

AMENDED FISCAL REPORTS  
For Fiscal Years:

July 1, 2008 to June 30, 2009

And

July 1, 2009 to June 30, 2010

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City of Philadelphia  
Department of Human Services

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January 2016



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General

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EUGENE A. DePASQUALE  
AUDITOR GENERAL

The Honorable Jim Kenney, Mayor  
City of Philadelphia  
Room 215 City Hall  
Philadelphia, PA 19107

Dear Mayor Kenney:

We have examined the submitted CY-370 Expenditure Report, the CY-370A Revenue Report, and the CY-348 Fiscal Summary, hereinafter referred to as the submitted fiscal reports, and the related financial records of the City of Philadelphia Department of Human Services (agency) for the purpose of ascertaining and certifying the actual Commonwealth expenditures incurred on behalf of children resident within the city for the fiscal years July 1, 2008 to June 30, 2009 and July 1, 2009 to June 30, 2010, pursuant to authority derived from Act 148 of 1976, as amended, 62 P.S. § 704.1(a)(4). The scope of our engagement was limited to the fiscal reports submitted to the Commonwealth Department of Human Services (Commonwealth DHS) as part of the Act 148 Invoice Packages for the fiscal years ended June 30, 2009 and June 30, 2010.

Preparation of the submitted fiscal reports, and compliance with Commonwealth DHS' Children, Youth, and Families regulations, are the responsibility of agency management. Our engagement procedures included a review of selected agency records, and other procedures we deemed necessary, to enable us to ascertain and certify the actual Commonwealth expenditures incurred on behalf of children resident within the agency and to determine the agency's compliance with certain provisions of 55 Pa. Code, Part V. Children, Youth, and Families Manual, Subpart C, Chapters 3140 and 3170 (55 Pa. Code §§ 3140.1 *et seq.* and 3170.1 *et seq.*).

The agency could not provide a complete listing of Purchased Services' invoices to support the total amounts of Purchased Services expenditures reported on the agency's submitted CY-370 Expenditure Report and corresponding CY-383 Fee-For-Service Schedule. The CY-383 Fee-For-Service Schedule is a supporting schedule that details, by vendor and cost center, the agency's total Purchased Services' Expenditures for the respective fiscal year. As a result, we could not determine the total population of invoices supporting the reported Purchased Services' expenditures from which to select invoices to examine, and we could not perform other procedures to conclude on the accuracy of the agency's reported Purchased Services' expenditures. Additional details regarding this matter are included in Finding No. 3 beginning on page 30 of this report.

Because of the significance of the matter described in the preceding paragraph, we could not conclude on the accuracy of the agency's Purchased Services' expenditures reported on the agency's corresponding submitted 2008-2009 and 2009-2010 CY-370 Expenditure Reports and in the agency's respective general ledgers. Therefore, we could not achieve our objective of ascertaining and certifying the actual Commonwealth expenditures incurred on behalf of children resident within the city for the fiscal years July 1, 2008 to June 30, 2009 and July 1, 2009 to June 30, 2010.

Despite the matter described in the third paragraph, we did perform procedures using the documentation available to us, and the results of those procedures are described in the bulleted paragraphs below. The results described below, however, may have been affected by the matter described in the third paragraph, and the assurance provided is limited by that matter.

- For the July 1, 2008 to June 30, 2009 fiscal year, our engagement resulted in twelve adjustments being made to the agency's submitted fiscal reports. Six of these adjustments in total impacted the agency's Final Net State Share by decreasing agency expenditures by \$1,933,064, increasing non-reimbursable expenditures by \$54,881 and increasing revenue by \$7,654,322. The six remaining adjustments had no effect on the agency's Final Net State Share. These adjustments were made to reclassify Independent Living Grant and Title IV-E revenue to the proper revenue sources and reconcile Independent Living Grant Funds Reported, Total Human Services Development Funds, Total Title IV-D Collections, and Title IV-D Collections for IV-E Eligible Children, to actual amounts received. These reconciliations are provided at the request of the Commonwealth DHS. Based on the application of the state participation rates, the six adjustments impacting the agency's Final Net State Share Payable resulted in an amount due to the state totaling \$4,428,492. All twelve adjustments are detailed in our amended fiscal reports for the July 1, 2008 to June 30, 2009 fiscal year, as included in Section 1 of this report, beginning on page 3.
- For the July 1, 2009 to June 30, 2010 fiscal year, our engagement resulted in eight adjustments being made to the agency's submitted fiscal reports. Seven adjustments in total impacted the agency's Final Net State Share by increasing agency expenditures by \$481,564, increasing non-reimbursable expenditures by \$412,476 and increasing revenue by \$5,366,027. The one remaining adjustment had no effect on the agency's Final Net State Share. It was made to reconcile Title IV-D Collections for IV-E Eligible Children to actual amounts received. This reconciliation is provided at the request of the Commonwealth DHS. Based on the application of the state participation rates, the seven adjustments impacting the agency's Final Net State Share Payable resulted in an amount due to the state totaling \$4,159,484. All eight adjustments are detailed in our amended fiscal reports for the July 1, 2009 to June 30, 2010 fiscal year, as included in Section 2 of this report, beginning on page 15.

In addition, we found that the agency failed to implement the recommendations included in our prior engagement report for the prior engagement findings listed below. Additional details are provided in Section 3 of this report, beginning on page 24:

Prior Engagement Finding – City of Philadelphia Department of Human Services (Agency) Received Act 148 Reimbursement To Which It Was Not Entitled for Unspent (Encumbered) Funds That Were Reported On Its CY-370 Expenditure Reports as Expenditures

Prior Engagement Finding – City of Philadelphia Department of Human Services (Agency) Overstated Building Rental Costs Which Resulted in the Receipt of State Act 148 Funds to Which It Was Not Entitled

Finally, we identified the following current areas of non-compliance, as detailed in Section 4 of this report, beginning on page 26:

Finding No. 1 – Noncompliance: City of Philadelphia Department of Human Services (Agency) Received Act 148 Reimbursement to Which It Was Not Entitled for Unspent (Encumbered) Funds that were Reported on Its CY-370 Expenditure Reports as Expenditures

Finding No. 2 – Noncompliance: City of Philadelphia Department of Human Services (Agency) Overstated Building Rental Costs Which Resulted in the Receipt of State Act 148 funds To Which It Was Not Entitled

Finding No. 3 – City of Philadelphia Department of Human Services (Agency) Failed to Provide Complete Financial Records and Supporting Documentation to Substantiate Reported Purchased Services Expenditures

Finding No. 4 – Potential Questionable Costs of \$27,438,285 Related to the City of Philadelphia Department of Human Services' (Agency's) Failure to Monitor the Financial and Program Activities of Preventative Services' Contractors and Subcontractors

Finding No. 5 – City of Philadelphia Department of Human Services (Agency) Advanced Payments to Purchased Services' Contractors Prior to Children and Youth Social Services Being Provided

Finding No. 6 – Deficient Internal Controls Resulted in Violations of DHS Regulations and Negatively Impacted the City of Philadelphia Department of Human Services (Agency) Operations and Financial Records

Finding No. 7 – Failure to Conduct Annual Time Studies

The results of our engagement procedures, as presented in this report, were discussed with agency management at an exit conference held on December 14, 2015.

This report is being forwarded to the Commonwealth DHS Bureau of Financial Operations, and the Office of Children, Youth, and Families for review and settlement of the adjustments included in our amended fiscal reports. You will be notified by the Commonwealth DHS of the decisions made during the Commonwealth DHS settlement process and the impact, if any, on a future Act 148 payment. At that time, in accordance with the Commonwealth's General Rules of Administrative Practice and Procedure, 1 Pa. Code § 31.1 *et seq.*, you will be afforded the opportunity by Commonwealth DHS to appeal its settlement process decision.

We appreciate the cooperation, assistance, and courtesy granted our representatives by your officials and the staff of the agency.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eugene A. DePasquale  
Auditor General

January 14, 2016

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## **BACKGROUND**

The Department of the Auditor General is responsible for reviewing the fiscal reports, known as the submitted CY-370 Expenditure Report, the CY-370A Revenue Report, and the CY-348 Fiscal Summary of the 67 County Children and Youth Agencies to determine proper reporting and utilization of funds according to program regulations and guidelines under the Public Welfare Code (62 P.S. § 704.1(a)(4)). The annual state Act 148 allocations are used by the Counties to administer social services for the children and youth that reside within the Commonwealth of Pennsylvania, whose stated goal is “to ensure, for each child in this Commonwealth, a permanent, legally assured family which protects the child from abuse and neglect.” The Children and Youth Social Services Program is County-Administered and State-Supervised by the Commonwealth Department of Human Services (DHS) and thus, they are jointly responsible for achieving the Commonwealth’s goal.

In accordance with the Public Welfare Code (62 P.S. § 703), the Commonwealth DHS is responsible for making and enforcing all rules and regulations necessary and appropriate to the proper accomplishment of the child welfare duties and functions vested by law in the county institution districts or their successors. Title 55 Pa. Code, Part V. Children, Youth, and Families Manual, Subpart C, outlines the rules and regulations relative to the County Administration of the Children and Youth Social Service Programs. Specifically, in compliance with 55 Pa. Code § 3140.31, the Counties must report their cumulative actual expenditures incurred for the provision of children and youth social services on a quarterly basis to the Commonwealth DHS through the Act 148 Invoice package. The expenditures reported in the Act 148 Invoice package refers to all costs for dependent and delinquent children and youth services funded or administered by the Commonwealth DHS.

As part of our engagement, we reviewed the City of Philadelphia Department of Human Service’s submitted fiscal reports, as referenced above, which are included in the Act 148 Invoice package. Specifically, we reviewed the final, cumulative 4<sup>th</sup> Quarter fiscal reports submitted to the DHS, along with the City of Philadelphia Department of Human Service’s related financial records and supporting documentation, to determine whether the City of Philadelphia Department of Human Service’s actual, cumulative expenditures and revenues were properly reported to the DHS for the respective fiscal years (FYs). The variances identified between the submitted and actual costs and revenues required adjustments to these fiscal reports, and thus, our Amended CY-370 Expenditure Report, Amended CY-370A Revenue Report, and Amended CY-348 Fiscal Summary, resulting from our engagement procedures and included in this report for each fiscal year included in our scope, reflect the City of Philadelphia Department of Human Service’s actual related costs and revenues for those years and those costs and revenues impact on the City Department of Human Service’s corresponding Net State Shares.

# SECTION 1

## AMENDED FISCAL REPORTS

**FOR THE FISCAL YEAR:**

**JULY 1, 2008 to JUNE 30, 2009**

**CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
FOR THE PERIOD JULY 1, 2008 TO JUNE 30, 2009  
AMENDED  
COMPUTATION OF FINAL NET STATE SHARE**

Approved State Allocation <sup>1</sup>		\$ 393,272,129
Supplemental Act 148		<u>0</u>
Total State Allocation		393,272,129
State Share (CY348) <sup>2</sup>	\$ 388,843,637	
Less: Major Service Category Adjustment	<u>0</u>	
Net State Share		\$ 388,843,637
Less: Expenditures in Excess of the Approved State Allocation		<u>0</u>
Final Net State Share Payable <sup>3</sup>		\$ 388,843,637
Actual Act 148 Revenues Received <sup>4</sup>		<u>393,272,129</u>
Net Amount Due City/(State) <sup>5</sup>		\$ <u>(4,428,492)</u>

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<sup>1</sup> Approved State Allocation is the amount of Act 148 State Funds that were budgeted for the City.

<sup>2</sup> State Share (CY348) is the total amount of City expenditures that are eligible for reimbursement from Act 148 Funds after audit adjustments are considered.

<sup>3</sup> Final Net Share Payable is the net amount of reimbursable expenditures from Act 148 funds after audit adjustments are considered.

<sup>4</sup> Actual Act 148 Revenues Received is the amount of Act 148 funds the City received.

<sup>5</sup> Net Amount Due the City/(State) is the variance between the amount of Act 148 funds the City received and the Final Net State Share Payable to the City. Our adjustments decreased the State Share by \$7,460,804, as shown in the CY-348 Fiscal Summary invoice box on page 4, but the Net Amount Due the State is \$4,428,492. The variance of \$3,032,312 is because the agency's submitted state share was \$396,304,441, which was \$3,032,312 over the agency's \$393,272,129 state allocation.

**CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
FOR THE PERIOD JULY 1, 2008 TO JUNE 30, 2009  
AMENDED CY348  
FISCAL SUMMARY**

	A	B	C	D	E	F	G	H	I	J	K
	GRAND TOTAL	PROGRAM INCOME	TITLE IV-E	TANF	TITLE XX	TITLE IV-B	OTHER FUNDING	MEDICAL ASSISTANCE	NET TOTAL	STATE ACT 148	LOCAL SHARE
NET CHILD WELFARE EXPENDITURES											
01. 100% REIMBURSEMENT	4,220,507	0	699,142	0	0	0	40,676	0	3,480,689	3,480,689	0
02. 90% REIMBURSEMENT	17,579,841	291,975	2,945,490	0	0	0	171,370	0	14,171,006	12,753,905	1,417,101
03. 80% REIMBURSEMENT	455,847,521	5,008,106	73,114,339	30,205,387	3,493,612	2,735,192	2,555,199	0	338,735,686	270,988,548	67,747,138
04. 60% REIMBURSEMENT	158,633,540	1,110,663	20,350,901	0	0	0	0	141,981	137,029,995	82,217,997	54,811,998
05. 50% REIMBURSEMENT	39,065,882	0	246,543	0	0	0	14,344	0	38,804,995	19,402,498	19,402,497
06. TOTAL NET CHILD WELFARE EXPEND	675,347,291	6,410,744	97,356,415	30,205,387	3,493,612	2,735,192	2,781,589	141,981	532,222,371	388,843,637	143,378,734

YDC/YFC PLACEMENT COSTS											
07. 60% DPW PARTICIPATION	32,181,970	0							32,181,970	19,309,182	12,872,788

08. NON-REIMBURSABLE EXPENDITURES	718,857	0	0	0					718,857		718,857
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09. TOTAL EXPENDITURES	708,248,118	6,410,744	97,356,415	30,205,387	3,493,612	2,735,192	2,781,589	141,981	565,123,198	408,152,819	156,970,379
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10. IL Grant Funds Reported 1,172,230

11. TOTAL HSDF used for Child Welfare 250,000

12. TOTAL TITLE IV-D COLLECTIONS 3,199,904

13. TITLE IV-D Collections for IV-E Children 3,513,106

14. STATE ACT 148 - line 6 388,843,637

15. STATE ACT 148 ALLOCATION 393,272,129

16. ADJUSTED STATE SHARE (lower of 14 or 15) 388,843,637

INVOICE											
AMENDED STATE SHARE (ACT 148)	388,843,637										
SUBMITTED STATE SHARE (ACT 148)	396,304,441										
ADJUSTMENT TO STATE SHARE	(7,460,804)										

Subsidized Permanent Legal Custodianship											
SPLC	13,861,340	589,554									1,977
Total Subsidies	13,861,340	589,554									1,977

CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
 FOR THE PERIOD JULY 1, 2008 TO JUNE 30, 2009  
 AMENDED CY370A  
 REVENUE REPORT

MAJOR SERVICE CATEGORIES & COST CENTERS	REVENUE SOURCES											
	1	2	3	4	5	6	7	8	9	10	11	12
IN-HOME	TOTAL REIMBURSABLE EXPENDITURES	PROGRAM INCOME	TITLE IV-E MAINTENANCE	TITLE IV-E ADMIN.	TANF	TITLE XX	TITLE IV-B	OTHER FUNDING	MEDICAL ASSISTANCE	NET REIMBURSABLE EXPENDITURES	STATE ACT 148	LOCAL SHARE
1-A ADOPTION SERVICE	4,220,507	0	0	699,142	0	0	0	40,676	0	3,480,689	3,480,689	0
1-B ADOPTION ASSISTANCE	39,089,086	0	20,705,684	0	0	2,735,192	0	0	0	15,648,210	12,518,568	3,129,642
1-C COUNSELING - DEPENDENT	174,336,385	1,326,258	0	7,781,709	8,587,794	0	0	452,744	0	156,187,880	124,950,304	31,237,576
1-D COUNSELING - DELINQUENT	22,064,041	0	0	207	20,012,529	0	0	12	0	2,051,293	1,641,034	410,259
1-E DAY CARE	5,682,389	0	0	716,802	0	0	0	41,704	0	4,923,883	3,939,106	984,777
1-F DAY TREATMENT - DEPENDENT	2,065,314	0	0	237,056	0	0	0	13,792	0	1,814,466	1,451,573	362,893
1-G DAY TREATMENT - DELINQUENT	12,569,228	0	0	0	1,605,064	0	0	0	0	10,964,164	8,771,331	2,192,833
1-H HOMEMAKER SERVICE	0	0	0	0	0	0	0	0	0	0	0	0
1-I INTAKE & REFERRAL	1,580,631	0	0	261,133	0	0	0	15,193	0	1,304,305	1,043,444	260,861
1-J LIFE SKILLS - DEPENDENT	0	0	0	0	0	0	0	0	0	0	0	0
1-K LIFE SKILLS - DELINQUENT	0	0	0	0	0	0	0	0	0	0	0	0
1-L PROTECTIVE SERVICE - CHLD ABUSE	7,841,734	0	0	1,297,381	0	0	0	75,482	0	6,468,871	5,175,097	1,293,774
1-M PROTECTIVE SERVICE - GENERAL	12,641,212	0	0	2,091,257	0	0	0	121,670	0	10,428,285	8,342,628	2,085,657
1-N SERVICE PLANNING	1,488,039	0	0	246,191	0	0	0	14,324	0	1,227,524	982,019	245,505
1-O JUVENILE ACT PROCEEDINGS - DEPENDENT	9,108,671	0	0	236,909	0	0	0	13,784	0	8,857,978	4,428,989	4,428,989
1-P JUVENILE ACT PROCEEDINGS - DELINQUENT	5,624,919	0	0	9,634	0	0	0	560	0	5,614,725	2,807,363	2,807,362
1-Q SUBTOTAL IN-HOME	298,312,156	1,326,258	20,705,684	13,577,421	30,205,387	0	2,735,192	789,941	0	228,972,273	179,532,145	49,440,128

