual for full-time employees when calculating the 2009/2010 Roster salaries and needs to correct this on its 2010/2011 Roster.

PSAN over reported wages in the amount of \$35,321 for fiscal year 2009/2010. This includes a net unpaid leave accrual of \$18,758 that is not allowed per the DPW regulations which state "expenditures for employee leave are recognized in the fiscal period in which they are actually paid"; overtime paid to salaried employees in the amount of \$2,554; reported wages in the amount of \$2,224 that did not agree to payroll records; and an incorrect journal entry of \$11,785.

### Finding #3:

PSAN salaries exceeded the maximum approved PAP salaries by a total of \$9,779 for fiscal year 2009/2010. The Executive Director's salary exceeded the maximum by \$4,038, and a Director's salary exceeded the maximum by \$425. Additionally, a 3% cost of living adjustment caused wages for seven employees to exceed the PAP maximum by \$5,316.

The PAP also requires that if bonuses are given, the same dollar amount or percentage must be given to each employee or an explanation of the eligibility criteria is required. Our testing found that salaried administrative personnel received bonuses that ranged from 10% to 30% of base salary while all other employees received a 3% cost

## *EXECUTIVE SUMMARY*

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of living adjustment and no additional bonus. Allowing for a 3% bonus, the portion disallowed is \$39,214 for fiscal year 2009/2010.

### Finding #4:

PSAN does not consistently maintain vehicle logs for its nine vehicles. None of the vehicles had continuous logs for the entire engagement period. Additionally, several log sheets are missing the start and ending mileage or total miles and some have small jumps in mileage from one entry to the next. This suggests that either mileage was incorrectly recorded or a trip was not logged. Also, destinations are not always recorded. It was noted that PSAN's written policy does prohibit personal use of vehicles.

### **Recommendations:**

We recommend that Peer Support and Advocacy Network:

#### Recommendation #1:

- Reimburse the Department of Human Services \$287,530,
- Allocate administrative expenses across programs and funding sources in a reasonable, consistent manner, effective May 2011,
- Discontinue invoicing the DHS for expenses ineligible for reimbursement under the DPW regulations,
- Ensure that expenses are properly coded to the department directly benefitting from the expense whenever possible,
- Ensure correct allocation percentages are properly applied to expenses such as rent, and
- Strengthen its cell phone policy to hold individuals financially responsible for any unauthorized use or services. Staff who are not authorized for certain service should not have access to those services.

#### Recommendation #2:

- Reimburse the Department of Human Services \$35,321,
- Require non-administrative salaried personnel to track time by program if working in multiple programs,
- Ensure time sheets are properly completed and that these totals are accurately recorded on the Payroll Department Analysis Report,

## *EXECUTIVE SUMMARY*

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- Use the Payroll Department Analysis Report to calculate salary expense reported on the year-end Roster of Personnel,
- Reduce the fiscal year-end full-time pay accrual by both the fiscal year 2009/2010 and fiscal year 2008/2009 accrued amounts,
- Ensure that pay accruals are in accordance with DPW regulations, and
- Discontinue overtime payments to salaried employees.

### Recommendation #3:

- Reimburse the Department of Human Services \$48,993,
- Review the mental health fiscal regulations as well as the PAP guidelines to ensure compliance, and
- Ensure that the total wages, including bonuses, reported on the final 2010/2011 Roster of Personnel does not exceed the PAP maximum approved by the DHS.

### Recommendation #4:

- Instruct employees on how to properly complete the vehicle log, and reinforce the importance of maintaining the vehicle logs to its employees, and
- Ensure that review of vehicle logs is being consistently and properly carried out by the appropriate personnel.

We recommend that the Department of Human Services:

### Recommendation #1:

- Develop a repayment plan to ensure the \$287,530 is received from PSAN, and
- Ensure administrative expenses are properly allocated, effective May 2011.

### Recommendation #2:

- Develop a repayment plan to ensure the \$35,321 is received from PSAN,
- Ensure that:
  - PSAN's Roster of Personnel submitted for fiscal year 2010/2011 accurately reflects the employees who worked for and amounts paid under the DHS funded programs.



## *EXECUTIVE SUMMARY*

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- PSAN's Roster of Personnel includes an adjustment for the fiscal year 2008/2009 pay accrual as well as the fiscal year 2009/2010 pay accrual, and
- All pay accruals are in accordance with DPW regulations.

### Recommendation #3:

- Develop a repayment plan to ensure the \$48,993 is received from PSAN, and
- Ensure that total wages, including bonus amounts, reported on the final 2010/2011 Roster of Personnel are in accordance with the approved PAP. Any disallowed amounts should be recovered from PSAN.

