

# ***Luzerne County Controller***



***Audit of  
Children and Youth Services  
For the Periods  
January 1, 2013 to December 31, 2013  
and  
January 1, 2014 to May 31, 2014***

**Fieldwork Performed by:  
Wendy Saxe**

**Michelle A. Bednar  
Luzerne County Controller**

**Objective:**

We have audited Luzerne County Children and Youth Services (CYS) for the calendar year January 1, 2013 through December 31, 2013 and the partial year January 1, 2014 through May 31, 2014. The purpose of the audit was to ensure that: expenses are reasonable and are substantiated with receipts, adequate internal and administrative control over cash disbursements exists, and sufficient measures are in place to thwart fraud and/or waste.

**Methodology:**

The audit included examining, on a sample basis, a variety of areas including: caseworker expenses, Independent Living (IL) expenses, vendor charges, and foster care payments. We met with the Fiscal Accountant I, who at the time was acting as the Fiscal Officer III, in order to obtain an understanding of the business practices and internal controls related to Children and Youth Services. At the time of the writing of this report, there is no acting Fiscal Officer III. Our gratitude is expressed to the Fiscal Accountant I, who helped us to conclude our investigation.

**Opinion and Conclusion:**

In our opinion, the expenses and payments disbursed by the Luzerne County Children and Youth Services are accounted for accurately. The testing performed in this review revealed no material findings or misstatements. One caseworker did not submit receipts in a timely fashion; however, the caseworker did later provide satisfactory proof of all expenses.

**Review of Business Practices:**

Based on investigation of their practices and meetings with Children and Youth Services, we have formulated the following understanding of some of the services they offer and the correlating expenses:

**Placement Services**

Placement services include placing a child into kinship foster care, adoption, group housing, residential care, or some type of temporary living arrangement.

*Foster Care*

Foster care is placing a child with a family, in that family's home. The foster family receives compensation for this service, which is calculated as a certain amount per day. On average, the amount paid is \$24 per day, with some cases being lower and some being higher, and it's intended to cover the cost to house and feed the child. This amount can be increased based on the needs of the

child (e.g., special diet, frequent out-of-area medical treatment, etc.). The highest rate paid is for a mother/baby placement, where a foster family welcomes a young mother and her baby into their home. For the 17-month time period reviewed, the total paid for foster care amounted to nearly \$3.3 million. Foster care is funded through federal Title IV-E, Pennsylvania Act 148, and County funds. Also, whenever possible, Supplemental Security Income (SSI) is applied for and/or support payments are collected from one or both parents.

Depending on the placement and the terms of the agreement, one dollar may be paid to the foster family per child per day as a clothing allowance. Clothing allowances totaled almost \$195,000 for the time period reviewed.

Additionally, depending on the placement and the terms of the agreement and the age of the child, the placed child may receive a minimal allowance (\$10-\$20) per month. For the time period reviewed, allowances totaled less than \$25,000.

### *Adoption*

A foster family may also adopt a placed child. Even after adoption, the foster family may receive monthly adoption assistance, if the child meets certain criteria and is deemed to have special needs. To classify as a child with special needs, the child must: be free for adoption, have a qualifying factor or condition, and have had reasonable efforts made to place him/her without adoption assistance. There are exceptions to these efforts if it's in the best interest of the child (e.g., if significant emotional ties exist between the child and the family planning to adopt). To be determined as having a qualifying factor or condition, the child must be between 5 and 18 years old and have at least one of the following characteristics: be a member of a minority group; be a member of a sibling group (two or more placed in the same home); have a physical, mental, or emotional condition or handicap; or have a genetic condition which indicates a high risk of developing a disease or handicap. These criteria have been established by the federal government and the state of Pennsylvania, and Luzerne County must adhere to them. Adoption subsidy maintenance payments for the time period reviewed exceeded \$12.7 million. Adoption costs for the same period were less than \$20,000.

### *Group Housing*

When a child needs to be safely placed and there is no immediate foster family or kinship family available, the child may be placed in group housing to await a family placement. Group housing houses the child, but the child is not schooled there. CYS routinely uses KidsPeace and other such facilities for this purpose.