COMMUNITY BASED PLACEMENT	REVENUE SOURCES											
	TOTAL REIMBURSABLE EXPENDITURES	PROGRAM INCOME	TITLE IV-E MAINTENANCE	TITLE IV-E ADMIN.	TANF	TITLE XX	TITLE IV-B	OTHER FUNDING	MEDICAL ASSISTANCE	NET REIMBURSABLE EXPENDITURES	STATE ACT 148	LOCAL SHARE
2-A ALTERNATIVE TREATMENT - DEPENDENT	1,366,082	0	0	20,338	0	0	0	0	0	1,345,744	1,076,595	269,149
2-B ALTERNATIVE TREATMENT - DELINQUENT	3,258	0	0	431	0	0	0	0	0	2,827	2,262	565
2-C COMMUNITY RESIDENTIAL - DEPENDENT	30,598,272	562,433	5,225,688	333,155	0	0	0	0	0	24,476,996	19,581,597	4,895,399
2-D COMMUNITY RESIDENTIAL - DELINQUENT	8,673,227	149,476	1,301,715	7,200	0	0	0	0	0	7,214,836	5,771,869	1,442,967
2-E EMERGENCY SHELTER - DEPENDENT	3,981,668	71,609	633,870	41,449	0	0	0	39,290	0	3,195,450	2,875,905	319,545
2-F EMERGENCY SHELTER - DELINQUENT	13,598,173	220,366	2,052,252	217,919	0	0	0	132,080	0	10,975,556	9,878,000	1,097,556
2-G FOSTER FAMILY - DEPENDENT	125,493,430	2,955,538	14,618,615	16,764,513	0	3,493,612	0	1,820,278	0	85,840,874	68,672,699	17,168,175
2-H FOSTER FAMILY - DELINQUENT	1,493,696	14,401	39,901	153,100	0	0	0	0	0	1,286,294	1,029,035	257,259
2-I SUP. INDEPENDENT LIVING - DEPENDENT	7,390,484	0	1,172,230	137,068	0	0	0	0	0	6,081,186	4,864,949	1,216,237
2-J SUP. INDEPENDENT LIVING - DELINQUENT	1,471,013	0	0	2,965	0	0	0	0	0	1,468,048	1,174,438	293,610
2-K SUBTOTAL CBP	194,069,303	3,973,823	25,044,271	17,678,138	0	3,493,612	0	1,991,648	0	141,887,811	114,927,349	26,960,462

INSTITUTIONAL PLACEMENT	REVENUE SOURCES											
	TOTAL REIMBURSABLE EXPENDITURES	PROGRAM INCOME	TITLE IV-E MAINTENANCE	TITLE IV-E ADMIN.	TANF	TITLE XX	TITLE IV-B	OTHER FUNDING	MEDICAL ASSISTANCE	NET REIMBURSABLE EXPENDITURES	STATE ACT 148	LOCAL SHARE
3-A JUVENILE DETENTION SERVICE	24,332,292	0	0	387,023	0	0	0	0	0	24,332,292	12,166,146	12,166,146
3-B RESIDENTIAL SERVICE - DEPENDENT	35,970,916	511,425	4,671,084	8,370	0	0	0	0	0	30,401,384	18,240,830	12,160,554
3-C RES. SERVICE - DELINQUENT (NON YDC/YFC)	67,233,522	599,238	5,701,556	8,370	0	0	0	0	0	60,924,358	36,554,615	24,369,743
3-D SECURE RES. SERVICE (EXCEPT YDC)	0	0	0	0	0	0	0	0	0	0	0	0
3-E YDC/YFC (NON-SECURE)-Institutional	0	0	0	0	0	0	0	0	0	0	0	0
3-F YDC SECURE	32,181,970	0	0	0	0	0	0	0	0	32,181,970	19,309,182	12,872,788
3-G SUBTOTAL INSTITUTIONAL	159,718,700	1,110,663	10,372,640	395,393	0	0	0	0	0	147,840,004	86,270,773	61,569,231

4 ADMINISTRATION	55,429,102	0	0	9,582,868	0	0	0	0	0	141,981	27,422,552	18,281,701
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5 TOTAL REVENUES	707,529,261	6,410,744	56,122,595	41,233,820	30,205,387	3,493,612	2,735,192	2,781,589	141,981	564,404,341	408,152,819	156,251,522
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**CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
FOR THE PERIOD JULY 1, 2008 TO JUNE 30, 2009  
AMENDED CY370  
EXPENDITURE REPORT**

MAJOR SERVICE CATEGORIES & COST CENTERS	OBJECTS OF EXPENDITURE										12	
	1	2	3	4	5	6	7	8	9	10		11
	WAGES AND SALARIES	EMPLOYEE BENEFITS	EMPLOYEE BENEFITS	OPERATING SUBSIDIES	OPERATING SERVICES	FIXED ASSETS	TOTAL EXPENDITURES	Children Served (by county)	Children Served (Purchased)	Non-Reimbursable Non PS/Sub.	Non-Reim. Purchased Serv/ Subsidies	Program Income related to all Non-Reimbursable
<b>IN-HOME</b>												
I-A ADOPTION SERVICE	2,748,862	1,176,513		306,215	0	0	4,231,590	3,728	2,886	11,083	0	0
I-B ADOPTION ASSISTANCE		0	39,089,086	0	0	0	39,089,086	20,420	20,420	0	0	0
I-C COUNSELING - DEPENDENT	29,314,610	12,546,653		4,935,873	127,502,820	88,374	174,388,330	67,071	19,884	51,945	0	0
I-D COUNSELING - DELINQUENT	0	0		1,226	22,062,815	0	22,064,041	15,068	15,068	0	0	0
I-E DAY CARE	2,679,870	1,146,984		674,958	1,166,283	18,225	5,686,320	918	918	3,931	0	0
I-F DAY TREATMENT - DEPENDENT	885,998	379,207		154,737	643,062	3,610	2,066,614	290	290	1,300	0	0
I-G DAY TREATMENT - DELINQUENT	0	0		0	12,569,228	0	12,569,228	6,629	6,629	0	0	0
I-H HOMEMAKER SERVICE	0	0		0	0	0	0	0	0	0	0	0
I-I INTAKE & REFERRAL	1,049,284	449,094		82,664	0	0	1,581,042	17,148	12,796	411	0	0
I-J LIFE SKILLS - DEPENDENT	0	0		0	0	0	0	0	0	0	0	0
I-K LIFE SKILLS - DELINQUENT	0	0		0	0	0	0	0	0	0	0	0
I-L PROTECTIVE SERVICE - CHILD ABUSE	5,256,801	2,249,911		347,971	0	0	7,854,683	8,183	5,984	12,949	0	0
I-M PROTECTIVE SERVICE - GENERAL	8,474,189	3,626,953		560,945	0	0	12,662,087	7,108	5,321	20,875	0	0
I-N SERVICE PLANNING	997,801	427,059		65,769	0	0	1,490,629	95,852	75,055	2,590	0	0
I-O JUVENILE ACT PROCEEDINGS - DEPENDENT				1,384,918	7,723,753		9,108,671	11,395	11,395	0	0	0
I-P JUVENILE ACT PROCEEDINGS - DELINQUENT				55,040	5,569,879		5,624,919	4,150	4,150	0	0	0
I-Q <b>SUBTOTAL IN-HOME</b>	51,407,415	22,002,374	39,089,086	8,570,316	177,237,840	110,209	298,417,240			105,084	0	0
	Number of Children receiving <b>only</b> NON-PURCHASED IN-Home Services											
<b>COMMUNITY BASED PLACEMENT</b>	WAGES AND SALARIES	EMPLOYEE BENEFITS	SUBSIDIES	OPERATING	OPERATING SERVICES	FIXED ASSETS	TOTAL EXPENDITURES	DAYS OF CARE	Children Served (Purchased)	Non-Reimbursable Non PS/Sub.	Non-Reim. Purchased Serv/ Subsidies	Program Income related to all Non-Reimbursable
2-A ALTERNATIVE TREATMENT - DEPENDENT	70,545	30,193	0	15,243	1,249,873	330	1,366,184	13,702	87	102	0	0
2-B ALTERNATIVE TREATMENT - DELINQUENT	1,349	577	0	1,332	0	0	3,258	0	0	0	0	0
2-C COMMUNITY RESIDENTIAL - DEPENDENT	1,155,103	494,384	0	242,156	28,703,010	5,283	30,599,936	208,394	1,137	1,664	0	0
2-D COMMUNITY RESIDENTIAL - DELINQUENT	22,505	9,632	0	20,777	8,620,313	0	8,673,227	81,928	514	0	0	0
2-E EMERGENCY SHELTER - DEPENDENT	152,277	65,175	0	30,719	3,733,057	660	3,981,888	26,184	575	220	0	0
2-F EMERGENCY SHELTER - DELINQUENT	885,583	379,030	0	60,127	12,279,855	0	13,604,595	75,142	1,940	6,422	0	0
2-G FOSTER FAMILY - DEPENDENT	9,155,718	3,918,647	13,861,340	1,897,925	96,633,299	39,686	125,506,615	1,556,924	8,304	13,185	0	0
2-H FOSTER FAMILY - DELINQUENT	178,712	76,489	0	156,508	1,081,987	0	1,493,696	9,770	60	0	0	0
2-I SUP. INDEPENDENT LIVING - DEPENDENT	475,425	203,482	0	107,866	6,601,975	2,421	7,391,169	98,710	460	685	0	0
2-J SUP. INDEPENDENT LIVING - DELINQUENT	9,277	3,971	0	9,462	1,448,303	0	1,471,013	17,071	69	0	0	0
2-K <b>SUBTOTAL CBP</b>	12,106,494	5,181,580	13,861,340	2,542,115	160,351,672	48,380	194,091,581	2,087,825	13,146	22,278	0	0
<b>INSTITUTIONAL PLACEMENT</b>	WAGES AND SALARIES	EMPLOYEE BENEFITS	SUBSIDIES	OPERATING	OPERATING SERVICES	FIXED ASSETS	TOTAL EXPENDITURES	DAYS OF CARE	Children Served (Purchased)	Non-Reimbursable Non PS/Sub.	Non-Reim. Purchased Serv/ Subsidies	Non-Reim. Program Income
3-A JUVENILE DETENTION SERVICE	0	0		0	24,332,292	0	24,332,292	46,521	5,787	0	0	0
3-B RESIDENTIAL SERVICE - DEPENDENT	1,340,829	573,875		292,927	33,758,723	6,493	35,972,847	240,738	1,518	1,931	0	0
3-C RES. SERVICE - DELINQUENT (EXCEPT YDC/YFC)	26,143	11,189		25,446	67,170,744	0	67,233,522	530,406	4,757	0	0	0
3-D SECURE RES. SERVICE (EXCEPT YDC)	0	0		0	0	0	0	0	0	0	0	0
3-E YDC/YFC (NON-SECURE)-Institutional	0	0		0	0	0	0	0	0	0	0	0
3-F YDC SECURE	0	0		0	32,181,970	0	32,181,970	64,572	2,353	0	0	0
3-G <b>SUBTOTAL INSTITUTIONAL</b>	1,366,972	585,064	0	318,373	157,443,729	6,493	159,720,631	882,237	14,415	1,931	0	0
4 <b>ADMINISTRATION</b>	22,790,577	9,754,367	0	23,403,953	0	69,769	56,018,666			589,564	0	0
5 <b>TOTAL EXPENDITURES</b>	87,671,458	37,523,385	52,950,426	34,854,757	495,033,241	234,851	708,248,118			718,857	0	0
	County Indirect Costs = \$ 13,252,977											

**CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
FOR THE PERIOD JULY 1, 2008 TO JUNE 30, 2009**

**AMENDED**

**SUMMARY OF EXPENSE AND EXPENSE ADJUSTMENTS**

<b>COST CENTER ITEMS</b>	<b>AS REPORTED PER CY370</b>	<b>INCREASE (DECREASE)</b>	<b>AS AMENDED PER CY370</b>
Adoption Service	\$ 4,250,637	\$ (19,047)	\$ 4,231,590
Adoption Assistance	39,089,086	0	39,089,086
Counseling	198,554,410	(2,102,039)	196,452,371
Day Care	5,521,403	164,917	5,686,320
Day Treatment	14,652,076	(16,234)	14,635,842
Homemaker Service	0	0	0
Intake and Referral	1,586,726	(5,684)	1,581,042
Life Skills	0	0	0
Protective Service - Child Abuse	7,880,312	(25,629)	7,854,683
Protective Service - General	12,703,404	(41,317)	12,662,087
Service Planning	1,495,482	(4,853)	1,490,629
Juvenile Act Proceedings	14,821,725	(88,135)	14,733,590
Alternative Treatment	1,368,881	561	1,369,442
Community Residential	39,274,958	(1,795)	39,273,163
Emergency Shelter	17,592,477	(5,994)	17,586,483
Foster Family	127,101,286	(100,975)	127,000,311
Supervised Independent Living	8,860,373	1,809	8,862,182
Juvenile Detention Service	24,356,818	(24,526)	24,332,292
Residential Service	103,195,150	11,219	103,206,369
Secure Residential Service (Except YDC)	0	0	0
YDC/YFC (Non-Secure) - Institutional	0	0	0
YDC Secure	32,181,970	0	32,181,970
Administration	<u>55,694,008</u>	<u>324,658</u>	<u>56,018,666</u>
Combined Total Expense	710,181,182	(1,933,064)	708,248,118
Less Non-reimbursables	<u>663,976</u>	<u>54,881</u>	<u>718,857</u>
Total Net Expense	\$ <u>709,517,206</u>	\$ <u>(1,987,945)</u>	\$ <u>707,529,261</u>

<b>OBJECTS OF EXPENDITURE</b>	<b>AS REPORTED PER CY370</b>	<b>INCREASE (DECREASE)</b>	<b>AS AMENDED PER CY370</b>
Wages and Salaries	\$ 87,671,458	\$ 0	\$ 87,671,458
Employee Benefits	37,523,385	0	37,523,385
Subsidies	52,950,426	0	52,950,426
Operating	34,910,903	(76,146)	34,834,757
Purchased Services	496,788,781	(1,755,540)	495,033,241
Fixed Assets	<u>336,229</u>	<u>(101,378)</u>	<u>234,851</u>
Combined Total Expense	710,181,182	(1,933,064)	708,248,118
Less Non-reimbursables	<u>663,976</u>	<u>54,881</u>	<u>718,857</u>
Total Net Expense	\$ <u>709,517,206</u>	\$ <u>(1,987,945)</u>	\$ <u>707,529,261</u>

**CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
FOR THE PERIOD JULY 1, 2008 TO JUNE 30, 2009  
ADJUSTMENT SCHEDULE**