## I. Introduction

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### **Background:**

Peer Support and Advocacy Network (PSAN) is a consumer-run non-profit agency offering program services to individuals affected by mental illness. The following programs are funded through the Allegheny County Department of Human Services (DHS):

- Peer Mentoring – Certified Peer Specialists provide support to individual consumers as they re-integrate into the community. Consumers are assisted with social outings, doctor appointments, grocery shopping, etc.
- New Horizons – A drop-in center located in Bellevue offering peer support, advocacy services, meals, activities and other programs to promote consumer well-being.
- Advocacy Services – Assistance is provided to consumers in obtaining benefits, housing, etc. as well as community outreach.

Although the New Horizons program is typically funded by the DHS, PSAN received a grant of \$359,923 from Community Care Behavioral Health Organization (CCBHO) to fund the program for fiscal year 2009/2010. In fiscal year 2010/2011, DHS resumed funding for New Horizons.

PSAN also provides service through its two calling programs, Warmline and Warm and Friendly. These programs are fully funded through CCBHO. In addition to consumer services, PSAN provides a certified peer specialist training program.

As of the date of this report, PSAN received \$3,443,878 from Allegheny County for services rendered from July 1, 2009 through April 30, 2011.

## II. Scope & Methodology

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Our procedures evaluated Peer Support and Advocacy Network's (PSAN) compliance with its contracts #100453 and #114259 for the period July 1, 2009 through April 30, 2011. Specifically, we performed the following:

- Interviewed PSAN personnel to gain an understanding of the programs and billing/payment processes.
- Reviewed applicable regulations, PSAN's agreement with Allegheny County, program descriptions, Board minutes, and the policies and procedures manual to gain an understanding of eligible expenditures.
- Analyzed the bank account to ensure that Allegheny County payments were properly deposited by PSAN, including transfers into and out of these accounts.
- Reconciled PSAN's general ledger with the AC-17 submitted for fiscal year 2009/2010.
- Performed detail testing of a sample of expenditures invoiced to Allegheny County from July 1, 2009 through April 30, 2011, including all credit card and gift card purchases and rent.
- Performed testing of salaries reported on the AC-17.
- Performed testing to verify that salaries and fringe benefits were paid in accordance with the approved PAP for fiscal year 2009/2010.
- Performed procedures to estimate if salaries will be in compliance with PAP for fiscal year 2010/2011 at year end.

We conducted our procedures during May and June 2011. We provided a draft copy of this report for comment to PSAN's Executive Director and the Director of the Department of Human Services. PSAN's response begins on page 24. The Department of Human Services response begins on 29.

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Finding #1

**PSAN Should Reimburse Allegheny County \$287,530  
for Disallowed Expenses**

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Peer Support and Advocacy Network (PSAN) has two major sources of funding: the Allegheny County Department of Human Services (DHS) and Community Care Behavioral Health Organization (CCBHO). CCBHO funded the Warmline and the Warm and Friendly program for both fiscal years. In addition CCBHO provided PSAN a grant of \$359,923 for the New Horizons program for fiscal year 2009/2010. Allegheny County funds all of PSAN's other programs.

We tested PSAN's expenses funded by Allegheny County for fiscal year 2009/2010, and for the period July 1, 2010 through April 30, 2011 (2010/2011) and found \$287,530 in disallowed costs.

**Unallocated Administrative Expenses**

The Pennsylvania Department of Public Welfare (DPW) Chapter 4300 County Mental Health/Mental Retardation Fiscal Manual (DPW regulations) defines indirect costs as "costs for supportive activities which are necessary to maintain the direct effort involved in providing services." The distribution of these costs is to be fair and equitable and in direct relation to actual benefits.

Our testing found that PSAN did not allocate administrative expenses across programs and funding sources, but instead fully expensed these costs to the DHS. PSAN's administrative expenses totaled \$622,468 for fiscal year 2009/2010 and \$473,668 for the period July 1, 2010 through April 30, 2011.

PSAN allocates indirect costs such as liability insurance, accounting fees and payroll services based on payroll dollars. Using this same methodology, we calculated the non-county portion of the administrative expenses and determined that the DHS was overcharged \$150,575 for fiscal year 2009/2010 and \$129,169 for fiscal year 2010/2011 through April 30, 2011. The total amount of \$279,744 represents the portion of administrative costs that

### III. Findings and Recommendations

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should have been allocated to the Warmline and Warm and Friendly programs.

#### **Disallowed Expenses**

The DPW regulations also require that expenditures be reasonable to the extent that they would be made by a “cost conscious and prudent buyer” and need to be “necessary and proper for the operation of the program and the provision of services.” Costs that are not specifically addressed in the regulations are considered ineligible for reimbursement.

We tested a total of \$480,128 in expenses for our engagement period. Our testing showed that PSAN charged the DHS \$7,207 for ineligible expenses. The expenditure amounts that were coded to administration have been adjusted to account for the portion disallowed above.