## *Residential Care*

Residential care is sometimes necessary to provide the child with the comprehensive support he/she needs to overcome a crisis. This is usually court ordered. The child would remain in CYS custody, but be located to a residential care facility, who CYS would then reimburse. The child is placed in the residential care facility, where the child is also schooled. Examples of such a facility are KidsPeace, Concern, and Friendship House. More than 30 different facilities are used by CYS for this purpose. The total expended for the time period reviewed for Institutional and Facility Service expense was almost \$11 million. Some of that expense would include the use of other facilities to place children into foster care.

## **Independent Living Program**

Per the program's brochure, "the Independent Living Program (IL) is a voluntary program designed to train and empower adolescents with the knowledge and skills necessary to be self-sufficient. The goal is to assist adolescents in their transition from the child welfare system into adult independence". In doing so, the hope is to ensure the adolescent does not enter the adult welfare or criminal justice system. The average yearly cost per youth in the IL program is \$2,125.

This program is available to youth who are at least 16 but less than 21 years old, who have been in out-of-home placement on or after their 16<sup>th</sup> birthday, and who are currently or have been previously placed in the temporary legal custody of a CYS agency. An individual plan stating the youth's goals is developed for each youth. It may take anywhere from 9 months to 4 years for the youth to attain his/her goals and objectives.

In weekly classes, IL teaches life skills to help the youth transition from foster or residential care to an independent living environment. Life skills include teaching and guiding the youth in: how to complete a job application, how to successfully interview for a job, how to obtain photo identification and/or a driver's license, how to prepare nutritious meals, how to effectively manage money, how to obtain housing, and how to pursue higher education. Additionally, a support group is offered for those who have completed the initial curriculum.

Those who have successfully completed the IL Life Skills Group program receive a lump-sum stipend of \$400, which is distributed in monthly increments, based on the number of classes attended. A one-on-one version also exists, which may allow the youth to receive the stipend, but it is only available based on approval of the IL program coordinator.

Enrollees may also receive limited funding to assist in the transition to independence. This may be used for education, employment, housing, health care, transportation, or parenting, and must be pre-approved by the IL program

coordinator. This stipend policy, which is approved by the state, is fully explained to the youth, who must then read and sign the policy.

The IL program offers housing financial assistance to youth who have left placement. These funds derive from federal Chaffee Room and Board funds, which flow to the state, and then to the County. This financial assistance includes help with room and board payments. Emergency room and board is offered to youth who are at risk of homelessness. The youth must work daily with IL program workers to find housing. The short-term room and board is designed to assist a youth in need of financial assistance for temporary housing, such as semester breaks from college, and is able to compensate a responsible adult who provides temporary housing and food. Extended room and board payments assist youth in transitioning to a permanent housing arrangement and is only offered to those who display the ability to assume complete responsibility for his/her living costs by the closing date of the contract (i.e., youth must have an employment history). Payments may be made for: security deposit, utility deposits, furniture, household items, rental assistance, and internet access, if needed for education. The Apartment Program offers the following rate structure for the first year of rent, the percentage of which the youth must pay:

1 <sup>st</sup> – 3 <sup>rd</sup> month = 0%	9 <sup>th</sup> – 10 <sup>th</sup> month = 60%
4 <sup>th</sup> – 6 <sup>th</sup> month = 20%	11 <sup>th</sup> – 12 <sup>th</sup> month = 80%
7 <sup>th</sup> – 8 <sup>th</sup> month = 40%	13 <sup>th</sup> month = 100%

Since new state regulations have gone into effect, which increase the cut-off age from 18 to 21 (exceeding the federal guidelines), there has been an increase in demand and more individuals are taking advantage of the expanded requirements for a Board extension.

To enter the Apartment Program, youth must qualify with one of the following criteria: 1) work 80 hours per month, 2) actively be pursuing an educational goal, 3) be in the midst of job training, or 4) be enrolled in a mental health or disability program.

IL youth in the Apartment Program must attend and successfully complete ten sessions of money management skills classes, which are conducted at a local financial institution. If he/she does not do this, or if he/she is not cooperative with any aspect of the program, the youth will be removed from the program.

By contract, Catholic Social Services—The Bridge provides two staff persons to assist the CYS IL program coordinator. This contract is funded 91% from federal funds and 9% from County funds, although per Pa Code Appendix A (c)(1) “no local match is required to receive Title IV-E IL funds.” The CYS IL coordinator is paid entirely from the General Fund. The maximum contracted amounts to be charged for IL by Catholic Social Services for the period July 1, 2012 – June 30, 2013 was \$87,755.00 and for the period July 1, 2013 – June 30, 2014 was also \$87,755.00. These amounts were not exceeded.