REPORT REFERENCE			ADJ. NO.	EXPLANATION OF ADJUSTMENTS	AS REPORTED OR ADJUSTED	INCREASE/ (DECREASE)	ADJUSTED TOTAL
SCHEDULE	LINE	COLUMN					
				CY-370 Adjustments			
CY-370	1-A	4	1	Adoption Service - Operating	\$ 325,262	\$ (5,628)	\$ 319,634
	1-C	4		Counseling (Dependent) - Operating	\$ 5,374,698	\$ (217,080)	\$ 5,157,618
	1-E	4		Day Care - Operating	\$ 521,323	\$ 175,143	\$ 696,466
	1-F	4		Day Treatment (Dependent) - Operating	\$ 172,288	\$ (10,443)	\$ 161,845
	1-I	4		Intake and Referral - Operating	\$ 88,348	\$ (2,039)	\$ 86,309
	1-L	4		Protective Service Child Abuse - Operating	\$ 373,600	\$ (10,215)	\$ 363,385
	1-M	4		Protective Service General - Operating	\$ 602,262	\$ (16,469)	\$ 585,793
	1-N	4		Service Planning - Operating	\$ 70,622	\$ (1,939)	\$ 68,683
	2-A	4		Alternative Treatment (Dependent) -Operating	\$ 15,619	\$ 268	\$ 15,887
	2-B	4		Alternative Treatment (Delinquent) - Operating	\$ 549	\$ 806	\$ 1,355
	2-C	4		Community Residential (Dependent) - Operating	\$ 257,940	\$ (5,142)	\$ 252,798
	2-D	4		Community Residential (Delinquent) - Operating	\$ 9,135	\$ 12,019	\$ 21,154
	2-E	4		Emergency Shelter (Dependent) - Operating	\$ 34,112	\$ (1,986)	\$ 32,126
	2-F	4		Emergency Shelter (Delinquent) - Operating	\$ 62,997	\$ (271)	\$ 62,726
	2-G	4		Foster Family (Dependent) - Operating	\$ 2,099,232	\$ (114,699)	\$ 1,984,533
	2-H	4		Foster Family (Delinquent) - Operating	\$ 72,551	\$ 86,950	\$ 159,501
	2-I	4		Supervised Independent Living (Dependent) - Operating	\$ 105,823	\$ 6,409	\$ 112,232
	2-J	4		Supervised Independent Living (Delinquent) -Operating	\$ 3,766	\$ 5,851	\$ 9,617
	3-B	4		Residential Service (Dependent) - Operating	\$ 299,620	\$ 5,668	\$ 305,288
	3-C	4		Residential Service (Delinquent) (Non YDC/YFC) - Operating	\$ 10,613	\$ 15,271	\$ 25,884
	4	4		Administration - Operating	\$ 22,907,340	\$ (356,043)	\$ 22,551,297
	1-C	5		Counseling (Dependent) - Purchased Services	\$ 129,080,511	\$ (1,552,691)	\$ 127,527,820
	1-D	5		Counseling (Delinquent) - Purchased Services	\$ 22,182,815	\$ (95,000)	\$ 22,087,815
	1-P	5		Juvenile Act Proceedings (Delinquent) - Purchased Services	\$ 5,596,048	\$ (26,169)	\$ 5,569,879
	2-I	5		Supervised Independent Living (Dependent) - Purchased Services	\$ 6,609,129	\$ (7,154)	\$ 6,601,975
	3-A	5		Juvenile Detention Service - Purchased Services	\$ 24,356,818	\$ (24,526)	\$ 24,332,292
	1-C	6		Counseling (Dependent) - Fixed Assets	\$ 53,844	\$ 34,530	\$ 88,374
	1-E	6		Day Care - Fixed Assets	\$ 6,943	\$ 11,282	\$ 18,225
	1-F	6		Day Treatment (Dependent) - Fixed Assets	\$ 2,293	\$ 1,317	\$ 3,610
	2-A	6		Alternative Treatment (Dependent) -Fixed Assets	\$ 176	\$ 154	\$ 330
	2-C	6		Community Residential (Dependent) - Fixed Assets	\$ 2,936	\$ 2,347	\$ 5,283
	2-E	6		Emergency Shelter (Dependent) - Fixed Assets	\$ 391	\$ 269	\$ 660
	2-G	6		Foster Family (Dependent) - Fixed Assets	\$ 23,311	\$ 16,375	\$ 39,686
	2-I	6		Supervised Independent Living (Dependent) - Fixed Assets	\$ 1,197	\$ 1,224	\$ 2,421
	3-B	6		Residential Service (Dependent) - Fixed Assets	\$ 3,414	\$ 3,079	\$ 6,493
	4	6		Administration - Fixed Assets	\$ 241,724	\$ (171,955)	\$ 69,769
				Total Adjustment Amount		\$ (2,240,487)	
				To decrease Expenditures by \$2,240,487 to eliminate encumbered (budgeted) costs that were reported as actual costs on the CY-370 Expenditure Report. Operating costs were decreased \$433,569, Purchased Services decreased \$1,705,540, and Fixed Assets were decreased \$101,378. <i>Note: A finding with a similar discrepancy was written in the City's June 30, 2009 Single Audit Report.</i>			
				Title 55 PA Code, Chapters 3140.42-3140.45 and 3170.11 OCYF Bulletin 3140-06-06			

**CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
FOR THE PERIOD JULY 1, 2008 TO JUNE 30, 2009  
ADJUSTMENT SCHEDULE**

REPORT REFERENCE			ADJ. NO.	EXPLANATION OF ADJUSTMENTS	AS REPORTED OR ADJUSTED	INCREASE/ (DECREASE)	ADJUSTED TOTAL
SCHEDULE	LINE	COLUMN					
CY-370	1-A	4	2	Adoption Service - Operating	\$ 319,634	\$ (13,419)	\$ 306,215
	1-C	4		Counseling (Dependent) - Operating	\$ 5,157,618	\$ (221,745)	\$ 4,935,873
	1-D	4		Counseling (Delinquent) - Operating	\$ 1,279	\$ (53)	\$ 1,226
	1-E	4		Day Care - Operating	\$ 696,466	\$ (21,508)	\$ 674,958
	1-F	4		Day Treatment (Dependent) - Operating	\$ 161,845	\$ (7,108)	\$ 154,737
	1-I	4		Intake and Referral - Operating	\$ 86,309	\$ (3,645)	\$ 82,664
	1-L	4		Protective Service Child Abuse - Operating	\$ 363,385	\$ (15,414)	\$ 347,971
	1-M	4		Protective Service General - Operating	\$ 585,793	\$ (24,848)	\$ 560,945
	1-N	4		Service Planning - Operating	\$ 68,683	\$ (2,914)	\$ 65,769
	1-O	4		Juvenile Act Proceedings (Dependent) - Operating	\$ 1,444,515	\$ (59,597)	\$ 1,384,918
	1-P	4		Juvenile Act Proceedings (Delinquent) - Operating	\$ 57,409	\$ (2,369)	\$ 55,040
	2-A	4		Alternative Treatment (Dependent) - Operating	\$ 15,887	\$ (644)	\$ 15,243
	2-B	4		Alternative Treatment (Delinquent) - Operating	\$ 1,355	\$ (23)	\$ 1,332
	2-C	4		Community Residential (Dependent) - Operating	\$ 252,798	\$ (10,642)	\$ 242,156
	2-D	4		Community Residential (Delinquent) - Operating	\$ 21,154	\$ (377)	\$ 20,777
	2-E	4		Emergency Shelter (Dependent) - Operating	\$ 32,126	\$ (1,407)	\$ 30,719
	2-F	4		Emergency Shelter (Delinquent) - Operating	\$ 62,726	\$ (2,599)	\$ 60,127
	2-G	4		Foster Family (Dependent) - Operating	\$ 1,984,533	\$ (86,608)	\$ 1,897,925
	2-H	4		Foster Family (Delinquent) - Operating	\$ 159,501	\$ (2,993)	\$ 156,508
	2-I	4		Supervised Independent Living (Dependent) - Operating	\$ 112,232	\$ (4,366)	\$ 107,866
	2-J	4		Supervised Independent Living (Delinquent) - Operating	\$ 9,617	\$ (155)	\$ 9,462
	3-B	4		Residential Service (Dependent) - Operating	\$ 305,288	\$ (12,361)	\$ 292,927
	3-C	4		Residential Service (Delinquent) (Non YDC/YFC) - Operating	\$ 25,884	\$ (438)	\$ 25,446
	4	4	Administration - Operating	\$ 22,551,297	\$ (783,853)	\$ 21,767,444	
			Total Adjustment Amount		\$ (1,279,086)		
				<p>To decrease Operating Expenditures by \$1,279,086 to eliminate unallowable expenditures included on the CY-370 Expenditure Report. The unallowable expenditures include: \$783,853 for unsupported indirect salaries and operating expenditures; \$302,403 for expenditures not included in the city's accounting records; \$166,661 for costs reported by other city agencies; and \$26,169 because estimated and not actual rates were used to calculate court employee benefits. <i>Note: A finding with a similar discrepancy was written in the City's June 30, 2009 Single Audit.</i></p>			
				Title 55 PA Code, Chapters 3170.91(b) and 3170.95(a)(b)			

**CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
FOR THE PERIOD JULY 1, 2008 TO JUNE 30, 2009  
ADJUSTMENT SCHEDULE**

REPORT REFERENCE			ADJ. NO.	EXPLANATION OF ADJUSTMENTS	AS REPORTED OR ADJUSTED	INCREASE/ (DECREASE)	ADJUSTED TOTAL
SCHEDULE	LINE	COLUMN					
CY-370	1-C	5	3	Counseling (Dependent) - Purchased Services	\$ 127,527,820	\$ (25,000)	\$ 127,502,820
	1-D	5		Counseling (Delinquent) - Purchased Services	\$ 22,087,815	\$ (25,000)	\$ 22,062,815
				Total Adjustment Amount		\$ (50,000)	
				To decrease Purchased Services by \$50,000 to disallow expenditures paid to a provider which were not supported by invoices.			
				Title 55 PA Code, Chapters 3170.91(b) and 3170.95(a)(b)			
CY-370	4	4	4	Administration - Operating	\$ 21,767,444	\$ 1,636,509	\$ 23,403,953
				To increase Indirect Costs by \$1,636,509 to reconcile to the City's Cost Allocation Plan.			
				Title 55 PA Code, Chapter 3170.60 OCYF Bulletin 00-95-12			
CY-370	1-A	10	5	Adoption Service - Non-Reimbursables Non PS/Sub.	\$ 10,237	\$ 846	\$ 11,083
	1-C	10		Counseling (Dependent) - Non-Reimbursables Non PS/Sub.	\$ 47,979	\$ 3,966	\$ 51,945
	1-E	10		Day Care - Non-Reimbursables Non PS/Sub.	\$ 3,631	\$ 300	\$ 3,931
	1-F	10		Day Treatment (Dependent) - Non-Reimbursables Non PS/Sub.	\$ 1,201	\$ 99	\$ 1,300
	1-I	10		Intake and Referral - Non-Reimbursables Non PS/Sub.	\$ 380	\$ 31	\$ 411
	1-L	10		Protective Service Child Abuse - Non-Reimbursables Non PS/Sub.	\$ 11,960	\$ 989	\$ 12,949
	1-M	10		Protective Service General - Non-Reimbursables Non PS/Sub.	\$ 19,281	\$ 1,594	\$ 20,875
	1-N	10		Service Planning - Non-Reimbursables Non/Sub.	\$ 2,392	\$ 198	\$ 2,590
	2-A	10		Alternative Treatment (Dependent) - Non-Reimbursables Non PS/Sub.	\$ 94	\$ 8	\$ 102
	2-C	10		Community Residential (Dependent) - Non-Reimbursables Non PS/Sub.	\$ 1,537	\$ 127	\$ 1,664
	2-E	10		Emergency Shelter (Dependent) - Non-Reimbursables Non PS/Sub.	\$ 203	\$ 17	\$ 220
	2-F	10		Emergency Shelter (Delinquent) - Non-Reimbursables Non PS/Sub.	\$ 5,932	\$ 490	\$ 6,422
	2-G	10		Foster Family (Dependent) - Non-Reimbursables Non PS/Sub.	\$ 12,178	\$ 1,007	\$ 13,185
	2-I	10		Supervised Independent Living (Dep.) - Non-Reimbursables Non PS/Sub.	\$ 633	\$ 52	\$ 685
	3-B	10		Residential Service (Dependent) - Non-Reimbursables Non PS/Sub.	\$ 1,784	\$ 147	\$ 1,931
	4	10		Administration - Non-Reimbursables Non PS/Sub.	\$ 544,554	\$ 45,010	\$ 589,564
					Total Adjustment Amount		\$ 54,881
			To increase Non-Reimbursable Expenditures by \$54,881 to eliminate wages and salaries (\$40,899) and employee benefits (\$13,982) for 18 employees that participated in the Child Welfare Education for Leadership (CWEL) program. The agency reported 100% of salaries and benefits for employees enrolled in the CWEL program and only 95% of salaries are eligible for state reimbursement and for employee benefits only 40.7% of an employee's bi-weekly salary is eligible for state reimbursement.				
			Title 55 PA Code, Chapter 3170.92(c) OCYF Bulletin 3140-06-06				

**CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
FOR THE PERIOD JULY 1, 2008 TO JUNE 30, 2009  
ADJUSTMENT SCHEDULE**

REPORT REFERENCE			ADJ. NO.	EXPLANATION OF ADJUSTMENTS	AS REPORTED OR ADJUSTED	INCREASE/ (DECREASE)	ADJUSTED TOTAL
SCHEDULE	LINE	COLUMN					
CY-370A Adjustments							
CY-370A	1-B	3	6	Adoption Assistance - Title IV-E Maintenance	\$ 19,122,875	\$ 1,582,809	\$ 20,705,684
	2-C	3		Community Residential (Dependent) - Title IV-E Maintenance	\$ 4,826,220	\$ 399,468	\$ 5,225,688
	2-D	3		Community Residential (Delinquent) - Title IV-E Maintenance	\$ 1,202,208	\$ 99,507	\$ 1,301,715
	2-E	3		Emergency Shelter (Dependent) - Title IV-E Maintenance	\$ 619,475	\$ 51,274	\$ 670,749
	2-F	3		Emergency Shelter (Delinquent) - Title IV-E Maintenance	\$ 2,005,645	\$ 166,008	\$ 2,171,653
	2-G	3		Foster Family (Dependent) - Title IV-E Maintenance	\$ 14,192,381	\$ 1,271,143	\$ 15,463,524
	2-H	3		Foster Family (Delinquent) - Title IV-E Maintenance	\$ 36,851	\$ 3,050	\$ 39,901
	3-B	3		Residential Service (Dependent) - Title IV-E Maintenance	\$ 4,314,011	\$ 357,073	\$ 4,671,084
	3-C	3		Residential Service (Del.) (Non YDC/YFC) - Title IV-E Maintenance	\$ 5,265,711	\$ 435,845	\$ 5,701,556
	1-A	4		Adoption Service - Title IV-E Administration	\$ 683,264	\$ 56,554	\$ 739,818
	1-C	4		Counseling (Dependent) - Title IV-E Administration	\$ 7,604,985	\$ 629,468	\$ 8,234,453
	1-D	4		Counseling (Delinquent) - Title IV-E Administration	\$ 202	\$ 17	\$ 219
	1-E	4		Day Care - Title IV-E Administration	\$ 700,523	\$ 57,983	\$ 758,506
	1-F	4		Day Treatment (Dependent) - Title IV-E Administration	\$ 231,672	\$ 19,176	\$ 250,848
	1-I	4		Intake and Referral - Title IV-E Administration	\$ 255,203	\$ 21,123	\$ 276,326
	1-L	4		Protective Service Child Abuse - Title IV-E Administration	\$ 1,267,917	\$ 104,946	\$ 1,372,863
	1-M	4		Protective Service General - Title IV-E Administration	\$ 2,043,764	\$ 169,163	\$ 2,212,927
	1-N	4		Service Planning - Title IV-E Administration	\$ 240,600	\$ 19,915	\$ 260,515
	1-O	4		Juvenile Act Proceedings (Dependent) - Title IV-E Administration	\$ 231,529	\$ 19,164	\$ 250,693
	1-P	4		Juvenile Act Proceedings (Delinquent) - Title IV-E Administration	\$ 9,415	\$ 779	\$ 10,194
	2-A	4		Alternative Treatment (Dependent) - Title IV-E Administration	\$ 18,783	\$ 1,555	\$ 20,338
	2-B	4		Alternative Treatment (Delinquent) - Title IV-E Administration	\$ 398	\$ 33	\$ 431
	2-C	4		Community Residential (Dependent) - Title IV-E Administration	\$ 307,688	\$ 25,467	\$ 333,155
	2-D	4		Community Residential (Delinquent) - Title IV-E Administration	\$ 6,650	\$ 550	\$ 7,200
	2-E	4		Emergency Shelter (Dependent) - Title IV-E Administration	\$ 40,507	\$ 3,353	\$ 43,860
	2-F	4		Emergency Shelter (Delinquent) - Title IV-E Administration	\$ 212,970	\$ 17,628	\$ 230,598
	2-G	4		Foster Family (Dependent) - Title IV-E Administration	\$ 16,383,789	\$ 1,356,093	\$ 17,739,882
	2-H	4		Foster Family (Delinquent) - Title IV-E Administration	\$ 141,397	\$ 11,703	\$ 153,100
	2-I	4		Supervised Independent Living (Dependent) - Title IV-E Administration	\$ 126,590	\$ 10,478	\$ 137,068
	2-J	4		Supervised Independent Living - (Delinquent) - Title IV-E Administration	\$ 2,738	\$ 227	\$ 2,965
	3-B	4		Residential Service (Dependent) - Title IV-E Administration	\$ 357,438	\$ 29,585	\$ 387,023
3-C	4	Residential Service (Del.) (Non YDC/YFC) - Title IV-E Administration	\$ 7,730	\$ 640	\$ 8,370		
	4	Administration - Title IV-E Administration	\$ 8,850,323	\$ 732,545	\$ 9,582,868		
			Total Adjustment Amount		\$ 7,654,322		
			To increase Federal Title IV-E Revenue by \$7,654,322 to include 80 supplemental invoices totaling \$6,073,403, decrease Title IV-E to include two invoices (\$215,340) and (\$29,591) which were not processed and and paid by Commonwealth DHS; and increased \$1,825,850 for an invoice that was paid twice by Commonwealth DHS.				
			Title 55 PA Code, Chapter 3170.95(a)(b)				

**CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
FOR THE PERIOD JULY 1, 2008 TO JUNE 30, 2009  
ADJUSTMENT SCHEDULE**

REPORT REFERENCE			ADJ. NO.	EXPLANATION OF ADJUSTMENTS	AS REPORTED OR ADJUSTED	INCREASE/ (DECREASE)	ADJUSTED TOTAL
SCHEDULE	LINE	COLUMN					
				CY-370A Adjustments			
CY-370A	2-E	3	7	Emergency Shelter (Dependent) - Title IV-E Maintenance	\$ 670,749	\$ (36,879)	\$ 633,870
	2-F	3		Emergency Shelter (Delinquent) - Title IV-E Maintenance	\$ 2,171,653	\$ (119,401)	\$ 2,052,252
	2-G	3		Foster Family (Dependent) - Title IV-E Maintenance	\$ 15,463,524	\$ (844,909)	\$ 14,618,615
	1-A	4		Adoption Service - Title IV-E Administration	\$ 739,818	\$ (40,676)	\$ 699,142
	1-C	4		Counseling (Dependent) - Title IV-E Administration	\$ 8,234,453	\$ (452,744)	\$ 7,781,709
	1-D	4		Counseling (Delinquent) - Title IV-E Administration	\$ 219	\$ (12)	\$ 207
	1-E	4		Day Care - Title IV-E Administration	\$ 758,506	\$ (41,704)	\$ 716,802
	1-F	4		Day Treatment (Dependent) - Title IV-E Administration	\$ 250,848	\$ (13,792)	\$ 237,056
	1-I	4		Intake and Referral - Title IV-E Administration	\$ 276,326	\$ (15,193)	\$ 261,133
	1-L	4		Protective Service Child Abuse - Title IV-E Administration	\$ 1,372,863	\$ (75,482)	\$ 1,297,381
	1-M	4		Protective Service General - Title IV-E Administration	\$ 2,212,927	\$ (121,670)	\$ 2,091,257
	1-N	4		Service Planning - Title IV-E Administration	\$ 260,515	\$ (14,324)	\$ 246,191
	1-O	4		Juvenile Act Proceedings (Dependent) - Title IV-E Administration	\$ 250,693	\$ (13,784)	\$ 236,909
	1-P	4		Juvenile Act Proceedings (Delinquent) - Title IV-E Administration	\$ 10,194	\$ (560)	\$ 9,634
	2-E	4		Emergency Shelter (Dependent) - Title IV-E Administration	\$ 43,860	\$ (2,411)	\$ 41,449
	2-F	4		Emergency Shelter (Delinquent) - Title IV-E Administration	\$ 230,598	\$ (12,679)	\$ 217,919
	2-G	4		Foster Family (Dependent) - Title IV-E Administration	\$ 17,739,882	\$ (975,369)	\$ 16,764,513
	1-A	8		Adoption Service - Other Funding	\$ -	\$ 40,676	\$ 40,676
	1-C	8		Counseling (Dependent) - Other Funding	\$ -	\$ 452,744	\$ 452,744
	1-D	8		Counseling (Delinquent) - Other Funding	\$ -	\$ 12	\$ 12
	1-E	8		Day Care - Other Funding	\$ -	\$ 41,704	\$ 41,704
	1-F	8		Day Treatment (Dependent) - Other Funding	\$ -	\$ 13,792	\$ 13,792
	1-I	8		Intake and Referral - Other Funding	\$ -	\$ 15,193	\$ 15,193
	1-L	8		Protective Service Child Abuse - Other Funding	\$ -	\$ 75,482	\$ 75,482
	1-M	8		Protective Service General - Other Funding	\$ -	\$ 121,670	\$ 121,670
	1-N	8		Service Planning - Other Funding	\$ -	\$ 14,324	\$ 14,324
	1-O	8		Juvenile Act Proceedings (Dependent) - Other Funding	\$ -	\$ 13,784	\$ 13,784
	1-P	8		Juvenile Act Proceedings (Delinquent) - Other Funding	\$ -	\$ 560	\$ 560
	2-E	8		Emergency Shelter (Dependent) - Other Funding	\$ -	\$ 39,290	\$ 39,290
	2-F	8		Emergency Shelter (Delinquent) - Other Funding	\$ -	\$ 132,080	\$ 132,080
	2-G	8		Foster Family (Dependent) - Other Funding	\$ -	\$ 1,820,278	\$ 1,820,278
				Total Adjustment Amount		\$ -	
				To reclassify \$2,781,589 of agency reported revenue from Title IV-E to Other Funding because the agency received state reimbursement for this first quarter invoice. There is no affect on state share reimbursement.			
				Title 55 PA Code, Chapter 3170.95(a)(b)			

**CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
FOR THE PERIOD JULY 1, 2008 TO JUNE 30, 2009  
ADJUSTMENT SCHEDULE**

REPORT REFERENCE			ADJ. NO.	EXPLANATION OF ADJUSTMENTS	AS REPORTED OR ADJUSTED	INCREASE/ (DECREASE)	ADJUSTED TOTAL
SCHEDULE	LINE	COLUMN					
CY-370A	2-I	2	8	Supervised Independent Living (Dependent) - Program Income	\$ 7,153	\$ (7,153)	\$ -
	2-I	3		Supervised Independent Living (Dependent) - Title IV-E Maintenance	\$ 1,165,077	\$ 7,153	\$ 1,172,230
				Total Adjustment Amount		\$ -	
				To reclassify \$7,153 of Independent Living Grant revenue to properly report the amount in Title IV-E Maintenance. There is no effect on state share reimbursement.			
				Title 55 PA Code, Chapter 3170.95(a)(b)			
CY-348 Adjustments							
CY-348	10	A	9	IL Grant Funds Reported - Grand Total	\$1,165,077	\$7,153	\$1,172,230
				To increase IL Grant Funds by \$7,153 to properly report the total amount received. There is no effect on state share reimbursement.			
				Title 55 PA Code, Chapter 3170.95(a)(b) OCYF Bulletin 3140-06-06			
CY-348	11	A	10	Total HSDF Used For Child Welfare - Grand Total	\$39,078	\$210,922	\$250,000
				To increase Total HSDF Used For Child Welfare by \$210,922 to properly report the total amount received. There is no effect on state share reimbursement.			
				Title 55 PA Code, Chapter 3170.95(a)(b) OCYF Bulletin 3140-06-06			
CY-348	12	A	11	Total Title IV-D Collections - Grand Total	\$3,823,592	(\$623,688)	\$3,199,904
				To decrease Total Title IV-D Collections by \$623,688 to properly report the total amount received. There is no effect on state share reimbursement.			
				Title 55 PA Code, Chapter 3170.95(a)(b) OCYF Bulletin 3140-06-06			
CY-348	13	A	12	Title IV-D Collections for IV-E Children - Grand Total	\$2,620,157	\$892,949	\$3,513,106
				To increase Title IV-D Collections for IV-E Children by \$892,949 to properly report the total amount received. There is no effect on state share reimbursement.			
				Title 55 PA Code, Chapter 3170.95(a)(b) OCYF Bulletin 3140-06-06			

# **SECTION 2**

## **AMENDED FISCAL REPORTS**

**FOR THE FISCAL YEAR:**

**JULY 1, 2009 to JUNE 30, 2010**

**CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
FOR THE PERIOD JULY 1, 2009 TO JUNE 30, 2010  
AMENDED  
COMPUTATION OF FINAL NET STATE SHARE**

Approved State Allocation <sup>1</sup>		\$ 374,872,677
Supplemental Act 148		<u>0</u>
Total State Allocation		374,872,677
State Share (CY348) <sup>2</sup>	\$ 355,054,053	
Less: Major Service Category Adjustment		<u>0</u>
Net State Share		\$ 355,054,053
Less: Expenditures in Excess of the Approved State Allocation		<u>0</u>
Final Net State Share Payable <sup>3</sup>		\$ 355,054,053
Actual Act 148 Revenues Received <sup>4</sup>		<u>359,213,537</u>
Net Amount Due City/(State) <sup>5</sup>		<u><u>\$ (4,159,484)</u></u>

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<sup>1</sup> Approved State Allocation is the amount of Act 148 State Funds that were budgeted for the City.

<sup>2</sup> State Share (CY348) is the total amount of City expenditures that are eligible for reimbursement from Act 148 Funds after audit adjustments are considered.

<sup>3</sup> Final Net Share Payable is the net amount of reimbursable expenditures from Act 148 funds after audit adjustments are considered.

<sup>4</sup> Actual Act 148 Revenues Received is the amount of Act 148 funds the city received.

<sup>5</sup> Net Amount Due the City/(State) is the variance between the amount of Act 148 funds the city received and the Final Net State Share Payable to the city.

CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
 FOR THE PERIOD JULY 1, 2009 TO JUNE 30, 2010  
 AMENDED CY348  
 FISCAL SUMMARY

	A	B	C	D	E	F	G	H	I	J	K
	GRAND TOTAL	PROGRAM INCOME	TITLE IV-E	TANF	TITLE XX	TITLE IV-B	OTHER FUNDING	MEDICAL ASSISTANCE	NET TOTAL	STATE ACT 148	LOCAL SHARE
NET CHILD WELFARE EXPENDITURES											
01. 100% REIMBURSEMENT	4,663,063	0	762,201	0	0	0	0	0	3,900,862	3,900,862	0
02. 90% REIMBURSEMENT	15,064,994	201,635	2,007,481	0	0	0	0	0	12,855,878	11,570,290	1,285,588
03. 80% REIMBURSEMENT	412,472,794	3,520,769	72,207,726	30,205,388	3,493,612	2,735,197	0	0	300,310,102	240,248,082	60,062,020
04. 60% REIMBURSEMENT	161,308,449	2,740,788	22,652,065	0	0	0	0	237,645	135,677,951	81,406,771	54,271,180
05. 50% REIMBURSEMENT	36,091,478	0	235,383	0	0	0	0	0	35,856,095	17,928,048	17,928,047
06. TOTAL NET CHILD WELFARE EXPEND.	629,600,778	6,463,192	97,864,856	30,205,388	3,493,612	2,735,197	0	237,645	488,600,888	355,054,053	133,546,835

YDC/YFC PLACEMENT COSTS											
07. 60% DPW PARTICIPATION	32,654,279	0							32,654,279	19,592,567	13,061,712

08. NON-REIMBURSABLE EXPENDITURES	806,758	0	0						806,758		806,758
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09. TOTAL EXPENDITURES	663,061,815	6,463,192	97,864,856	30,205,388	3,493,612	2,735,197	0	237,645	522,061,925	374,646,620	147,415,305
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10. IL Grant Funds Reported 0

11. TOTAL HSDF used for Child Welfare 312,499

12. TOTAL TITLE IV-D COLLECTIONS 3,819,606

13. TITLE IV-D Collections for IV-E Children 1,766,304

14. STATE ACT 148 - line 6 355,054,053

15. STATE ACT 148 ALLOCATION 374,872,677

16. ADJUSTED STATE SHARE (lower of 14 or 15) 355,054,053

INVOICE											
AMENDED STATE SHARE (ACT 148)	355,054,053										
ACT 148 AMOUNT RECEIVED	359,213,537										
ADJUSTMENT TO STATE SHARE	(4,159,484)										

Subsidized Permanent Legal Custodianship	Total Subsidies	Number of Days	Number of Children
SPLC	16,220,971	683,101	2,215

CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
FOR THE PERIOD JULY 1, 2009 TO JUNE 30, 2010  
AMENDED CY370A  
REVENUE REPORT

MAJOR SERVICE CATEGORIES & COST CENTERS	REVENUE SOURCES											
	1	2	3	4	5	6	7	8	9	10	11	12
	TOTAL REIMBURSABLE EXPENDITURES	PROGRAM INCOME	TITLE IV-E MAINTENANCE	TITLE IV-E ADMIN.	TANF	TITLE XX	TITLE IV-B	OTHER FUNDING	MEDICAL ASSISTANCE	NET REIMBURSABLE EXPENDITURES	STATE ACT 148	LOCAL SHARE
<b>IN-HOME</b>												
1-A ADOPTION SERVICE	4,663,063	0		762,201	0		0	0	0	3,900,862	3,900,862	0
1-B ADOPTION ASSISTANCE	39,861,162	0	21,628,715			2,735,197			0	15,497,250	12,397,800	3,099,450
1-C COUNSELING - DEPENDENT	128,113,856	1,515,673		3,698,965	15,740,425	0	0	0	0	107,158,793	85,727,034	21,431,759
1-D COUNSELING - DELINQUENT	16,103,323	0			10,742,262	0	0	0	0	5,361,061	4,288,849	1,072,212
1-E DAY CARE	3,859,294	0		459,708	226,353	0	0	0	0	3,173,233	2,538,586	634,647
1-F DAY TREATMENT - DEPENDENT	1,718,188	0		191,636	926,027	0	0	0	0	600,525	480,420	120,105
1-G DAY TREATMENT - DELINQUENT	11,036,681	0			2,570,321	0	0	0	0	8,466,360	6,773,088	1,693,272
1-H HOMEMAKER SERVICE	0	0		0	0	0	0	0	0	0	0	0
1-I INTAKE & REFERRAL	1,596,211	0		259,916	0	0	0	0	0	1,336,295	1,069,036	267,259
1-J LIFE SKILLS - DEPENDENT	0	0		0	0	0	0	0	0	0	0	0
1-K LIFE SKILLS - DELINQUENT	0	0		0	0	0	0	0	0	0	0	0
1-L PROTECTIVE SERVICE - CHILD ABUSE	7,619,214	0		1,240,438	0	0	0	0	0	6,378,776	5,103,021	1,275,755
1-M PROTECTIVE SERVICE - GENERAL	13,614,635	0		2,216,525	0	0	0	0	0	11,398,110	9,118,488	2,279,622
1-N SERVICE PLANNING	1,396,401	0		227,335	0	0	0	0	0	1,169,066	935,253	233,813
1-O JUVENILE ACT PROCEEDINGS - DEPENDENT	9,231,204	0		235,383	0	0	0	0	0	8,995,821	4,497,911	4,497,910
1-P JUVENILE ACT PROCEEDINGS - DELINQUENT	5,249,132	0		0	0	0	0	0	0	5,249,132	2,624,566	2,624,566
<b>SUBTOTAL IN-HOME</b>	<b>244,062,364</b>	<b>1,515,673</b>	<b>21,628,715</b>	<b>9,292,107</b>	<b>30,205,388</b>	<b>0</b>	<b>2,735,197</b>	<b>0</b>	<b>0</b>	<b>178,685,284</b>	<b>139,454,914</b>	<b>39,230,370</b>

COMMUNITY BASED PLACEMENT	REVENUE SOURCES											
	1	2	3	4	5	6	7	8	9	10	11	12
	TOTAL REIMBURSABLE EXPENDITURES	PROGRAM INCOME	TITLE IV-E MAINTENANCE	TITLE IV-E ADMIN.	TANF	TITLE XX	TITLE IV-B	OTHER FUNDING	MEDICAL ASSISTANCE	NET REIMBURSABLE EXPENDITURES	STATE ACT 148	LOCAL SHARE
2-A ALTERNATIVE TREATMENT - DEPENDENT	1,290,609	0	0	47,042		0	0	0	0	1,243,567	994,854	248,713
2-B ALTERNATIVE TREATMENT - DELINQUENT	4,966	0	0	802		0	0	0	0	4,164	3,331	833
2-C COMMUNITY RESIDENTIAL - DEPENDENT	31,367,192	558,790	5,392,874	694,559		0	0	0	0	24,720,969	19,776,775	4,944,194
2-D COMMUNITY RESIDENTIAL - DELINQUENT	9,047,429	175,859	1,749,691	11,862		0	0	0	0	7,110,017	5,688,014	1,422,003
2-E EMERGENCY SHELTER - DEPENDENT	3,139,645	21,502	304,447	88,630		0	0	0	0	2,725,066	2,452,559	272,507
2-F EMERGENCY SHELTER - DELINQUENT	11,925,349	180,133	1,399,201	215,203		0	0	0	0	10,130,812	9,117,731	1,013,081
2-G FOSTER FAMILY - DEPENDENT	135,940,278	1,260,097	16,644,780	17,148,288		3,493,612	0	0	0	97,393,501	77,914,801	19,478,700
2-H FOSTER FAMILY - DELINQUENT	1,892,766	10,068	81,950	236,041		0	0	0	0	1,564,707	1,251,766	312,941
2-I SUP. INDEPENDENT LIVING - DEPENDENT	6,585,153	282	0	271,956		0	0	0	0	6,312,915	5,050,332	1,262,583
2-J SUP. INDEPENDENT LIVING - DELINQUENT	1,425,436	0	0	4,643		0	0	0	0	1,420,793	1,136,634	284,159
<b>SUBTOTAL CBP</b>	<b>202,618,823</b>	<b>2,206,731</b>	<b>25,572,943</b>	<b>18,719,026</b>	<b>0</b>	<b>3,493,612</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>152,626,511</b>	<b>123,386,797</b>	<b>29,239,714</b>