<u>Fiscal Year</u>	<u>Amount Tested</u>	<u>Total Disallowed</u>	<u>Amount Due (Adjusted for Administration)</u>
2009/2010	\$381,867	\$8,117	\$6,383
2010/2011	<u>98,261</u>	<u>1,081</u>	<u>824</u>
<b>Total</b>	<b><u>\$ 480,128</u></b>	<b><u>\$9,198</u></b>	<b><u>\$7,207</u></b>

We summarized the disallowed expenses by category (see chart below).

- Ineligible per regulations - Includes employee parties, parking tickets, late fees, finance charges, and a donation. This category also includes \$591 in excessive personal data charges on a peer mentor’s agency cell phone. The individual should not have had data and text capabilities and was not asked by PSAN management to reimburse the agency for these charges.
- Gift cards purchased as gifts to employees are not necessary for the provision of services and were disallowed.
- Non-County expenses include expenses for the Warmline program for both fiscal years and for the New Horizons program for fiscal year 2009/2010.

### III. Findings and Recommendations

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These expenses should have been charged to CCBHO.

- Lack of proper receipts - Includes items with no receipt and restaurant purchases without a detailed receipt.

<b>Reason</b>	<b>2009/2010</b>	<b>2010/2011</b>	<b>Total</b>
Ineligible per regulations	\$ 1,288	\$ 453	\$ 1,741
Employee gift cards	2,797	266	3,063
Non-County program	2,239	61	2,300
Lack of proper receipts	<u>59</u>	<u>44</u>	<u>103</u>
<b>Total</b>	<b>\$ 6,383</b>	<b>\$ 824</b>	<b>\$ 7,207</b>

#### **Improper Rent Calculation**

PSAN allocates rent based on square footage. Our testing found that errors in the calculation of rent charged to each program resulted in an overcharge to the DHS totaling \$579. The administrative portion has been adjusted to reflect the portion disallowed above. The overcharge is made up of the following:

- In July 2009 the administration department was charged 37% instead of 31%, for a total of \$290,
- In June 2010 the peer support department was charged 30% instead of 29.4%, for a total of \$26, and
- From July 2010 through April 2011 the incorrect peer support percentage was carried through fiscal year 2010/2011 for a total of \$263.

Overall, PSAN overcharged Allegheny County \$287,530. This consists of \$279,744 in administrative costs that were not properly allocated, \$7,207 in disallowed expenditures and \$579 for incorrect rent calculations.

#### **RECOMMENDATIONS**

We recommend that Peer Support and Advocacy Network:

- Reimburse the Department of Human Services \$287,530,

### III. Findings and Recommendations

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- Allocate administrative expenses across programs and funding sources in a reasonable, consistent manner, effective May 2011,
- Discontinue invoicing the DHS for expenses ineligible for reimbursement under the DPW regulations,
- Ensure that expenses are properly coded to the department directly benefitting from the expense whenever possible,
- Ensure correct allocation percentages are properly applied to expenses such as rent, and
- Strengthen its cell phone policy to hold individuals financially responsible for any unauthorized use or services. Staff who are not authorized for certain service should not have access to those services.

We recommend that the Department of Human Services:

- Develop a repayment plan to ensure the \$287,530 is received from PSAN, and
- Ensure administrative expenses are properly allocated, effective May 2011.

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Finding #2

**PSAN Should Reimburse Allegheny County \$35,321 for Overcharged Salary Expense**

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PSAN is required to submit a Year End Report of Expenditures at the end of each fiscal year. This Report includes a Roster of Personnel (Roster) which lists the employees who worked in the Department of Human Services (DHS) funded programs, and the amount of their wages that are reimbursed by the DHS. The Roster submitted by PSAN for fiscal year 2009/2010 included reimbursed wages totaling \$988,852. The Roster for fiscal year 2010/2011 has not been finalized as of the date of this report. We tested the 2009/2010 Roster and found the following issues.

**IMPROPER REPORTING**

We noted differences with the names and salaries reported on the Roster when compared to PSAN's payroll reports. This is due to the methodology applied when PSAN calculates the salaries on the Roster.

Numerous employees work in both Allegheny County funded and non-county funded programs. PSAN tracks the time that hourly employees work on each program using time sheets. Each pay, PSAN's payroll company generates a Payroll Department Analysis Report that details each employee's earnings by program. This report is used to create the general ledger entries. However, PSAN does not use this report for the Roster salaries. The report PSAN uses only lists the employee's total salary, it does not detail the amount by program and PSAN has to adjust the salary amount on the Roster to account for amounts earned under non-county funded programs. However, PSAN is improperly reporting by including a portion of the salaries from multiple employees under one employee's name on the Roster.