## Catholic Social Services

Catholic Social Services (CSS) is a vendor regularly used to provide a variety of services to Children and Youth Services (CYS). In conducting this audit, we have looked in depth at the services provided to CYS by CSS.

### Service Programs

There are numerous programs offered by CYS. The following is a sample of those services, which are provided to CYS via contracts with Catholic Social Services:

Program	Contracted Amount	Contract Period	Source of Funding		
			Federal	State	County
Runaway Homeless Youth (RHY)	\$116,744	7/1/12 – 6/30/13		80%	20%
Specialized Adolescent Assessment Unit (SAAU)—Wilkes-Barre	\$243,084	7/1/12 – 6/30/13	100%		
Specialized Adolescent Assessment Unit (SAAU)—Hazleton	\$47,759	7/1/12 – 6/30/13	100%		
Life Skills (Parenting)	\$129,257	7/1/12 – 6/30/13	100%		
Supervised Independent Living (SIL)	\$87,755	7/1/12 – 6/30/13	91%		9%
Runaway/SAAU-WB/SAAU-Hazleton/Life Skills/SIL	\$311,800	7/1/13 – 12/31/13		80%	20%
	\$311,800	1/1/14 – 6/30/14		80%	20%
Truancy Intervention Program (TIP)	\$37,500	1/1/13 – 6/30/13		90%	10%
	\$37,500	7/1/13 – 12/31/13		94%	6%
	\$37,500	1/1/14 – 6/30/14		94.11%	5.89%
Anger Management, Court Appearance	\$10,000	7/1/12 – 6/30/13		80%	20%
	\$2,500	7/1/13 – 9/30/13		80%	20%
Drugs and Alcohol Testing and Court Appearance	\$100,000	7/1/12 – 6/30/13		80%	20%
	\$53,229	7/1/13 – 12/31/13		80%	20%
	\$53,229	1/1/14 – 6/30/14		80%	20%
Intensive Family Support Parenting Program (IFSP)	\$75,000	7/1/12 – 6/30/13		80%	20%
	\$37,500	7/1/13 – 12/31/13		80%	20%
	\$37,500	1/1/14 – 6/30/14		80%	20%
Parenting Education	\$10,000	7/1/12 – 6/30/13	100%		
	\$5,000	7/1/13 – 12/31/13		80%	20%
	\$5,000	1/1/14 – 6/30/14		80%	20%
Placement of children in CYS custody		1/1/13 – 6/30/13			
	\$112,000	7/1/13 – 12/31/13			
	\$112,000	1/1/14 – 6/30/14		80%	20%
Court Appearance for Individual Counseling	\$2,500	7/1/12 – 6/30/13			
	\$1,500	7/1/13 – 12/31/13		80%	20%
	\$1,500	1/1/14 – 6/30/14		80%	20%

The contracts for the abovementioned programs were reviewed. Additionally, the payment details were reviewed for each program. In no case did the amount paid exceed the contracted maximum amount. On three contract worksheets, the source(s) of funding was not detailed.

### **Testing Methodology:**

Two caseworkers were investigated in an extensive fashion with regard to their expenses, with 100% of their expenses being scrutinized for the period under review. Of the two, one failed to provide all receipts in a timely manner. This has been resolved and is detailed in the next section.

With regard to the IL expenses, two stood out as questionable and were further investigated. A satisfactory explanation and support were provided for both.

We reviewed two vendors (Kidspeace and Catholic Social Services) and checked 100% of Kidspeace's invoices and 25.5% of Catholic Social Services' invoices for accuracy. In all cases of payment, the correct amounts were paid. The two instances of non-payment occurred in November 2013 and December 2013 with Kidspeace invoices. The reason payment has been withheld is to force a Kidspeace contract for the calendar year 2013. One-hundred percent of Catholic Social Services' contracts and Kidspeace's 2014 contract were reviewed; no issues of non-compliance or overpayment of contracted maximum amounts were found. Further, loans outstanding and owed to Luzerne County by Catholic Social Services were extensively researched and are discussed in a separate audit review.

Payments to one random foster care family were reviewed, with no further need to investigate.

### **General Observations:**

In Pennsylvania, child welfare services are administered at the County level and supervised at the state level. Pa Code §3130.12 details the responsibilities of the County, stating its responsibility for the availability and achievement of children and youth services. Pa Code §3140.22 details the reimbursable services and reimbursement rates for various services. This shows the state will generally pay between 80% - 100% of the costs. Pa Code §3170.31 details the liability of the County to pay any costs that are not reimbursed by the state or another program.