INSTITUTIONAL PLACEMENT	REVENUE SOURCES											
	1	2	3	4	5	6	7	8	9	10	11	12
	TOTAL REIMBURSABLE EXPENDITURES	PROGRAM INCOME	TITLE IV-E MAINTENANCE	TITLE IV-E ADMIN.	TANF	TITLE XX	TITLE IV-B	OTHER FUNDING	MEDICAL ASSISTANCE	NET REIMBURSABLE EXPENDITURES	STATE ACT 148	LOCAL SHARE
3-A JUVENILE DETENTION SERVICE	21,611,142	0						0	0	21,611,142	10,805,571	10,805,571
3-B RESIDENTIAL SERVICE - DEPENDENT	36,293,753	730,133	5,897,190	741,760		0	0	0	0	28,924,670	17,354,802	11,569,868
3-C RES. SERVICE - DELINQUENT (NON YDC/YFC)	70,947,551	2,010,655	7,364,489	12,726		0	0	0	0	61,559,681	36,935,809	24,623,872
3-D SECURE RES. SERVICE (EXCEPT YDC)	0	0						0	0	0	0	0
3-E YDC/YFC (NON-SECURE)- Institutional	0	0						0	0	0	0	0
3-F YDC SECURE	32,654,279	0								32,654,279	19,592,567	13,061,712
3-G <b>SUBTOTAL INSTITUTIONAL</b>	<b>161,506,725</b>	<b>2,740,788</b>	<b>13,261,679</b>	<b>754,486</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>144,749,772</b>	<b>84,688,749</b>	<b>60,061,023</b>

<b>4 ADMINISTRATION</b>	<b>54,067,145</b>	<b>0</b>	<b>0</b>	<b>8,635,900</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>237,645</b>	<b>45,193,600</b>	<b>27,116,160</b>	<b>18,077,440</b>
<b>5 TOTAL REVENUES</b>	<b>662,255,057</b>	<b>6,463,192</b>	<b>60,463,337</b>	<b>37,401,519</b>	<b>30,205,388</b>	<b>3,493,612</b>	<b>2,735,197</b>	<b>0</b>	<b>237,645</b>	<b>521,255,167</b>	<b>374,646,620</b>	<b>146,608,547</b>



**CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
FOR THE PERIOD JULY 1, 2009 TO JUNE 30, 2010**

**AMENDED**

**SUMMARY OF EXPENSE AND EXPENSE ADJUSTMENTS**

<b>COST CENTER ITEMS</b>	<b>AS REPORTED PER CY370</b>	<b>INCREASE (DECREASE)</b>	<b>AS AMENDED PER CY370</b>
Adoption Service	\$ 4,699,723	\$ (23,380)	\$ 4,676,343
Adoption Assistance	39,861,162	0	39,861,162
Counseling	144,660,210	(409,369)	144,250,841
Day Care	3,875,672	(12,692)	3,862,980
Day Treatment	12,761,737	(5,333)	12,756,404
Homemaker Service	0	0	0
Intake and Referral	1,600,543	(3,224)	1,597,319
Life Skills	0	0	0
Protective Service - Child Abuse	7,636,584	(13,866)	7,622,718
Protective Service - General	13,645,659	(24,776)	13,620,883
Service Planning	1,399,449	(2,536)	1,396,913
Juvenile Act Proceedings	14,535,218	(54,882)	14,480,336
Alternative Treatment	1,297,426	(1,394)	1,296,032
Community Residential	40,441,905	(20,533)	40,421,372
Emergency Shelter	15,070,745	(4,920)	15,065,825
Foster Family	138,021,392	(142,330)	137,879,062
Supervised Independent Living	8,021,269	(8,036)	8,013,233
Juvenile Detention Service	21,611,142	0	21,611,142
Residential Service	107,270,496	(21,974)	107,248,522
Secure Residential Service (Except YDC)	0	0	0
YDC/YFC (Non-Secure) - Institutional	0	0	0
YDC Secure	32,654,279	0	32,654,279
Administration	53,515,640	1,230,809	54,746,449
Combined Total Expense	<u>662,580,251</u>	<u>481,564</u>	<u>663,061,815</u>
Less Non-reimbursables	<u>394,282</u>	<u>412,476</u>	<u>806,758</u>
Total Net Expense	\$ <u><u>662,185,969</u></u>	\$ <u><u>69,088</u></u>	\$ <u><u>662,255,057</u></u>

<b>OBJECTS OF EXPENDITURE</b>	<b>AS REPORTED PER CY370</b>	<b>INCREASE (DECREASE)</b>	<b>AS AMENDED PER CY370</b>
Wages and Salaries	\$ 85,108,303	\$ 0	\$ 85,108,303
Employee Benefits	36,426,355	0	36,426,355
Subsidies	56,082,133	0	56,082,133
Operating	31,852,334	782,123	32,634,457
Purchased Services	453,051,844	(300,559)	452,751,285
Fixed Assets	59,282	0	59,282
Combined Total Expense	<u>662,580,251</u>	<u>481,564</u>	<u>663,061,815</u>
Less Non-reimbursables	<u>394,282</u>	<u>412,476</u>	<u>806,758</u>
Total Net Expense	\$ <u><u>662,185,969</u></u>	\$ <u><u>69,088</u></u>	\$ <u><u>662,255,057</u></u>

**CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
FOR THE PERIOD JULY 1, 2009 TO JUNE 30, 2010  
ADJUSTMENT SCHEDULE**

REPORT REFERENCE			ADJ. NO.	EXPLANATION OF ADJUSTMENTS	AS REPORTED OR ADJUSTED	INCREASE/ (DECREASE)	ADJUSTED TOTAL
SCHEDULE	LINE	COLUMN					
				CY-370 Adjustments			
CY-370	1-A	4	1	Adoption Service - Operating	\$ 610,121	\$ (23,380)	\$ 586,741
	1-C	4		Counseling (Dependent) - Operating	\$ 2,839,487	\$ (108,810)	\$ 2,730,677
	1-E	4		Day Care - Operating	\$ 331,209	\$ (12,692)	\$ 318,517
	1-F	4		Day Treatment (Dependent) - Operating	\$ 139,174	\$ (5,333)	\$ 133,841
	1-I	4		Intake and Referral - Operating	\$ 84,133	\$ (3,224)	\$ 80,909
	1-L	4		Protective Service Child Abuse - Operating	\$ 361,834	\$ (13,866)	\$ 347,968
	1-M	4		Protective Service General - Operating	\$ 646,542	\$ (24,776)	\$ 621,766
	1-N	4		Service Planning - Operating	\$ 66,183	\$ (2,536)	\$ 63,647
	1-O	4		Juvenile Act Proceedings (Dependent) - Operating	\$ 1,432,199	\$ (54,882)	\$ 1,377,317
	2-A	4		Alternative Treatment (Dependent) - Operating	\$ 36,134	\$ (1,385)	\$ 34,749
	2-B	4		Alternative Treatment (Delinquent) - Operating	\$ 234	\$ (9)	\$ 225
	2-C	4		Community Residential (Dependent) - Operating	\$ 532,413	\$ (20,402)	\$ 512,011
	2-D	4		Community Residential (Delinquent) - Operating	\$ 3,429	\$ (131)	\$ 3,298
	2-E	4		Emergency Shelter (Dependent) - Operating	\$ 66,241	\$ (2,538)	\$ 63,703
	2-F	4		Emergency Shelter (Delinquent) - Operating	\$ 62,152	\$ (2,382)	\$ 59,770
	2-G	4		Foster Family (Dependent) - Operating	\$ 3,690,842	\$ (141,434)	\$ 3,549,408
	2-H	4		Foster Family (Delinquent) - Operating	\$ 23,392	\$ (896)	\$ 22,496
	2-I	4		Supervised Independent Living (Dependent) - Operating	\$ 208,388	\$ (7,985)	\$ 200,403
	2-J	4		Supervised Independent Living (Delinquent) - Operating	\$ 1,341	\$ (51)	\$ 1,290
	3-B	4		Residential Service (Dependent) - Operating	\$ 569,746	\$ (21,833)	\$ 547,913
	3-C	4		Residential Service (Delinquent) (Non YDC/YFC) - Operating	\$ 3,675	\$ (141)	\$ 3,534
	4	4		Administration - Operating	\$ 20,143,465	\$ (771,905)	\$ 19,371,560
				Total Adjustment Amount		\$ (1,220,591)	
				To decrease operating expenditures by \$1,220,591 to eliminate encumbered (budgeted) costs that were reported as actual costs on the CY-370 Expenditure Report. <i>Note: A finding with a similar discrepancy was written in the City's June 30, 2010 Single Audit Report.</i>			
				Title 55 PA Code, Chapters 3140.42-3140.45 and 3170.11 OCYF Bulletin 3140-06-06			
CY-370	4	4	2	Administration - Operating	\$ 19,371,560	\$ (84,067)	\$ 19,287,493
	1-C	5		Counseling (Dependent) - Purchased Services	\$ 105,752,417	\$ (250,559)	\$ 105,501,858
				Total Adjustment Amount		\$ (334,626)	
				To decrease Expenditures by \$334,626 to eliminate unallowable expenditures included on the CY-370 Expenditure Report. The unallowable expenditures include: \$84,067 for rental expenditures which were calculated with unsupported square footage and \$250,559 for unsupported employee benefits paid to instructors of the Parks and Recreation After School Program. <i>Note: A finding with the same discrepancy was written in the City's June 30, 2010 Single Audit.</i>			
				Title 55 PA Code, Chapters 3170.91(b) and 3170.95(a)(b)			

**CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
FOR THE PERIOD JULY 1, 2009 TO JUNE 30, 2010  
ADJUSTMENT SCHEDULE**

REPORT REFERENCE			ADJ. NO.	EXPLANATION OF ADJUSTMENTS	AS REPORTED OR ADJUSTED	INCREASE/ (DECREASE)	ADJUSTED TOTAL	
SCHEDULE	LINE	COLUMN						
CY-370	1-C	5	3	Counseling (Dependent) - Purchased Services	\$ 105,501,858	\$ (25,000)	\$ 105,476,858	
	1-D	5		Counseling (Delinquent) - Purchased Services	\$ 16,128,323	\$ (25,000)	\$ 16,103,323	
				Total Adjustment Amount		\$ (50,000)		
				To decrease Purchased Services by \$50,000 to disallow expenditures paid to a provider which were not supported by invoices.				
				Title 55 PA Code, Chapter 3170.91(b) and 3179.95(a)(b)				
CY-370	4	4	4	Administration - Operating	\$ 19,287,493	\$ 2,086,781	\$ 21,374,274	
				To increase Indirect Costs by \$2,086,781 to reconcile to the City Cost Allocation Plan.				
				Title 55 PA Code, Chapter 3170.60 OCYF Bulletin 00-95-12				
CY-370	1-A	10	5	Adoption Service - Non-Reimbursable Non PS\Sub.	\$ 9,873	\$ 3,407	\$ 13,280	
	1-C	10		Counseling (Dependent) - Non-Reimbursable Non PS\Sub.	\$ 25,026	\$ 8,636	\$ 33,662	
	1-E	10		Day Care - Non-Reimbursable Non PS\Sub.	\$ 2,740	\$ 946	\$ 3,686	
	1-F	10		Day Treatment (Dependent) - Non-Reimbursable Non PS\Sub.	\$ 1,141	\$ 394	\$ 1,535	
	1-I	10		Intake and Referral - Non-Reimbursable Non PS\Sub.	\$ 824	\$ 284	\$ 1,108	
	1-L	10		Protective Service Child Abuse - Non-Reimbursable Non PS\Sub.	\$ 2,605	\$ 899	\$ 3,504	
	1-M	10		Protective Service General - Non-Reimbursable Non PS\Sub.	\$ 4,645	\$ 1,603	\$ 6,248	
	1-N	10		Service Planning - Non-Reimbursable Non PS\Sub.	\$ 381	\$ 131	\$ 512	
	2-A	10		Alternative Treatment (Dependent) - Non-Reimbursable Non PS\Sub.	\$ 340	\$ 117	\$ 457	
	2-C	10		Community Residential (Dependent) - Non-Reimbursable Non PS\Sub.	\$ 5,019	\$ 1,732	\$ 6,751	
	2-E	10		Emergency Shelter (Dependent) - Non-Reimbursable Non PS\Sub.	\$ 618	\$ 213	\$ 831	
	2-G	10		Foster Family (Dependent) - Non-Reimbursable Non PS\Sub.	\$ 34,211	\$ 11,807	\$ 46,018	
	2-I	10		Supervised I.L. - (Dep.) - Non-Reimbursable Non PS\Sub.	\$ 1,966	\$ 678	\$ 2,644	
	3-B	10		Residential Service (Dependent) - Non-Reimbursable Non PS\Sub.	\$ 5,366	\$ 1,852	\$ 7,218	
	4	10		Administration - Non-Reimbursable Non PS\Sub.	\$ 299,527	\$ 103,366	\$ 402,893	
					Total Adjustment Amount		\$ 136,065	
					To increase Non-Reimbursable expenditures by \$136,065 to eliminate \$45,121 in Wages & Salaries and \$90,944 in Employee Benefits for 21 employees that participated in the Child Welfare Education for Leadership (CWEL) program. The agency reported 100% of salaries and benefits for employees enrolled in the CWEL program and only 95% of salaries are eligible for state reimbursement and for employee benefits only 40.7% of an employee's bi-weekly salary is eligible for state reimbursement.			
			Title 55 PA Code, Chapter 3170.92(c) OCYF Bulletin 3140-06-06					
CY-370	4	10	6	Administration - Non-Reimbursable Non PS\Sub.	\$ 402,893	\$ 276,411	\$ 679,304	
				To increase Non-Reimbursable expenditures by \$276,411 to properly report indirect costs which exceed the two percent cost limitation.				
				Title 55 PA Code, Chapter 3170.60 OCYF Bulletin 00-95-12				

**CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
FOR THE PERIOD JULY 1, 2009 TO JUNE 30, 2010  
ADJUSTMENT SCHEDULE**