For instance, two PSAN supervisors each spend half of their time working for the DHS funded Advocacy and CCBHO funded New Horizons programs. Instead of listing both employees and the portion of their salary that was earned under the Advocacy program, PSAN listed one



### III. Findings and Recommendations

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employee with the total Advocacy salary from both employees. PSAN also failed to list a County funded Peer Mentor employee on the Roster but listed two employees that worked both the County Peer Mentor program and the CCBHO Warmline program. These reporting issues did not affect the total salary amount reported on the Roster. However, the method for reporting is incorrect.

PSAN should properly report every employee that worked in a County funded program at any time throughout the fiscal year and the corresponding salary earned in those programs using the Payroll Department Analysis Reports. Additionally, non-administrative salaried personnel who work under multiple programs should be required to track hours worked by program, just as hourly personnel do. Administrative personnel salaries are to be included in the cost allocation method discussed in Finding #1 above.

We also found that when calculating the salaries on the Roster, PSAN accrues year-end pay for full-time employees. However, PSAN failed to reverse the prior year accrual on the 2009/2010 Roster. Therefore, PSAN should reduce its 2010/2011 Roster of Personnel by the 2008/2009 accrual as well as the 2009/2010 accrual.

#### **OVER-REPORTED WAGES**

We tested the salaries reported on the 2009/2010 Roster of Personnel and found that PSAN over reported wages in the amount of \$35,321. The reasons for these discrepancies are detailed below.

#### **Unpaid Leave Accrual**

PSAN's calculation to arrive at the salaries on the Roster includes an adjustment for accrued, but unpaid vacation, sick and personal leave. The current year accrual is added to each employee's salary, and the prior year accrual is reversed off. The net amount of the unpaid leave accrual for 2009/2010 totaled \$18,758. Although Generally Accepted Accounting Principles (GAAP) may require this calculation for financial statement purposes, the DPW regulations specifically state that "expenditures for employee leave are recognized in the fiscal period in which

### III. Findings and Recommendations

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they are actually paid.” Therefore, the net unpaid leave accrual of \$18,758 is disallowed.

#### **Overtime for Salary Employees**

Our testing also revealed that PSAN paid overtime to two salaried employees for additional hours worked during the G-20 Summit. PSAN’s employee handbook states that “overtime compensation will be paid to non-exempt, hourly employees.” The DHS also prohibits salaried employees from receiving overtime pay.

PSAN paid its hourly employees a flat \$100 for working at an alternate location during the G-20 Summit. Therefore, we allowed \$100 each for the two salaried employees. After adjusting for this flat fee and administrative costs already disallowed in Finding #1, we disallowed overtime payments in the amount of \$2,554. We noted that one salaried employee also received an overtime payment in fiscal year 2010/2011. This amount should be excluded when PSAN calculates its year end Roster of Personnel.

#### **Unsupported Wages**

We also found that the wages reported on the Roster did not agree to the payroll records for three additional employees. This resulted in a disallowed amount totaling \$2,224.

#### **Incorrect Journal Entry**

Finally, we discovered an erroneous journal entry that resulted in the DHS being overcharged \$11,785. PSAN attempted to book a journal entry to move a portion of salary between two DHS funded programs for an employee who worked in both departments. The entry would not have affected total salary but would have more accurately reflected departmental salary internally. However, the incorrect department code was entered and salary expense was moved from the CCBHO funded Warmline to the DHS funded department. This resulted in salary being over reported to the DHS.

### III. Findings and Recommendations

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#### RECOMMENDATIONS

We recommend that Peer Support and Advocacy Network:

- Reimburse the Department of Human Services \$35,321,
- Require non-administrative salaried personnel to track time by program if working in multiple programs,
- Ensure time sheets are properly completed and that these totals are accurately recorded on the Payroll Department Analysis Report,
- Use the Payroll Department Analysis Report to calculate salary expense reported on the year-end Roster of Personnel,
- Reduce the fiscal year-end full-time pay accrual by both the fiscal year 2009/2010 and fiscal year 2008/2009 accrued amounts,
- Ensure that pay accruals are in accordance with DPW regulations, and
- Discontinue overtime payments to salaried employees.

We recommend that the Department of Human Services:

- Develop a repayment plan to ensure the \$35,321 is received from PSAN,
- Ensure that:
  - PSAN's Roster of Personnel submitted for fiscal year 2010/2011 accurately reflects the employees who worked for and amounts paid under the DHS funded programs,
  - PSAN's Roster of Personnel includes an adjustment for the fiscal year 2008/2009 pay accrual as well as the fiscal year 2009/2010 pay accrual, and
  - All pay accruals are in accordance with DPW regulations.