It was observed that circumstances are often not black and white in the world of CYS. Decisions as to where to place a child are often made during an urgent need. As such, a vendor who is not the first choice might be used solely because that vendor is the one that has an available room for the child. This is a reason a vendor might be used with whom there is no current contract. It was

also observed that some of the children who need placement come into the CYS system through the Juvenile Probation Office. In these cases, the costs could be as much as 1300% higher than a traditional placement. CYS must accommodate these youth, as dictated by state and federal law. The County must also pay for these services that are not reimbursed by state and federal funds. This, too, is dictated by state and federal law.

Since funding reimbursements from the state and federal governments are audited annually in accordance with Generally Accepted Government Auditing Standards (The Yellow Book) as published by the Comptroller General of the United States, we made no review of the accuracy of funding reimbursements. CYS is among the most audited departments in the County, with annual audits conducted by the Pennsylvania State Auditor Inspector General, as well as mandatory annual independent audits by external auditors. A sampling of these audits for CYS (and for Kidspeace and Catholic Social Services) were considered when conducting this review.

While one caseworker did not provide all receipts in a timely manner, the caseworker did provide them before the conclusion of this review. Therefore, we were able to conclude that all expenses were satisfactorily supported. It is also noted that this caseworker's work load has doubled or tripled due to the increase in youth, so the caseworker's bookkeeping demands have also increased.

It was noted that Kidspeace consistently billed CYS at higher rates than agreed, but CYS staff consistently adjusted the invoices to the correct amount. The amounts paid were correct, without exception. This is a great testimony to the staff who process these invoices, as not one error was found when reviewing 100% of these invoices. Those Kidspeace invoices that were paid (January 2013 through October 2013) were, however, paid with no signed contract in effect.

Much of the IL spending is done by advancing funds to the caseworker, who later submits receipts. While this is necessary in order to provide what is needed, it does not lend itself toward refined internal controls. Also, it was stated that when IL overspends funds, the County absorbs the excess expenses. There is no mechanism to alert that an overspending situation is about to occur. It is important to note, again, that 100% of caseworker expenses reviewed were properly accounted for. Overspending from July 2009 through June 2013 totaled \$14,974.

CYS has an emergency checking account that can be used for transactions up to \$500. It is rarely used (maybe twice per year). Right now there is only one remaining person who can sign these checks. Additionally, CYS keeps \$100 in petty cash to use for needs like FedEx, postage, etc. There was no review of the emergency checking account or petty cash performed in this review.



## Findings and Recommendations:

1. With the initial conversion to the New World Systems accounting system, it appears that detailed records were entered for the first half of 2013. However, in June 2013, the detail no longer shows on the ledger system. This makes it much more cumbersome to review payments and does not lend itself to transparency. Going forward, we recommend coordination with Accounts Payable to use consistent, descriptive comments in the Description/ Project area of New World and to attach a copy of the invoice with the payment.
2. Since there are several steps to getting a contract signed, we recommend the process be started 2-3 months before the contract would take effect. That would allow CYS to have it reviewed, provide ample time for the County Manager to sign, and still allow sufficient time for mailing the contract back and forth between parties for wet signatures. We recommend a policy be created and adhered to stating that no invoices can be paid without a current contract in effect. We further recommend that a contract be sought between CYS and any potential vendor before the need to use them arises—that way a contract will be in place before any crisis situation necessitates a need for the vendor. This new policy should be mailed or emailed to every potential vendor and displayed on CYS' webpage, so that any potential vendor will be fully aware of the new policy.
3. We have reviewed the Employee Expense Statement policy, which outlines the procedure for completing and submitting employee expense statements. This is the statement to be completed when caseworkers travel or for other miscellaneous expenses (such as those incurred by the IL Coordinator). This policy is clearly written to state that employees have 30 days following the month of incurred expenses to submit the statement and supporting receipts for reimbursement. Since there were multiple instances where an employee was reimbursed after this allowable period, we recommend that a heightened level of enforcement of the policy occur. Our suggestion is a tiered approach, as follows: December—post flyers and send emails to all CYS employees stressing that late submissions will not be reimbursed, beginning February 1, 2015; January—reiterate that strict enforcement will begin the following month, that all future expense submissions should be submitted for reimbursement in a timely manner, and that all employees should tie up loose ends while they have a chance; Starting February 1, strictly enforce the policy.
4. Since there is one caseworker who oversees all IL expenses and there are the issues detailed above, we recommend a debit card be assigned to that caseworker, strictly for IL expenses. This would alleviate the need for advanced funds to be issued directly to the caseworker. It would remove