REPORT REFERENCE			ADJ. NO.	EXPLANATION OF ADJUSTMENTS	AS REPORTED OR ADJUSTED	INCREASE/ (DECREASE)	ADJUSTED TOTAL
SCHEDULE	LINE	COLUMN					
				CY-370A Adjustment			
CY-370A	1-A	3	7	Adoption Service - Title IV-E Maintenance	\$ 20,442,790	\$ 1,185,925	\$ 21,628,715
	2-C	3		Community Residential (Dependent) - Title IV-E Maintenance	\$ 5,097,177	\$ 295,697	\$ 5,392,874
	2-D	3		Community Residential (Delinquent) - Title IV-E Maintenance	\$ 1,653,754	\$ 95,937	\$ 1,749,691
	2-E	3		Emergency Shelter (Dependent) - Title IV-E Maintenance	\$ 287,754	\$ 16,693	\$ 304,447
	2-F	3		Emergency Shelter (Delinquent) - Title IV-E Maintenance	\$ 1,322,481	\$ 76,720	\$ 1,399,201
	2-G	3		Foster Family (Dependent) - Title IV-E Maintenance	\$ 15,732,130	\$ 912,650	\$ 16,644,780
	2-H	3		Foster Family (Delinquent) - Title IV-E Maintenance	\$ 77,457	\$ 4,493	\$ 81,950
	3-B	3		Residential Service (Dependent) - Title IV-E Maintenance	\$ 5,573,841	\$ 323,349	\$ 5,897,190
	3-C	3		Residential Service - (Del.) (Non YDC/YFC) - Title IV-E Maintenance	\$ 6,960,687	\$ 403,802	\$ 7,364,489
	1-A	4		Adoption Service - Title IV-E Administration	\$ 720,409	\$ 41,792	\$ 762,201
	1-C	4		Counseling (Dependent) - Title IV-E Administration	\$ 3,496,147	\$ 202,818	\$ 3,698,965
	1-E	4		Day Care - Title IV-E Administration	\$ 434,502	\$ 25,206	\$ 459,708
	1-F	4		Day Treatment (Dependent) - Title IV-E Administration	\$ 181,128	\$ 10,508	\$ 191,636
	1-I	4		Intake and Referral - Title IV-E Administration	\$ 245,665	\$ 14,251	\$ 259,916
	1-L	4		Protective Service Child Abuse - Title IV-E Administration	\$ 1,172,424	\$ 68,014	\$ 1,240,438
	1-M	4		Protective Service General - Title IV-E Administration	\$ 2,094,991	\$ 121,534	\$ 2,216,525
	1-N	4		Service Planning - Title IV-E Administration	\$ 214,870	\$ 12,465	\$ 227,335
	1-O	4		Juvenile Act Proceedings (Dependent) Title IV-E Administration	\$ 222,477	\$ 12,906	\$ 235,383
	2-A	4		Alternative Treatment (Dependent) - Title IV-E Administration	\$ 44,463	\$ 2,579	\$ 47,042
	2-B	4		Alternative Treatment (Delinquent) - Title IV-E Administration	\$ 758	\$ 44	\$ 802
	2-C	4		Community Residential (Dependent) - Title IV-E Administration	\$ 656,476	\$ 38,083	\$ 694,559
	2-D	4		Community Residential (Delinquent) - Title IV-E Administration	\$ 11,212	\$ 650	\$ 11,862
	2-E	4		Emergency Shelter (Dependent) - Title IV-E Administration	\$ 83,770	\$ 4,860	\$ 88,630
	2-F	4		Emergency Shelter (Delinquent) - Title IV-E Administration	\$ 203,403	\$ 11,800	\$ 215,203
	2-G	4		Foster Family (Dependent) - Title IV-E Administration	\$ 16,208,030	\$ 940,258	\$ 17,148,288
	2-H	4		Foster Family (Delinquent) - Title IV-E Administration	\$ 223,099	\$ 12,942	\$ 236,041
	2-I	4		Supervised Independent Living (Dep.) - Title IV-E Administration	\$ 257,044	\$ 14,912	\$ 271,956
	2-J	4		Supervised Independent Living (Del.) - Title IV-E Administration	\$ 4,388	\$ 255	\$ 4,643
	3-B	4		Residential Service (Dependent) - Title IV-E Administration	\$ 701,089	\$ 40,671	\$ 741,760
	3-C	4		Residential Service (Del.) (Non YDC/YFC) - Title IV-E Administration	\$ 12,028	\$ 698	\$ 12,726
	4	4		Administration - Title IV-E Administration	\$ 8,162,385	\$ 473,515	\$ 8,635,900
				Total Adjustment Amount		\$ 5,366,027	
				To increase Federal Title IV-E Revenue by \$5,366,027 to include 48 supplemental invoices totaling \$5,365,977 and increase \$50 to account for a Commonwealth DHS payment which was more than the agency submitted 4th quarter invoice.			
				Title 55 PA Code, Chapter 3170.95(a)(b)			
				CY-348 Adjustment			
CY-348	13	A	8	Title IV-D Collections for IV-E Children - Grand Total	\$2,085,366	(\$319,062)	\$1,766,304
				To decrease Title IV-D Collections for IV-E Children by \$319,062 to properly report the total amount received. There is no effect on state share reimbursement.			
				Title 55 PA Code, Chapter 3170.95(a)(b) OCYF Bulletin 3140-06-06			

## SECTION 3

# STATUS OF PRIOR ENGAGEMENT FINDINGS AND RECOMMENDATIONS

PHILADELPHIA COUNTY CHILDREN AND YOUTH AGENCY  
STATUS OF PRIOR ENGAGEMENT FINDINGS AND RECOMMENDATIONS

**Prior Engagement Finding – City of Philadelphia Department of Human Services (Agency) Received Act 148 Reimbursement To Which It Was Not Entitled for Unspent (Encumbered) Funds That Were Reported On Its CY-370 Expenditure Reports as Expenditures**

The agency again failed to comply with our recommendation to this finding, as cited in our prior engagement reports since the 1996-1997 fiscal year, by again overstating expenditures submitted for reimbursement which resulted in the agency receiving, and having the use of, excess Act 148 funds to which it was not entitled. Therefore, we issued a repeat finding in the Current Engagement Findings and Recommendations section (Section 4) of this report. This repeated finding is presented as Finding No. 1; and begins on page 26 of this report.

**Prior Engagement Finding – City of Philadelphia Department of Human Services (Agency) Overstated Building Rental Costs Which Resulted in the Receipt of State Act 148 Funds to Which It Was Not Entitled**

The agency again failed to comply with our recommendation to this finding, as cited in our prior engagement report, by again using the incorrect square footage for the One Parkway Building to calculate building rental costs which resulted in an overstatement of rental costs on the 2009-2010 CY-370 expenditure report and, thus, the agency receiving, and having the use of, excess Act 148 funds to which it was not entitled. Therefore, we issued a repeat finding in the Current Engagement Findings and Recommendations section (Section 4) of this report. This repeated finding is included in Finding No. 2; and begins on page 28 of this report.

## SECTION 4

# CURRENT ENGAGEMENT FINDINGS AND RECOMMENDATIONS

CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
CURRENT ENGAGEMENT FINDINGS AND RECOMMENDATIONS

**Finding No. 1 - Noncompliance: City of Philadelphia Department of Human Services (Agency) Received Act 148 Reimbursement To Which It Was Not Entitled for Unspent (Encumbered) Funds That Were Reported On Its CY-370 Expenditure Reports as Expenditures**

Condition: As cited in our prior audit reports, the agency again reported encumbered funds as actual expenditures on its CY-370 Expenditure Reports submitted to the Commonwealth Department of Human Services (DHS). For the fiscal years ended June 30, 2009 and 2010, the agency included encumbered funds totaling \$710,181,182 and \$662,580,251, respectively, on its 2008-2009 and 2009-2010 CY-370 Expenditure Reports submitted to Commonwealth DHS, instead of actual expenditures totaling \$707,940,695 and \$661,359,660, respectively.

Criteria: Title 55, Pa. Code § 3140. Allowable Costs and Procedures for County Children and Youth

- *Section 3140.42. First quarter actual and third quarter advance payment.* A reimbursement of the State's share of actual expenses for the first quarter.
- *Section 3140.43. Second quarter actual and fourth quarter advance payment.* A reimbursement of the State's share of actual expenses for the second quarter.
- *Section 3140.44. Third quarter advance payment.* A reimbursement of the State's share of actual expenditures for the third quarter.
- *Section 3140.45. Fourth quarter advance payment.* A reimbursement of the State's share of actual expenditures for the fourth quarter.

Pennsylvania Department of Human Services

- *Children, Youth and Families Bulletin 3140-06-06: Act 148 Invoicing Procedures for County Child Welfare Services – Instructions for Completion of Expenditure Report CY-370* “This form is a report of the ACTUAL EXPENDITURES of the County Children and Youth Agency (CCYA).”

Cause: The agency failed to adhere to the recommendations included in our prior engagement reports and continued to report the amount of funds encumbered for all expenditures occurring after the date that the agency submitted its fiscal reports to Commonwealth DHS instead of submitting revised fiscal reports to Commonwealth DHS after the amount of total actual expenditures were determined.

Effect: Because total expenditures submitted for reimbursement for the 2008-2009 and 2009-2010 fiscal years were overstated by \$2,240,487 and \$1,220,591, respectively, the agency received, and had use of, excess Act 148 state funds to which it was not entitled. Therefore, we issued audit adjustments, as detailed in Adjustment No. 1 on page 8 and Adjustment No. 1 on page 20 of this report, to recapture these excess Act 148 state funds. Furthermore, when encumbered funds are reported as actual expenditures on the agency's CY-370 Expenditure Report submitted to Commonwealth DHS, those same funds could be reported again on the agency's subsequent CY-370 Expenditure Report as actual expenditures once the encumbered

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funds are actually expended. Thus, the agency could claim and receive Act 148 reimbursement twice from the Commonwealth DHS for the same costs.

Recommendation: We again recommend the agency discontinue its practice of erroneously including encumbered funds on its CY-370 Expenditure Reports submitted to the Commonwealth DHS and, instead, ensure that only actual expenditures are included on its submitted CY-370 Expenditure Reports. Furthermore, the agency should immediately implement a formal written policy requiring only the inclusion of total actual expenditures on its CY-370 Expenditure Reports submitted to the Commonwealth DHS for reimbursement.

Agency Response: The Philadelphia Department of Human Services (DHS) submitted a formal, written response whereby they disagreed with this finding and stated the following:

Philadelphia DHS has discontinued the practice of including full encumbrances in the Q4 Act 148 submissions. Rather we will bill for actual expenditures plus estimates for providers who have not billed for the full fiscal year. These estimates are conservative and based off of the providers monthly average. If we do not include these estimates, then our Needs Based allocation for future years may be negatively impacted.

In FY08/09, Philadelphia DHS reported unspent encumbrances in the amount of \$19,941,848. Of the total we actually underspent \$2,240,487. In FY09/10, Philadelphia DHS reported unspent encumbrances in the amount of \$16,077,518. Of the [that] total, we actually underspent \$1,220,591. Due to the fact that the Commonwealth will not honor additional costs submitted after the fourth quarter invoice has been paid, we did report unspent encumbrances in FY08/09 and FY09/10. Otherwise, Philadelphia County would have been pending State reimbursement in the amount of \$17,701,361 and \$14,856,927, respectively, for more than 6 years. During this time, the Auditor General[‘s] ~~Child Welfare group~~ [former Bureau of State Aided Audits] was actually disbanded for a number of years. Additionally, our Needs Based Budget Allocations would have been based on invoices that were \$17,701,361 and \$14,856,927 less than the actual need.

Despite the Commonwealth’s contention, it is not possible for DHS to claim and receive Act 148 reimbursement twice for the same costs, as each quarterly invoice is cumulative.

For the FY14/15 Act 148 Submission, Philadelphia DHS made special efforts to have our providers submit final invoices by July 31<sup>st</sup> so that Philadelphia DHS could meet the State’s August 15<sup>th</sup> deadline. Although we made special efforts, it was still necessary to include some provider estimates.

CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
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Philadelphia DHS will continue to make efforts to ensure that all providers submit final invoice[s] timely enough for Philadelphia DHS to meet the State's August 15<sup>th</sup> deadline. However, Philadelphia DHS will continue to submit estimated costs if its providers do not, in fact, present their billing[s] in a timely fashion.

In the spirit of presenting actual expenditures at the earliest possible moment, Philadelphia DHS will present the result of its own fiscal year-end *audit* (per 55 Pa. Code Sec. 3140.48) to Pa. DHS. This audit can be employed to reconcile what was actually spent vs. estimated. To be sure, Philadelphia DHS does not consider this reconciliation process to represent a settlement of any *extant* appeal by Philadelphia DHS of Pa. DHS' certified allocation for the fiscal year in question to preclude further federal and state audits of the fiscal year.

Auditor's Conclusion: We understand the agency's concerns regarding the current and future negative financial impact on the agency as a result of encumbrances not being included on the Act 148 fiscal reports submitted to the Commonwealth DHS. In addition, we also recognize that the Commonwealth DHS will not reimburse for additional costs submitted after the final fourth quarter cumulative Act 148 fiscal report has been processed. Given these concerns and limitations, we believe that the agency's efforts to (1) change procedures to report actual expenditures plus conservative estimates based on average monthly costs for providers who have not billed for the full fiscal year and (2) have providers submit final invoices by July 31<sup>st</sup> in order to meet the Commonwealth DHS' August 15<sup>th</sup> deadline for the submission of the Act 148 financial reports are an improvement over the procedures that were used previously. With that being said, though, we must reiterate that reporting any estimated costs, whether conservative or not, is contrary to Commonwealth DHS regulations that require that only "actual" expenditures of the County Children and Youth Agency be reported on the Act 148 submitted financial reports. When estimated, not actual, expenditures are submitted to the Commonwealth DHS for reimbursement, the agency has the use of state funds to which it is not entitled.

Further, we acknowledge that our Department's discontinuance of the performance of the Children and Youth Agency audits from calendar years 2010 through 2013 has delayed Commonwealth DHS' final settlement process of the agency's expenditures included on the 2008-2009 and 2009-2010 fiscal years' Act 148 fiscal reports. We also recognize that the delay in settlement of these fiscal year expenditures, as well as all subsequent fiscal year expenditures, could significantly impact the financial position and future budgeting of the agency. As a result, we do plan to expedite the completion of future audits of the City of Philadelphia Department of Human Services' as well as all other County Children and Youth Agencies.

With respect to the claiming of expenses twice due to the reporting of encumbered costs, we affirm our stance that this can occur because the quarterly reports do only include the expenditures from that specific quarter; they are not cumulative, except for the 4<sup>th</sup> quarter final

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report. Thus, an expenditure could be included as an encumbrance in one quarter and then recorded as an “actual” expenditure in the next quarter when the vendor billing was received and paid by the agency.

As a result of the above factors, our finding will remain as presented; however, we do recommend that agency management consult with the Commonwealth DHS to determine if an agreement can be established with respect to payments being made on the submission of revised financial reports in order to ensure the agency is not underfunded. In addition, during our next audit of the agency, we will follow up on the agency’s actions regarding the discontinuance of reporting full encumbrances and the implementation of procedures to bill for actual expenditures plus conservative estimates for providers who have not yet billed for the full fiscal year.

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**Finding No. 2 – Noncompliance: City of Philadelphia Department of Human Services (Agency) Overstated Building Rental Costs Which Resulted in the Receipt of State Act 148 funds To Which It Was Not Entitled**

Condition: As was done in the 2007-08 fiscal year and cited in our prior audit report, the agency again overstated its building rental costs for the 2009-2010 fiscal year on its CY-370 Expenditure Report submitted to Commonwealth DHS. For the One Parkway Building located on 1515 Arch Street, the agency calculated total rental costs of \$1,824,836 based on total square footage of 183,770 at the rental rate of \$9.93 per square foot. However, the actual square footage of the One Parkway Building was found to be 175,304, and when multiplied by the rental rate of \$9.93 per square foot, the actual total rental costs equaled \$1,740,769, thus, overstating the costs by \$84,067.

Criteria: Title 55, Pa. Code § 3140. Planning and Financial Reimbursement Requirements for County Children and Youth Social Service Programs

- *Sections 3140.42 to 3140.45. Actual and Advance Payments.* The Department will make a payment to the county which combines a reimbursement of the State's share of actual expenses.

Title 55, Pa. Code § 3170. Allowable Costs and Procedures for County Children and Youth

- *Section 3170.52(a). Rent.* Generally. The Department will participate financially in the costs for buildings and offices rented by the county or county agency for use by the children and youth social service program. The amount of rent charged to a given program shall be prorated in direct relation to the amount of space utilized by that program. The cost of rent or the fair rental value charge of space per square foot shall not exceed the rental rate for similar space in that geographical area.

Cause: The agency failed to implement adequate internal control procedures to ensure that the square footage used to calculate the rental costs for the One Parkway Building was accurate before including these rental costs on its CY-370 expenditure report submitted to Commonwealth DHS for the 2009-2010 fiscal year.

According to the agency, the square footage used to calculate the building rental expense was provided by the agency's Administrative Services Director because the appropriate data that was to be prepared by the Public Property Department was not available to the agency prior to the submission of its 2009-2010 fiscal year CY-370 expenditure report to the Commonwealth DHS.

Effect: As a result, the agency overstated its rental costs for the One Parkway Building by \$84,067. Because these overstated rental costs were included on the agency's 2009-2010 CY-370 expenditure report submitted to Commonwealth DHS, the agency received, and had the use of, Act 148 funds to which it was not entitled. Therefore, we issued an audit adjustment, as

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detailed in Adjustment No. 2 on page 20 of this report, to recapture these excess Act 148 state funds.

Recommendations: We again recommend that the agency implement adequate internal control procedures to ensure that the square footage used to calculate rental costs is accurate on the CY-370 expenditure reports before submission to the Commonwealth DHS. Furthermore, we recommend that the agency develop procedures to ensure that square footage documentation received from other City Departments for use in calculating rental costs are reviewed for accuracy and completeness prior to using the data to calculate rental costs for inclusion on the Act 148 financial (fiscal) reports submitted to the Commonwealth DHS.

Agency Response: The Philadelphia Department of Human Services (DHS) submitted a formal, written response whereby they agreed with this finding and stated the following:

“Philadelphia DHS has discontinued the practice of estimating Building Rental costs. Philadelphia DHS only bills for costs provided by the City of Philadelphia Department of Public Property.”

Auditor’s Conclusion: During our next audit of the agency, we will follow up on the agency’s discontinuance of this practice and the implementation of procedures to only bill for costs provided by the City of Philadelphia Department of Public Property.

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**Finding No. 3 – City of Philadelphia Department of Human Services (Agency) Failed to Provide Complete Financial Records and Supporting Documentation to Substantiate Reported Purchased Services’ Expenditures**

Condition: During our current engagement, for the 2008-2009 and 2009-2010 fiscal years, we could not determine the total population of paid Purchased Services’ invoices and could not conclude on the accuracy of Purchased Services’ expenditures reported on the agency’s corresponding submitted CY-370 Expenditure Reports and in the agency’s respective general ledgers.

We asked the agency to provide us with an accurate and complete listing of all 2008-2009 and 2009-2010 fiscal year Purchased Services’ invoices and corresponding expenditures in order to confirm total Purchased Services expenditures as reported on the agency’s submitted CY-370 Expenditure reports, and to select individual invoices for each year under review for detailed testing. However, for both fiscal years, the agency could not provide a complete listing of Purchased Services’ invoices for which the total amounts of expenditures per these invoices could be reconciled to total Purchased Services’ expenditures reported on the agency’s submitted CY-370 Expenditure Report and corresponding CY-383 Fee-For-Service Schedule. The CY-383 Fee-For-Service Schedule is a supporting schedule that details, by provider (contractor) and cost center, the agency’s total Purchased Services’ Expenditures for the respective fiscal year.