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Finding #3

**PSAN Charged Allegheny County \$48,993 In Excess of  
PAP Guidelines for 12 Employees**

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Pennsylvania Department of Public Welfare (DPW) regulations state that compensation costs eligible for Departmental participation shall be the lesser of the amounts negotiated and approved by the county as part of the contract or the combined prevailing Commonwealth salaries and benefits for functionally equivalent positions. The Department recognizes the responsibility and authority of the board of directors of each agency for establishing employee salaries and benefits. Compensation exceeding the amounts eligible for Departmental participation shall be the financial responsibility of the county or the agency.

Each mental health services provider is required to submit a Personnel Action Plan (PAP) including job descriptions, number of positions, salary ranges, and fringe benefits for approval by the Department of Human Services (DHS). The PAP sets the maximum salary or hourly rate that can be paid for each position, and defines requirements for all other aspects of the agency's compensation plan.

The PAP submitted by and approved for PSAN for fiscal year 2009/2010 included maximum salaries that were lower than the prevailing Commonwealth salaries. Therefore, we tested salaries against the approved PAP and found that salaries exceeded the maximum by a total of \$9,779.

- The salary of two administrative personnel exceeded the approved PAP maximum for their positions. The Executive Director's salary exceeded the maximum by \$4,038, and a director's salary exceeded the maximum by \$425. These amounts have been adjusted for the administrative cost already disallowed in Finding #1.
- The PAP requires that a cost of living adjustment (COLA), if given, will not cause salary to exceed the PAP maximum. Although initial wages for hourly employees were within the PAP limits, PSAN paid a 3% COLA to all hourly employees. Since seven employees were at or near the

### III. Findings and Recommendations

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maximum allowed rate, the COLA caused their wages to exceed the limit by \$5,316.

The PAP also requires that if bonuses are given, the same dollar amount or percentage must be given to each employee or an explanation of the eligibility criteria is required. Our testing found that PSAN bonuses were not in accordance with the PAP. Five salaried administrative personnel received bonuses totaling \$61,514 that ranged from 10% of base salary to 30% for the Executive Director. All other employees received a 3% COLA and no additional bonus. This violates the PAP requirement that bonuses be of equal amount or percentage as noted above. Allowing for a 3% bonus and adjusting for the administrative cost already disallowed in finding #1, PSAN owes the DHS \$39,214 for fiscal year 2009/2010.

The Year End Report of Expenditures and the Roster of Personnel for fiscal year 2010/2011 are not due to the DHS until August 2011. As a result, we could not determine the actual salary expense for the year. Therefore, we estimated annual wages for each employee using the last pay of April 2011. Based on our calculation, it appears that the Executive Director's base salary will again exceed the PAP maximum. All other base wages appear to be in accordance with the PAP. PSAN should adjust the wages, as well as any bonuses, reported on the final Roster of Personnel to be in compliance with the PAP. PSAN is permitted to pay its employees above the approved PAP rates, but is financially responsible for the difference.

#### **RECOMMENDATIONS**

We recommend that Peer Support and Advocacy Network:

- Reimburse the Department of Human Services \$48,993,
- Review the mental health fiscal regulations as well as the PAP guidelines to ensure compliance, and
- Ensure that the total wages, including bonuses, reported on the final 2010/2011 Roster of Personnel does not exceed the PAP maximum approved by the DHS.

### III. Findings and Recommendations

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We recommend that the Department of Human Services:

- Develop a repayment plan to ensure the \$48,993 is received from PSAN, and
- Ensure that total wages, including bonus amounts, reported on the final 2010/2011 Roster of Personnel are in accordance with the approved PAP. Any disallowed amounts should be recovered from PSAN.

### III. Findings and Recommendations

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#### Finding #4

#### **PSAN Does Not Consistently Maintain Vehicle Logs**

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Pennsylvania Department of Public Welfare (DPW) regulations require that a daily log detailing the use of vehicles be maintained and that the personal use of vehicles by employees be prohibited unless a procedure for pay-back is established.

Our review of PSAN's vehicle logs for all nine of its vehicles found that vehicle usage is inconsistently recorded. Based on PSAN's template, drivers are to record the date, driver name, point-to-point locations, beginning and ending mileage and total miles each time the vehicle is used.

We reviewed the vehicle logs and found that none of the vehicles had continuous logs for the entire engagement period. Some logs were missing several months of information and others were missing a month or two. The log for one of the vehicles included records for less than one month. Additionally, several log sheets are missing the start and ending mileage or total miles and some have small jumps in mileage from one entry to the next in the monthly log. This suggests that either mileage was incorrectly recorded or a trip was not logged. We also found instances where the destinations were not recorded and noted that drivers record destinations inconsistently. Some drivers record the beginning and ending locations only and others record stops in-between.

We noted that PSAN's written policy on vehicles does prohibit personal use of vehicles. However, lack of proper vehicle use records and review of these records increases the risk that an employee is using the vehicle for non-PSAN related business.