the need for the caseworker to use his/her own credit card (which has happened on multiple occasions), as a credit card is needed for certain purchases (e.g., airfare for a youth to visit family or other immediate needs). It would also serve to put a cap on the amount available, thereby eliminating the possibility of overspending. The caseworker's manager would review the charges on a monthly basis to determine the need and accuracy of the expenses.

5. In light of the added challenge of accounting periods—the County uses a calendar year, CYS and the state use a fiscal year from July 1 through June 30, and the federal government uses a fiscal year from October 1 through September 30—we recommend a specialized accountant be hired as an intermediary between the CYS and Budget and Finance departments. This individual would also assist in grant reporting, since much manipulation of the accounting periods must occur in order to accurately report to the state and federal governments.
6. We recommend that copies of all federal, state, and external audits be available to the public on the CYS webpage. We also recommend the CYS portion of the County's website be updated with current information. It is noted that CYS has both a webpage on the County's website and a separate website at [www.cysluzerne.org](http://www.cysluzerne.org).

**Response:**

LUZERNE COUNTY COUNCIL  
LINDA MCCLOSKEY HOUCK, CHAIR  
EDWARD A. BROMINSKI, VICE-CHAIR  
JAMES BOBECK  
KATHY DOBASH  
HARRY HAAS  
TIM MCGINLEY  
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STEPHEN J. URBAN  
RICK WILLIAMS

ROBERT C. LAWTON  
COUNTY MANAGER

KRISTA McILHANEY  
DIRECTOR



LUZERNE COUNTY  
CHILDREN AND YOUTH SERVICES

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TDD (570) 825-1860

To: Wendy Saxe  
From: Krista McIlhaney, CYS Administrator; Al Petrole, OHS Fiscal Administrator  
Date: January 28, 2015  
RE: Audit Recommendations Response

In response to your recommendations on the Audit of Children and Youth Services for the period: January 1, 2014 through May 31, 2014:

**Recommendation 1:** We will better coordinate with Accounts Payable utilizing more descriptive comments in the project area of the New World System. Due to the volume of invoices, we will investigate the feasibility of attaching a copy of the invoice to the check. It should be noted that the invoice number is reflected on the check stub. Currently the number of vacant positions in the agency may hinder the feasibility of implementing this recommendation.

**Recommendation 2:** Currently the agency has over 80 active contracts, mostly for placement services, Luzerne County Children and Youth Services contracts with multiple placement services, while there are similar placement services, generally placement providers are selected at time of admission based on the child's individual needs. Multiple placement providers are necessary also due to potential capacity and geographic issues. Each placement service provides different care components, while still competitive in the social welfare industry; there is no placement service that is exactly the same. The agency will create a position whose primary responsibility will be preparing, executing, and monitoring contracts on a regular basis.

**Recommendation 3:** We will increase communication about the timeliness of submissions for expenses through email. Due to the collective bargaining agreement, we can't deny payment for late expenses.


**Recommendation 4:** The Grant SIL Funds aren't advanced, so a debit system/credit card would not be feasible. The agency will investigate alternatives to the caseworker using personal credit cards for purchases for IL children. A prepaid card could potentially be used; however, this will require the Treasury office to approve.

**Recommendation 5:** The current fiscal complement doesn't have this as an approved position within Luzerne County Children and Youth Services.

**Recommendation 6:** There are no IT staff that have expertise in website design for the management of the CYS website. However, we do post board minutes to the county website through the county helpdesk, so we will work on collecting the audit reports and send them to the helpdesk to be posted.


**Signature Page**  
**Luzerne County Children and Youth Services**  
**January 1, 2013 to May 31, 2014**


**Controller's Office:**

  
Michelle A. Bednar, Controller 12/19/14  
Date

  
Wendy Saxe, Senior Auditor 12/19/14  
Date

**Children and Youth Services:**

  
David Schille, Executive Director, Human Services 08/01/2015  
Date

  
Al Petrole, Fiscal Services Director, Human Services 1/8/15  
Date