Because we were unable to determine the total population of paid Purchased Services invoices from which to judgmentally select, for each scope year, individual invoices for detail review, agency management stated that, for each fiscal year under review, they would provide us with copies of all paid invoices for each Purchased Services’ contract that we selected; however, because of this matter, we were unable to determine whether the agency provided us with every paid invoice for the 39 contracts we judgmentally selected for detailed review. Furthermore, out of the 39 contracts we detailed reviewed (24 for the 2008-2009 fiscal year and 15 for 2009-2010 fiscal year), we could only reconcile the total amount of expenditures per the paid invoices received to the total expenditures reported on the CY-383 Fee-For-Service Schedule for two contracts.

In addition, the agency was unable to provide invoices or other documentation to support two \$50,000 payments made to one contractor. One of the payments was made in the 2008-2009 fiscal year and the other was made in the 2009-2010 fiscal year, and these expenditures were included in the amounts reported on its CY-383 Fee-For-Service Schedules for those years.

Finally, agency management stated that they recently identified a flaw in the accounting system that causes transaction amounts to be recorded by the date posted by agency personnel instead of the date the services were actually provided. Agency management further stated that the Commonwealth DHS has been working with the agency to improve the accuracy of the agency’s CY-383 Fee-For-Service Schedule.

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Criteria:

Title 55, Pa. Code § 3170. Allowable Costs and Procedures for County Children and Youth

- *Section 3170.91. County Responsibility. Records Maintenance.* County agencies shall maintain sufficient and appropriate records and data to justify payment for expenses by the Department. The local authorities or contractors shall maintain books, records, documents and other evidence and accounting procedures and practices, sufficient to reflect properly all direct and indirect costs of whatever nature claimed to have been incurred and anticipated to be incurred for funds supported by the Department and for which reimbursement is claimed.
- *Section 3170.92(b). Accountability for Expenditures for Clients. Records Maintenance.* County agencies shall maintain sufficient and appropriate records and data to justify payment for expenses by the Department. The local authorities or contractors shall maintain books, records, documents and other evidence and accounting procedures and practices, sufficient to reflect properly all direct and indirect costs of whatever nature claimed to have been incurred and anticipated to be incurred for funds supported by the Department and for which reimbursement is claimed.
- *Section 3170.95(a). Accounting.* Agency directors shall follow standard accounting principles and procedures for recording financial activity, and maintain ledgers in sufficient detail for necessary fiscal management and adhere to the policies prescribed in § 3170.92(b) and (c) (relating to accountability for expenditures for clients).
- *Section 3170.95(b). Accounting.* Transactions entered in the records shall be identified in such a way as to permit them to be traced back to their source. Coding of these transactions shall be accomplished in a manner which shall enable county children and youth agencies to translate their financial accounts into the account structure prescribed by the Department for purposes of auditing and fiscal reporting.

Cause: The agency failed to implement proper review and approval procedures to ensure that financial records are complete, all paid invoices are appropriately accounted for, and that expenditure amounts reported on the agency's submitted CY-370 Expenditure Reports and corresponding CY-383 Fee-For-Service Schedules are accurate and reconcile to supporting paid invoices and ledgers prior to submitting these reports to the Commonwealth DHS.

Effect: Our inability to confirm the agency's entire population of purchased services' invoices prevented us from determining whether the amounts reported on the agency's submitted CY-370 Expenditure Report, corresponding CY-383 Fee-For-Service Schedule, and the agency's general ledger are accurate. As a result, there is an increased likelihood that errors and/or misappropriation of agency assets could have taken place and not have been detected, which could have led to inappropriate state reimbursement and/or loss of state/federal funding. As a result, inappropriate state reimbursement occurred as evidenced by the adjustments we made to the agency's submitted fiscal reports to decrease expenditures by \$50,000 for each fiscal year under review.

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In addition to the issue of inappropriate state reimbursement, we are concerned that the agency's failure to obtain and retain documentation to support the two \$50,000 payments made to a contractor as described noted above is indicative of a significant deficiency in the agency's accounting system and internal controls that could allow the fraudulent use of public funds to occur and not be detected by the agency. Refer to Finding No. 4 for additional details related to the agency's inadequate monitoring of funds passed on to contractors and subcontractors.

Regarding the flaw in the agency's accounting system, because the expenditures are recorded based on the date posted by agency personnel rather than the date the services were actually provided, the financial information reported by the agency has several expenditures included on reports for the incorrect fiscal year.

Recommendations: We recommend that the agency establish and implement effective internal control procedures over the financial record-keeping and maintenance of supporting documentation to ensure all amounts reported on the agency's submitted CY-370 Expenditure Reports, and corresponding CY-383 Fee-For-Service Schedules, represent actual expenditures incurred for the respective fiscal year and can be sufficiently substantiated to justify payment by the Commonwealth DHS, which includes the maintenance of appropriate documentation, such as invoices, to support all expenditures. This could be achieved by the agency implementing independent review procedures to ensure the financial records and submitted fiscal reports are reviewed for completeness and accuracy and to verify whether supporting documentation exists for all expenditures included on the submitted fiscal reports prior to submission to Commonwealth DHS.

We further recommend that the agency appropriately address the identified accounting system error that causes transactions to be recorded by the date posted instead of the date the services were actually provided and ensure that the financial records for all fiscal years affected by this error are appropriately corrected. Due to the significance of this accounting system error, we will follow-up on the impact of this system error on the agency's subsequent fiscal reports and the status of corrective actions taken by the agency during our next engagement.

Agency Response: The Philadelphia Department of Human Services (DHS) submitted a formal, written response whereby they disagreed, in part, with this finding, and stated the following:

Philadelphia DHS erroneously destroyed records for a provider's invoices for two full fiscal years. This is due to the fact that Philadelphia DHS mistakenly followed the City's retention policy rather than the Commonwealth's policy.

Philadelphia DHS will update its record retention policy for all Finance related documents to reflect the State requirements.

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Philadelphia DHS does not believe that this item should result in an adjustment and has already requested documentation from the Provider.

Auditor's Conclusion: We understand there may be inconsistencies between the City's record retention policy and the Commonwealth's corresponding policy; however, the agency is responsible for adhering to the record retention policy as stipulated in the Commonwealth DHS regulations.

In addition, we affirm that we will be making an adjustment in both fiscal years for the two \$50,000 payments made to the same contractor and for which invoices have not been provided. The significance of these undocumented expenditures is directly related to the agency's ineffective internal controls over its financial record-keeping system. Specifically, we note that it is critical that the agency implement proper review and approval procedures to ensure that financial records are complete and accurate, as well as to maintain adequate, supporting documentation to substantiate the amounts reported on the agency's CY-370 Expenditure Report and the Purchased Service expenditures. Also, the agency's failure to maintain and inability to produce the invoices noted above increases the risk that public funds could be used in a fraudulent manner and not be detected by the agency.

Further, the overarching concern presented in this finding is that our Department was unable to determine the total population of paid invoices to its contractors due to the agency's recent discovery of an accounting system error which causes transaction amounts to be recorded by date posted rather than by the date the service was provided. This prevented us from concluding on the accuracy of the Purchased Service expenditures included in the agency's ledgers and reported on the agency's submitted CY-370 Expenditure Reports for both fiscal years. As a result, as described in the report letter from Auditor General DePasquale, we were unable to ascertain and certify the actual Commonwealth expenditures incurred on behalf of children resident within the city for the fiscal years July 1, 2008 to June 30, 2009 and July 1, 2009 to June 30, 2010.

Due to the above factors, this finding and the corresponding adjustments will remain as presented. We will follow up on the agency's establishment and implementation of effective internal controls over its financial record-keeping system in our next audit of the agency.

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**Finding No. 4 – Potential Questionable Costs of \$27,438,285 Related to the City of Philadelphia Department of Human Services’ (Agency’s) Failure to Monitor the Financial and Program Activities of Preventative Services’ Contractors and Subcontractors**

Condition: During our current engagement, for the 2008-2009 and 2009-2010 fiscal years, we determined that, for 3 out of 39 contracts judgmentally selected for review, the agency engaged the services of two different contractors (referred to as fiduciaries), for contracted amounts totaling \$27,438,285, to provide preventative services to children and each fiduciary then subcontracted these services to other contractors referred to as subcontractors.

Because of the matter described in Finding No. 3 of this report, we were unable to determine the actual amounts the agency paid to these fiduciaries; via review of the contracts, we determined that one fiduciary, with 2 contracts, received an original contract totaling \$16,342,637 for the 2008-2009 fiscal year and received an amended contract in fiscal year 2009-2010 for an additional \$7,195,548. These contracts included a list of 64 subcontractors to which funds could be distributed. The other fiduciary received signed contracts totaling \$3,900,100 for the 2008-2009 fiscal year and the invoices we received indicate these funds could be distributed to up to 9 subcontractors.

However, the agency was not able to provide evidence of the specific types of preventative services that were provided to children, the number and names of the children to whom these services were provided, the date(s) on which these services were provided, and the effectiveness of the services, if actually provided, to any children. In addition, while we could determine the amount each fiduciary allocated to each of their subcontractors, no documentation was maintained detailing the methodology used by the fiduciaries to allocate the amounts to each subcontractor.

Furthermore, our review of the subcontracted amounts allocated by these two fiduciaries revealed that six subcontractors received more than \$500,000 a year and one of the six subcontractors received more than \$6 million. However, agency management performed no monitoring procedures, nor did the contracts require the fiduciaries to perform any such procedures, to determine whether preventative services for which the fiduciaries subcontracted out in the amount of \$27,438,285 were actually provided, and if provided, provided in accordance with contracted terms.

Finally, we were informed by the DHS that preventative services’ providers are not required to be licensed by the Commonwealth; therefore, all of the subcontractors used to provide these preventative services were not licensed by the Commonwealth DHS nor subject to annual inspections performed by the Commonwealth DHS.

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Criteria: *Section 3170.85. Responsibility of the County.* "...the county executive officers shall be responsible for the effective execution of each purchase of service agreement..."

Cause: Agency management stated that because they did not directly contract with the subcontractors, they do not receive invoices from the subcontractors. Agency management further stated it is not cost effective to directly contract with small community contractors who provide preventative services to children and, because of their small size, these small community contractors being used as subcontractors may not be able to satisfy City and DHS contracting requirements. In addition, the agency believes the fiduciary has the responsibility to monitor the activities of these subcontractors.

Effect: Since agency management performed no monitoring procedures and did not require the fiduciary to perform monitoring procedures of subcontractors paid to provide preventative services to children, agency management does not know whether these services were actually provided, or if provided, whether the services provided were effective. Furthermore, the safety of children is at risk because it is not known whether necessary state and federal criminal background checks, as well as child abuse history clearances, were performed on direct volunteers<sup>1</sup> and employees<sup>2</sup> of these subcontractors and because building facilities used by these subcontractors are not subject to annual inspections performed by the Commonwealth's DHS.

By failing to ensure that Commonwealth safety requirements for building facilities are met and not obtaining the results of criminal background checks and child abuse clearances, agency management is not providing adequate oversight of the subcontractors providing services to children. Further, because agency management, nor the fiduciary, appears to have ensured that the background checks/clearances were obtained, agency management is taking the risk that the individuals employed by or volunteering for the subcontractor are not suitable to provide child preventive services. In the worst case, these individuals could possibly be convicted state/federal felons or have a child abuse adjudication in their record.

Recommendations: Agency management has the ultimate responsibility for monitoring all services provided to children, including those services provided by the subcontractors of fiduciaries, as the Commonwealth's DHS has no established system to monitor subcontractor activities. Therefore, we recommend that the agency discontinue its practice of allowing fiduciaries to subcontract the services for which they are under contract to perform unless the agency develops and implements the following policies and procedures to monitor the financial

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<sup>1</sup> The Child Protective Services Law (CPSL) was recently amended by Act 15 of 2015 to provide for a definition of "direct volunteer contact" as: "[t]he care, supervision, guidance or control of children and routine interaction with children." The definition of "routine interaction" with children is now: "[r]egular and repeated contact that is integral to a person's employment or volunteer responsibilities." [Emphasis added.] *See* 23 Pa.C.S. § 6303.

<sup>2</sup> The CPSL defines "direct contact with children" for employees/contractors as: "the care, supervision, guidance or control of children or routine interaction with children." [Emphasis added.] *Ibid.*

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and program related activities of all fiduciaries and subcontractors providing services to children:

- Maintain documentation evidencing how total contracted amounts are allocated to each subcontractor.
- Perform monitoring procedures to ensure contracted services were actually provided. This could include direct monitoring by the agency and/or the inclusion of a requirement for the fiduciaries to perform monitoring procedures of all subcontractors in contracts with the fiduciaries. Additionally, if the agency requires fiduciaries to perform monitoring procedures, the agency should evaluate the effectiveness of the fiduciaries' monitoring on a regular basis.
- Maintain documentation evidencing the specific types of preventative services that were provided to children, the number and names of the children to whom these services were provided, the date(s) on which these services were provided, and the effectiveness of the services provided to these children.
- Include requirements related to the CPSL in contracts with fiduciaries mandating that fiduciaries:
  - 1.) Ensure that the required CPSL background checks/child abuse history clearances are routinely performed for all applicable direct volunteers and employees of fiduciaries and all applicable direct volunteers and employees of any subcontractors used to provide services to children.
  - 2.) Perform monitoring with regard to all applicable direct volunteers/employees of all subcontractors and maintain detailed and appropriate evidence of all monitoring procedures and results.

We also recommend that the agency monitor all fiduciaries' compliance with the recommended contract requirements listed above related to the CPSL and maintain detailed and appropriate evidence of all monitoring procedures and results.

Additionally, we recommend that the Commonwealth DHS consider requiring preventative services providers to be licensed and subject to annual inspections performed by the Commonwealth DHS. As noted on the agency's Keep Kids Safe PA website:

"Protecting Pennsylvania's children from abuse and neglect is a shared responsibility. It requires collaboration from the formal child protective services system, community partners and our citizens to provide local safety nets for children and families that are facing challenges within our communities and neighborhoods."<sup>3</sup>

We agree and encourage the agency to implement our recommendations for the children receiving preventative services all across the commonwealth as soon as practicable.

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<sup>3</sup> <http://keepkidssafe.pa.gov/index.htm>, last accessed on November 6, 2015.

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Agency Response: The Philadelphia Department of Human Services (DHS) submitted a formal, written response whereby they disagreed with this finding and stated the following:

There are multiple contracts with fiduciaries in place to support smaller agency [sic] that may not be capable of meeting all city requirements for contracting. The Auditor General did not request the additional documentation that it states that DHS did not have on hand. Any monitoring and fiscal records management for subcontractors should be maintained by the fiduciary and can be requested.

Language in the contracts with fiduciaries addressing the new Child Protective Services Laws was incorporated into all contracts in FY15/16. Fiduciaries are expected to incorporate the language into their contracts with the subcontractors.

Auditor's Conclusion: We understand that the fiduciaries may monitor and manage the fiscal record-keeping for services provided to children; however, the agency has the ultimate oversight responsibility to monitor and ensure that the fiduciaries and any subcontractors of the fiduciaries are providing the services contracted and that the services provided were effective. Furthermore, our Department's responsibility is to audit the financial records and supporting documents of the County Children and Youth Agencies to substantiate the expenditures reported on their submitted Act 148 fiscal reports. Therefore, it is the agency's responsibility to provide us with requested supporting documents during the course of our engagement, not the fiduciaries or subcontractors.

Also, while we commend the agency for including language in their fiduciary contracts for FY 15/16 regarding the Child Protective Services Law and related laws, the agency must still ensure that they develop and implement policies and procedures to monitor the processes used by the fiduciaries and subcontractors for verifying the completion of criminal background checks and child abuse history clearances for all direct volunteers and employees to ensure the safety of the children being served by the agency taking into consideration recent changes to the CPSL. Furthermore, the agency should maintain evidence of the monitoring procedures that were implemented and the results and conclusions of the procedures performed.

In closing, we appreciate the agency's response and the additional steps agency management is taking with regard to the monitoring provisions being included in the current executed contracts with the fiduciaries. However, based on the above factors, this finding will remain as presented. We will follow up on this corrective action, as well as the development and implementation of agency monitoring procedures over fiduciaries and subcontractors, in our next audit of the agency.