#### **RECOMMENDATIONS**

We recommend that Peer Support and Advocacy Network:

- Instruct employees on how to properly complete the vehicle log, and reinforce the importance of maintaining the vehicle logs to its employees, and

### III. Findings and Recommendations

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- Ensure that review of vehicle logs is being consistently and properly carried out by the appropriate personnel.



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**Amount Due Back to Allegheny County**

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	<b>Fiscal Year 2009/2010</b>	<b>Fiscal Year 2010/2011 (thru 4/30/11)</b>	<b>TOTAL</b>
<b>Finding #1:</b>			
Unallocated Administrative Expense	\$150,575	\$129,169	\$279,744
Disallowed Expenses	6,383	824	7,207
Improper Rent Calculation	<u>316</u>	<u>263</u>	<u>579</u>
	\$157,274	\$130,256	\$287,530
<b>Finding #2:</b>			
Unpaid Leave Accrual	\$ 18,758	n/a	\$ 18,758
Overtime for Salaried Employees	2,554	n/a	2,554
Unsupported Wages	2,224	n/a	2,224
Incorrect Journal Entry	<u>11,785</u>	<u>n/a</u>	<u>11,785</u>
	\$ 35,321	n/a	\$ 35,321
<b>Finding #3:</b>			
Salaries In Excess of PAP	\$ 9,779	n/a	\$ 9,779
Bonuses	<u>39,214</u>	<u>n/a</u>	<u>39,214</u>
	\$ 48,993	n/a	\$ 48,993
<b>TOTAL</b>	<u>\$241,588</u>	<u>\$130,256</u>	<u>\$371,844</u>



August 25, 2011

Ms. Lori Churilla  
Assistant Deputy Controller, Auditing  
Office of the Controller  
104 Courthouse  
436 Grant Street  
Pittsburgh, PA 15219

Dear Ms. Churilla,

Enclosed for your review is a copy of PSAN's response to your report entitled *Peer Support and Advocacy Network Report on Contract Compliance Procedures* for the Period July 1, 2009 through April 30, 2011. Specific responses to recommendations on pages 12, 13, 17, 19, 21, and 22 are included. In particular, please note that PSAN sent a payment of \$279,744 to Allegheny County Department of Human Services on 8/23/11. This response will also be sent electronically to [bethany.neal@alleghenycounty.us](mailto:bethany.neal@alleghenycounty.us) as requested.

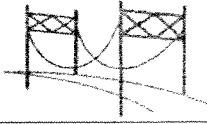
The audit was conducted professionally and PSAN staff were treated with respect. Although the process of an audit can be stressful, it was never adversarial. I appreciate the assistance of the Controller's Office and believe that the audit recommendations resulted in a better understanding of the County Contract. This will enable PSAN to better serve the consumers with whom we work.

Thank you for your assistance. If you have any additional questions or comments, please feel free to contact me at 412-227-0402 anytime.

Sincerely,

A handwritten signature in black ink that reads "Shirlee Hopper-Scherch". The signature is written in a cursive, flowing style.

Shirlee Hopper-Scherch  
Executive Director



Peer Support and Advocacy Response  
To  
*Peer Support and Advocacy Network Report on Contract Compliance Procedures  
For the Period July 1, 2009 through April 30, 2011*

FINDING #1

PSAN did not allocate administrative expenses across programs and funding sources which resulted in the DHS being overcharged \$279,744 for July 1, 2009 through April 30, 2011.

AUDIT RECOMMENDATIONS

Peer Support and Advocacy Network should

- Reimburse the Department of Human Services \$287,530

**PSAN response** – This reflects a billing error which was corrected on 8/23/11 by payment to Allegheny County Department of Human Services a check in the amount of \$279,744. The remaining \$7786 will be discussed with the Department of Human Services (DHS) and a repayment plan will be developed.

- Allocate administrative expenses across programs and funding sources in a reasonable, consistent manner, effective May 2011

**PSAN response** – The administrative expenses are allocated across programs and funding sources beginning May 2011. They are being calculated on a monthly basis beginning July 1, 2011 pending approval from DHS and Community Care.

- Discontinue invoicing the DHS for expenses ineligible for reimbursement under the DPW regulations

**PSAN response** – ineligible expenses accounted for 1.5% of the expenses analyzed (\$7207 out of \$480,128). PSAN concurs that these expenses were ineligible, and has stopped invoicing the Department of Human Services for them.

- Ensure that expenses are properly coded to the department directly benefiting from the expense whenever possible

**PSAN response** – The expense forms have been reformatted to include a specific category for Department charged. This will ensure accuracy in the expense invoice.

- Ensure correct allocation percentages are properly applied to expenses such as rent

**PSAN response** – The error occurred when the rent calculation changed from three decimals to two. In the future, PSAN will use only whole numbers to calculate such expenses in order to increase accuracy and clarity.

- Strengthen its cell phone policy to hold individuals financially responsible for any unauthorized use or services. Staff who are not authorized for certain services should not have access to those services.

**PSAN response** – The cell phone policy was rewritten while the audit was taking place, and it reflects the above recommendation

## FINDING #2

PSAN improperly reported its year end Roster of Personnel (Roster) for fiscal year 2009/2010 due to its improper methodology of including a portion of the salaries from multiple employees under one employee's name instead of reporting each employee that worked in an Allegheny County funded program at any time throughout programs. These reporting issues did not affect the total salary amount reported on the Roster. However, PSAN also failed to reverse the prior year-end pay accrual for full-time employees when calculating the 2009/2010 Roster salaries and needs to correct this on its 2010/2011 Roster.

PSAN over reported wages in the amount of \$35,321 for fiscal year 2009/2010. This includes a net unpaid leave accrual of \$18,758 that is not allowed per the DPS regulations which state "expenditures for employee leave are recognized in the fiscal period in which they are actually paid", overtime paid to salaried employees in the amount of \$2,554; reported wages in the amount of \$2,224 that did not agree to payroll records; and an incorrect journal entry of \$11,785.

### AUDIT RECOMMENDATIONS

Peer Support and Advocacy Network should

- Reimburse the Department of Human Services \$35,321

**PSAN response** - \$2,554 was paid to salaried staff who worked overtime during the G-20 conference held in Pittsburgh. This was an emergency situation, and as such, according to Regulation 4300.43 i overtime can be charged during an emergency situation. PSAN believes this is an allowable expense. The remaining \$32,767 will be negotiated with Department of Human Services and a repayment plan will be developed.

- Require non-administrative salaried personnel to track time by program if working in multiple programs

**PSAN response** – During the G-20 conference, some employees worked in multiple programs. This is not a typical situation, but if it occurs in the future, employees will comply with the recommendation above.

- Ensure time sheets are properly completed and that these totals are accurately recorded on the Payroll Department Analysis Report

**PSAN response** – PSAN agrees with this recommendation and has trained supervisors in the accurate completion of time sheets. The Payroll Department Analysis Report will be reviewed by senior staff and accuracy will be ensured.

- Use the Payroll Department Analysis Report to calculate salary expense reported on the year-end Roster of Personnel

**PSAN response** – The Payroll Department Analysis Report was used to calculate salary expense reported on this fiscal year's year end Roster of Personnel, and will be used in all future calculations.

- Reduce the fiscal year-end full-time pay accrual by both the fiscal year 2009/2010 and fiscal year 2008/2009 accrued amounts.

**PSAN response** – This has been completed and is reflected in the 2010/2011 year end calculations.

- Ensure that pay accruals are in accordance with DPW regulations

**PSAN response** – All pay accruals will be in accordance with DPW regulations.

- Discontinue overtime payments to salaried employees

**PSAN response** – citing Regulation 4300.43 i, PSAN believes that the G-20 conference was an "emergency" situation and the payment of overtime is allowable.

### FINDING #3

PSAN salaries exceeded the maximum approved PAP salaries by a total of \$9,779 for fiscal year 2009/2010. The Executive Director's salary exceeded the maximum by \$4,038 and a Director's salary exceeded the maximum by \$425. Additionally a 3% cost of living adjustment caused wages for seven employees to exceed the PAP maximum by \$5,316.

The PAP also requires that if bonuses are given, the same dollar amount or percentage must be given to each employee or an explanation of the eligibility criteria is required. Our testing found that salaried administrative personnel received bonuses that ranged from 10% to 30% of base salary while all other employees received a 3% cost of living adjustment and no additional bonus. Allowing for a 3% bonus, the portion disallowed is \$39,214 for fiscal year 2009/2010.

### AUDIT RECOMMENDATIONS

- Reimburse the Department of Human Services \$48,993

**PSAN response** – The salaries in excess of the PAP totaled \$9,779. PSAN had set staff salaries at the beginning of the fiscal year (July 1) and the crosswalk which determines maximum salaries was not available from the Department of Public Welfare until December. Thus PSAN was unaware of the maximum salaries until staff salaries were set. It would have been unfair to reduce staff salaries in December. However the \$9,779 will be discussed with the Department of Human Services and a repayment plan will be developed. The additional \$39,214 in ineligible bonuses will be repaid according to a payment plan developed with the Department of Public Welfare.

- Review the mental health fiscal regulations as well as the PAP guidelines to ensure compliance

**PSAN response** – Senior staff have reviewed fiscal regulations and PAP guidelines.

- Ensure that the total wages, including bonuses, reported on the final 2010/2011 Roster of Personnel does not exceed the PAP maximum approved by the DHS.

**PSAN response** – This was completed with the end of the year report for 2010/2011 and will continue to be done in the future. The Executive Director's compensation is determined by the Board of Directors of the organization. All audit recommendations have been shared with the Board of Directors to ensure future compliance with all PAP regulations.