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**Finding No. 5 – City of Philadelphia Department of Human Services (Agency) Advanced Payments to Purchased Services’ Contractors Prior to Children and Youth Social Services Being Provided**

Condition: During our current engagement, for the 2008-2009 and 2009-2010 fiscal years, we found that 8 out of the 39 contractors we reviewed received advanced payments prior to the contracted children and youth social services being provided. Our review found that one contractor received, per the contract terms, 15% of the contracted amount as an advanced payment for the fiscal year 2009-2010. Another contractor received an advanced payment equal to 25% of the contracted amount, per the contract terms, during the 2008-2009 fiscal year. For the remaining 6 contractors, the agency adhered to its established operating practice of, if written requests are received and the contractors meet agency established criteria, advancing to contractors 1/12<sup>th</sup> of the contracted amount one time each fiscal year. The agency-established criteria that the contractors must meet before receiving these advance payments are as follows:

- Contract and/or encumbrance amount is \$50,000 or over.
- Contractor is a not-for-profit entity.
- Services are to be provided for at least five agency placed clients.
- Contractor submitted audited financial statements by required date.
- The agency’s review of the audit does not indicate possible financial difficulties.
- Provider performance reviews have been satisfactory.
- Provider has been contracting with the agency for at least three years.
- A decrease in agency payments to the provider and/or provider placements is not expected.

An agency Division of Contract Administration and Program Evaluation supervisor and the division director complete an eligibility determination checklist to determine whether each requesting contractor meets the agency’s specified criteria. During our review, for the eight contractors to whom the agency made advanced payments, while we were provided completed eligibility determination checklists and the written requests from the contractors, we found that none of the contractors’ written requests included justification as to why the advanced payments were needed. Furthermore, the practice of advancing payments prior to services being provided does not comply with state and federal regulations requiring that Children and Youth agency expenditures be for actual expenditures and be supported by accounting records and source documentation at the time expenditures are submitted for reimbursement.

Criteria:

*Section 3140.21. Reimbursement For Services. General. (a)* Under section 704.1 of the Public Welfare Code (62 P.S. § 704.1), the Department reimburses expenses incurred by the county for children and youth social services, including services to alleged and adjudicated dependent and delinquent children according to an approved county plan and budget estimate up to the

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amount of State funds allocated to the county under section 709.3 of the Public Welfare Code (62 P.S. § 709.3).

*OCYF Bulletin 3140-06-06. Instructions for Completion of Expenditure Report.* This is a report of the actual expenditures of the County Children and Youth Agency (CCYA).

*Federal Health and Human Services/Administration for Children and Families Child Welfare Policy Manual. 8.1C TITLE IV-E, Administrative Functions/Costs, Calculating Claims.* In accordance with regulations at 45 CFR 95.4, a "claim" is defined as "...a request for Federal financial participation in the manner and format required by our program regulations, and instructions or directives issued thereunder." The instructions for completing Form ACF IV-E-1 state that all amounts must be for actual expenditures made under the State's approved IV-E plan in accordance with applicable statutes and regulations. These claims must be supported by accounting records and source documentation at the time they are submitted. Estimates of quarterly expenditures do not represent a "claim" as defined above and, as such, may not be reported on the Form IV-E-1 for the purpose of claiming FFP. All claims must be comprised of actual expenditures and filed within two years from the end of the quarter within which the expenditures were made.

Cause: Agency management stated it is agency policy to advance payments to contractors if specific criteria is met and was unaware this practice is not allowed according to state and federal regulations. Agency management also stated that their main reason for advancing payments to contractors is to help contractors who are having cash flow problems because the City does not pay contractors on a timely basis.

Effect: Advanced payments made to contractors, for services not yet rendered, is a violation of Commonwealth DHS and federal regulations and could lead to the agency paying for services that are ultimately never provided. Furthermore, the agency earns less interest income and has less funds available for children and youth social services. Finally, State Act 148 funds are for the provision of children and youth social services on a reimbursement basis and the County or City should not use these funds to ensure that contractors an adequate cash flow to provide the services.

Recommendation: We recommend that agency management discontinue their practice of advancing payments to contractors before contracted services are actually provided. We further recommend that agency management pursue appropriate training to familiarize themselves with state and federal regulations impacting the agency's operations.

Agency Response: The Philadelphia Department of Human Services (DHS) submitted a formal, written response whereby they agreed with this finding and stated the following:

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The City will work to decrease the amount of time necessary to conform a contract and reduce the need for its providers to receive advance payments on their contracts. DHS will also amend its practice so that if an advance payment is made to a provider, the City will only bill the Commonwealth for the advance payment once the service actually has occurred.

Auditor's Conclusion: We commend the agency for its proposed corrective action plan with respect to advanced payments and we will follow up on implementation during our next audit of the agency.

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**Finding No. 6 – Deficient Internal Controls Resulted in Violations of DHS Regulations and Negatively Impacted the City of Philadelphia Department of Human Services (Agency) Operations and Financial Records**

Condition: During our current engagement, we identified the following internal control deficiencies, for the fiscal years ended June 30, 2009 and June 30, 2010, within the City of Philadelphia Department of Human Services (Agency), that resulted in violations of Commonwealth Department of Human Services (DHS) regulations and/or negatively impacted the operations of the agency and the validity of its financial records.

- For both fiscal years, the agency failed to maintain sufficient documentation evidencing the expenditures included in the agency's general ledger, thus the expenditures were considered unallowable. For the 2008-2009 fiscal year, expenditures were overstated by \$1,279,086 and for the 2009-2010 fiscal year, expenditures were overstated by \$250,559. Because these overstated costs were included in the agency's 2008-2009 and 2009-2010 CY-370 Expenditure Reports submitted to Commonwealth DHS, the agency received, and had the use of, Act 148 funds to which it was not entitled. Therefore, we issued audit adjustments, as detailed in Adjustment No. 2 on page 9 and Adjustment No. 2 on page 20 of this report, to recapture these excess Act 148 state funds.
- For both fiscal years, the agency erroneously included clothing allowance expenditures in the Purchased Services Objects of Expenditure column, instead of in the Operating Expenditures column, on its CY-370 Expenditure Reports submitted to the Commonwealth DHS. Failure to include expenditures in the proper Object of Expenditure column on the agency's CY-370 Expenditure Report submitted to Commonwealth DHS is a violation of Commonwealth DHS regulations; however, since there is no effect on net state share, an audit adjustment was not required.
- For the fiscal year ended June 30, 2009, the agency failed to accurately report Independent Living, Human Services Development Funds, Total Title IV-D Collections and Title IV-D Collections for IV-E Children on its CY-348 Fiscal Summary Report submitted to DHS. For the fiscal year ended June 30, 2010, Title IV-D collections for IV-E Children, reported on the CY-348 Fiscal Summary again was not accurately reported. While these revenue amounts were accurately reported as Program Income or Title IV-E Revenue and included in the State Act 148 payment calculation, the specific totals for each respective revenue source are shown for informational purposes at the bottom of the CY-348 Fiscal Summary report and the figures presented on the report did not match the amounts included in Program Income or Title IV-E. Not accurately reporting revenue on the CY-348 Fiscal Summary is a violation of Commonwealth DHS regulations and negatively impacted the validity of financial records and could negatively impact subsequent fiscal year budgeting if the agency relied on its reported amounts.

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- For both fiscal years, the Purchased Services expenditures reflected on the submitted CY-383 Fee-For-Service schedule, which is a supporting schedule that details Purchased Service expenditures by contractor and cost center, did not contain all required elements. The elements the agency failed to report include the rate or payment amount, definition of the rate, number of units provided and total cost. There are instances in which the service rate charge is missing, and instances in which the number of units are shown but the total cost and service rate charge show \$0.00.
- For both fiscal years combined, service rate charges detailed in 10 of the 40 contracts reviewed did not match service rate charges shown on the CY-383 Fee-For-Service Schedule, even though total expenditures for each cost center per the CY-383 Fee-For-Service schedule agreed to total expenditures per the CY-370 Expenditure Report.

Criteria: Title 55, Pa. Code § 3170. Allowable Costs and Procedures for County Children and Youth Social Service Programs

- *Section 3170.91. County Responsibility.* The county is responsible for the general fiscal management of the county agency. This includes maintaining fiscal records of expenditures and revenues of the program, providing data for budgeting and expenditure reporting to the Department, monitoring the financial activities of the program, and other activities related to fiscal operations of the program.
- *Section 3170.92(b). Accountability for Expenditures for Clients. Records Maintenance.* County agencies shall maintain sufficient and appropriate records and data to justify payment for expenses by the Department. The local authorities or contractors shall maintain books, records, documents and other evidence and accounting procedures and practices, sufficient to reflect properly all direct and indirect costs of whatever nature claimed to have been incurred and anticipated to be incurred for funds supported by the Department and for which reimbursement is claimed.
- *Section 3170.93(c). Contracts. Conformity.* The contract shall provide for conformity with the regulations or procedures promulgated by the Department. The contract shall specify the types of services provided by the contracting agency for the county. In the case of unit of service agencies, the rate of reimbursement for a service shall be cited. In no case shall a provider agency be retroactively awarded an increased rate of reimbursement.
- *Section 3170.95(a). Accounting.* Agency directors shall follow standard accounting principles and procedures for recording financial activity, and maintain ledgers in sufficient detail for necessary fiscal management and adhere to the policies prescribed in § 3170.92(b) and (c) (relating to accountability for expenditures for clients).

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- *OCYF Bulletin 3140-06-06. Act 148 Invoicing Procedures for County Child Welfare Services.* Instructions for Completion of Expenditure Report, Instructions for Completion of Fiscal Summary and Instructions for Completion of Fee For Service Schedule

Cause:

- Regarding agency management's failure to maintain sufficient documentation evidencing the expenditures included in the agency's general ledger, agency management stated, for the fiscal years 2008-2009 and 2009-2010, expenditures were not properly prepared and reviewed because several financial staff members responsible for the preparation and review of invoices left the Department and the positions were not filled. As a result, responsibilities were consolidated and given to one individual.
- Regarding agency management's erroneous inclusion of clothing allowance expenditures in the Purchased Services Objects of Expenditure column, instead of in the Operating Expenditures column, on its CY-370 Expenditure Reports submitted to the Commonwealth DHS, agency management stated, in previous fiscal years, clothing allowances were reported in the Operating Object of Expenditure on the CY-370 Expenditure Report, but during discussions with the Commonwealth DHS, the agency was instructed to report court related clothing allowances in the Purchased Services Object of Expenditure.
- Regarding agency management's erroneous reporting of total revenue amounts on the CY-348 Fiscal Summary, agency management failed to implement proper review and monitoring procedures to ensure that the correct total revenue amounts were reported on the CY-348 Fiscal Summary, prior to submitting the report to the Commonwealth DHS.
- Regarding agency management's improper completion of its submitted CY-383 Fee-For-Service Schedule, agency management failed to follow Commonwealth DHS issued instructions for the completion of the CY-383 Fee-For-Service Schedule.
- Regarding agency management's contracted service rate charges not matching service rate charges on the CY-383 Fee-For-Service Schedule, agency management failed to implement proper review and monitoring procedures to verify that the provider rates reported on the CY-383 Fee-For-Service Schedule were consistent with the contracted amounts.

Effect:

- Agency management's failure to maintain sufficient documentation to evidence expenditures reported on the agency's submitted 2008-2009 and 2009-2010 CY-370 Expenditure Reports resulted in an overstatement of the amounts submitted for reimbursement, requiring audit adjustments to be made to decrease expenditures a total of \$1,279,086 for the 2008-2009 fiscal year and a total of \$250,559 for the 2009-2010

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fiscal year. In addition, the lack of effective internal controls places the agency's funds at greater risk of misappropriation.

- Agency management's inappropriate reporting of clothing allowance expenditures, on the agency's submitted 2008-2009 and 2009-2010 CY-370 Expenditure Reports resulted in an overstatement of the agency's Purchased Services Object of Expenditures, an understatement of the agency's Operating Object of Expenditures, and could affect subsequent fiscal year budgeting for the agency.
- Agency management's inappropriate reporting of Independent Living Grant funds, Human Services Development Funds, Total Title IV-D Collections and Title IV-D Collections for IV-E Children, on the agency's submitted CY-348 Fiscal Summary, could affect the agency's budgets for subsequent fiscal years. Audit adjustments were made to the agency's submitted 2008-2009 and 2009-2010 CY-348 Fiscal Summaries to report the actual amounts received.
- Agency management's failure to include all required elements on the agency's submitted 2008-2009 and 2009-2010 CY-383 Fee-For-Service Schedules is a violation of Commonwealth DHS regulations and negatively impacts the validity of the agency's financial records, and represents an internal control weakness that increases the risk of fraud via misappropriation of assets.
- Agency management's failure to ensure that service rate charges on the agency's submitted 2008-2009 and 2009-2010 CY-383 Fee-For-Service Schedules agree with the contracted service rate charges, negatively impacts the validity of the agency's financial records, and represents an internal control weakness that increases the agency's risk of fraud via misappropriation of assets.

Recommendation: Agency management should establish and implement effective internal control procedures over the agency's financial record-keeping system and maintenance of supporting documentation to ensure that all children and youth transactions are properly and timely recorded; ensure that all fiscal reports submitted to the Commonwealth DHS are accurate, prepared in accordance with Commonwealth DHS regulations, and reflect the actual revenues and expenditures of the children and youth program; and ensure that all reported expenditures are reimbursable as per the Act 148 regulations. In addition, the agency should develop and implement a corresponding written policy which includes follow-up review procedures to ensure all documentation is accurately completed.

Agency Response: The Philadelphia Department of Human Services (DHS) submitted a formal, written response whereby they agreed with this finding and stated the following:

Philadelphia DHS' Act 148 PIP, specifically, CY 383 Fee-for-Service and Title IV-D collection, addresses this issue. The Act 148 supporting documentation is now reviewed by the Budget Auditor 2 before being entered into the template for submission. The \$0 rate is a real rate in Philadelphia, reflecting the placement of a child in the hospital, secure facility, or a child in runaway status.

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Additionally, Philadelphia DHS will correct its process of reporting clothing allowances.

Auditor's Conclusion: We commend the agency for taking corrective action regarding the proper reporting of information on the fiscal reports and its proposed corrective action pertaining to the reporting of clothing allowance. We will follow up on implementation of these actions during our next audit of the agency.

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**Finding No. 7 - Failure to Conduct Annual Time Studies**

Condition: The City of Philadelphia Department of Human Services (Agency) failed to conduct annual time studies for the 2008-2009 and 2009-2010 fiscal years. While agency management allocated the agency's general operating expenditures among the various cost centers on the agency's CY-370 reports submitted to the Commonwealth DHS, no documentation was provided evidencing the methodology utilized to allocate these costs.

Criteria: *Title 55 Pa. Code, § 3170.91(c) related to fiscal management – financial reporting requirements of the County Agency, state, in part:*

The Department has the authority to prescribe the format, instructions, and time at which the county agency shall submit to the Department annual plans, annual estimates of expenditures and revisions, as well as expenditure and income reports.

*Federal Office of Management and Budget (OMB) A-122, attachment B, #8 Compensation for personal services, (m) support of salaries and wages; guidance on Personnel Activity Reports*

- (1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in subparagraph (2), except when a substitute system has been approved in writing by the cognizant agency.

Cause: We were unable to determine the reason why the agency failed to conduct annual time studies. We were also unable to determine the methodology used by the agency to allocate its general operating expenditures among the various cost centers on its CY-370 reports submitted to the Commonwealth DHS. Agency management stated they prepared a time study that was approved by the Commonwealth DHS and implemented during the 2014-2015 fiscal year, which is based on a two week time period and information from the fiscal year of the costs being allocated.

Effect: Agency management's failure to conduct annual time studies for the 2008-2009 and 2009-2010 fiscal years may have resulted in the inappropriate allocation of the agency's general operating expenditures among the various cost centers listed on the agency's CY-370 Expenditure Reports submitted to the Commonwealth DHS for the 2008-2009 and 2009-2010 fiscal years and, thus, inappropriate amounts of Act 148 state reimbursements may have been received.

CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
CURRENT ENGAGEMENT FINDINGS AND RECOMMENDATIONS

Recommendation: We recommend that agency management establish formal written policies and procedures requiring that time studies are conducted annually and used to allocate the general operating costs included on the agency's CY-370 Expenditure Reports submitted to the Commonwealth DHS. We further recommend that each annual time study is based on the allocation costs from the respective fiscal year for which the time study is being conducted. Finally, we recommend that agency management ensure that appropriate documentation evidencing the methodology utilized to allocate these costs is maintained.

Agency Response: The Philadelphia Department of Human Services (DHS) submitted a formal, written response whereby they agreed with this finding and stated the following:

Philadelphia DHS has corrected the issue through the Act 148 Performance Improvement Process (PIP). Beginning in FY14/15, Philadelphia DHS implemented Time Studies for all Social Work and Case Management case-carrying staff at Philadelphia DHS and the Community Umbrellas Agencies.

Auditor's Conclusion: We commend the agency on its corrective action plan with respect to the completion of time studies and we will follow up on implementation during our next audit of the agency.

CITY OF PHILADELPHIA DEPARTMENT OF HUMAN SERVICES  
REPORT DISTRIBUTION LIST

This report was originally distributed to the following:

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Commonwealth of Pennsylvania

**The Honorable Jim Kenney**, Mayor  
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**The Honorable Ted Dallas**, Secretary  
Department of Human Services

**Ms. Cathy Utz**, Deputy Secretary  
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