#### FINDING #4

PSAN does not consistently maintain vehicle logs for its nine vehicles. None of the vehicles had continuous logs for the entire engagement period. Additionally, several log sheets are missing the start and ending mileage or total miles and some have small jumps in mileage from one entry to the next. This suggests that either mileage was incorrectly recorded or a trip was not logged. Also, destinations are not always recorded. It was noted that PSAN's written policy does prohibit personal use of vehicles.

#### AUDIT RECOMMENDATIONS

Peer Support and Advocacy Network should

- Instruct employees on how to properly complete the vehicle log and reinforce the importance of maintaining the vehicle logs to its employees.

**PSAN response** – This has been completed. All staff have been instructed on how to complete vehicle logs and the importance of maintaining accurate logs has been reinforced to employees.

- Ensure that review of vehicle logs is being consistently and properly carried out by the appropriate personnel.

**PSAN response** – During the audit, all vehicles were equipped with GPS monitors which provide daily reports documenting accurate mileage, destinations, idle time and speed. These reports are reviewed by supervisors. Daily logs also continue to be maintained, and they are checked against the logs produced by the monitors. If there are inconsistent findings, these are reviewed with the employees and appropriate action will be taken.

# ALLEGHENY COUNTY DEPARTMENT OF HUMAN SERVICES

Marc Cherna, Director

Dan Onorato, 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](http://www.alleghenycounty.us/dhs)

August 26, 2011

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

Subject: DHS Response to Draft Report on Peer Support and Advocacy Network Contract Compliance Procedures for the Period July 1, 2009 through April 30, 2011

Dear Ms. Churilla:

The Department of Human Services (DHS) has reviewed the findings and recommendations contained in the Controller's Office report on Peer Support and Advocacy Network (PSAN) for the period July 1, 2009 through April 30, 2011 and submits the following response and corrective action plan:

## Finding #1

**We recommend the Department of Human Services (DHS):**

**Develop a repayment plan to ensure \$287,530 is received from PSAN and ensure administrative expenses are properly allocated, effective May 2011.**

DHS Response

On August 19, 2011 the DHS received a check from PSAN in the amount of \$279,744 to reimburse for disproportionate administrative costs charged to the DHS. The DHS will deduct an additional \$7,786 for disallowed expenses and rent and review PSAN's indirect cost allocation plan on a regular basis to ensure costs are being charged in an equitable and consistent manner.

## Finding #2

**We recommend the Department of Human Services (DHS):**

- **Develop a repayment plan to ensure the \$35,321 is received from PSAN**
- **Ensure that:**
  - **PSAN's Roster of Personnel submitted for fiscal year 2010/2011 accurately reflects the employees who worked for and amounts paid under the DHS funded programs**
  - **PSAN's Roster of Personnel includes an adjustment for the fiscal year 2008/2009 pay accrual as well as the fiscal year 2009/2010 pay accrual, and**
  - **All pay accruals are in accordance with DPW regulations.**

# ALLEGHENY COUNTY DEPARTMENT OF HUMAN SERVICES

Marc Cherna, Director

Dan Onorato, Allegheny County Executive

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## DHS Response

The DHS will review the circumstance and issues related to the disallowed cost for Salary Expenses and will deduct for all the errors, irregularities and inconsistencies.

\$18,758 will be invoiced for salary expenses accrued for fiscal year 2009/2010. PSAN will be directed to charge salaries in the fiscal period they are paid, consistent with DPW regulations.

The payment of overtime for salaried employees may not conform with regulations; therefore the DHS will review the circumstances relating to \$2,554 in overtime costs and a determination will be made as to its acceptability.

PSAN will be instructed to adjust for payroll records differing from the employee roster and will be deducted \$2,224.

PSAN will be instructed to correct the journal entry that resulted in overcharging the DHS \$11,785.

## Finding #3

### We recommend the Department of Human Services (DHS):

- **Develop a repayment plan to ensure the \$48,993 is received from PSAN, and**
- **Ensure that total wages, including bonus amounts, reported on the final 2010/2011 Roster of Personnel are in accordance with the approved PAP. Any disallowed amounts should be recovered from PSAN.**

## DHS Response

DHS will review the PSAN PAP Plan and perform an on-site review to determine if any adjustment to the pay schedule may be acceptable. Upon completing that determination, all unallowable payments will be collected from PSAN by way of invoice reduction.

Should you have any questions or care to discuss this, you may contact Randolph W. Brockington at (412) 350-5203 at your convenience.

Sincerely,

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

Marc Cherna  
Director

Cc: Randolph W. Brockington, Deputy Director  
Catherine Adekoya, Administrator  
William Pagonis, Administrator  
James Regan, Administrator  
Tom Kubicsek, Manager



