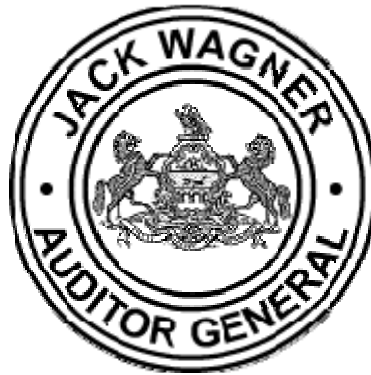


Commonwealth of Pennsylvania
Department of Public Welfare
Youth Development Center at New Castle
July 1, 2004, to March 16, 2007
Performance Audit



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July 25, 2007

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Dear Governor Rendell:

This report contains the results of a performance audit of the Youth Development Center at New Castle from July 1, 2004, to March 16, 2007. The audit was conducted under authority provided in Section 402 of The Fiscal Code and in accordance with *Government Auditing Standards* as issued by the Comptroller General of the United States.

The report details the audit objectives, scope, methodology, findings, and recommendations. The report found that New Castle did not maintain a Board of Trustees, management did not review Advancement Account checks and supporting documentation, and management control improvement is needed over the Visa purchasing card program. Also, not all New Castle staff received the required training.

The contents of the report were discussed with the officials of the Youth Development Center at New Castle, and all appropriate comments are reflected in the report.

We appreciate the cooperation extended to us by the management and staff of the Youth Development Center at New Castle and by others who provided assistance during the audit.

Sincerely,

JACK WAGNER
Auditor General

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Background Information

Department of Public Welfare – Office of Children, Youth and Families

The Office of Children, Youth, and Families (Office) was established in 1980 as a distinct office directed by the Deputy Secretary of the Office of Children, Youth and Families. The Office is responsible for child welfare services, the operation of youth development centers and youth forestry camps, and child day care services. Prior to 1980, the responsibility for dependent and delinquent children was included in the Department of Public Welfare's (DPW) Office of Social Programs under direction of the Commissioner of Children and Youth.

In 1985, the Bureau of State Children and Youth Programs (BSCYP) was established within the Office of Children, Youth and Families. This organization consolidated the administration, management and oversight responsibilities of the YDC/YFC system into one central office, under the leadership of a bureau director. This consolidation provided consistent management of the diverse programs and services essential to addressing the changing needs of delinquent youth.

Youth institutions are dedicated and obligated to operate their programs efficiently, effectively, and in a manner that embraces the philosophy of Balanced and Restorative Justice. Programs strive to provide balanced attention to their clients, juvenile courts, and the community. The youth institutions are also committed to providing a safe, secure, and productive work environment that promotes professional development, and ensures quality supervision and treatment programs that address the diverse social and rehabilitative needs of the youth in care. The system's programs are targeted to serve delinquent youth with special needs and those who require secure care, are provided to address the social, emotional, vocational, and educational needs of these youth.

As of June 30, 2006, the Office operated two youth development centers, two youth forestry camps, two secure treatment units, and a contracted facility. The youth development centers provide both secure and open types of settings. The youth forestry camps provide only residential settings. The treatment units and contracted facility provide programs in a secure setting.

Youth Development Center at New Castle

The Youth Development Center at New Castle is located in the community of New Castle, Lawrence County, approximately 50 miles northwest of Pittsburgh. New Castle, in operation since 1969, is designed to offer educational and rehabilitative services to male delinquents committed by juvenile court. New Castle operations are conducted on a 206-

Background Information

acre main campus and the treatment program consists of a 62-bed residential component and a 124-bed secure intensive treatment component.

Frew Mill School

Frew Mill School is the educational program operated by Midwestern Intermediate Unit IV at the New Castle Youth Development Center. The Frew Mill School's mission is to strive for optimal improvement for its diverse population in academic, vocational, and behavioral skills enabling students to re-enter society in a positive, productive manner through educational opportunities and services in an appropriate learning environment.

Frew Mill School is located on the grounds of the Center and services the educational needs of all students from the open and secure programs. Approximately 360 students attend Frew Mill School each year. The students are sent to Youth Development Center at New Castle from throughout the state. Diversified programs are tailored to meet the individual needs of each student. All students receive credits transferable to public school.

The Frew Mill School is fully accredited, and students are able to earn a Commonwealth General Equivalency Diploma by passing an examination if they do not choose to return to school. Two graduations are held each year. Frew Mill School is also a testing site for the Student Aptitude Tests (SATs) and several students participate in the tests each year. Additionally, the Commonwealth issues a secondary high school diploma to any student that meets the educational criteria.

Southwest Secure Treatment Unit

New Castle had oversight responsibility for the Southwest Secure Treatment Unit (Southwest Unit) until its closure June 30, 2006. Prior to its closure, the Southwest Unit was located on the grounds of Torrance State Hospital, a facility operated by DPW for mentally ill in Torrance, Westmoreland County, approximately 30 miles east of Pittsburgh. The 64-bed secure unit was established in May 1995 to serve male juveniles who committed serious offenses.

Cresson Secure Treatment Unit

New Castle also monitors the operations of the Cresson Secure Treatment Unit (CSTU), which is managed contractually by the Justice Resource Institute of Boston, Massachusetts. CSTU, established in December 1997, is located on the grounds of the State Correctional Institution at Cresson in Cresson, Cambria County, approximately 10 miles southwest of Altoona. The 52-bed unit is a highly secure facility providing services for serious and habitually delinquent males.

Background Information

The following schedule presents select unaudited New Castle operating data for the years ended June 30, 2005, and 2006.

	2005	2006
Operating expenditures (rounded in millions) ¹		
State	26.7	26.9
Federal	.2	.2
Total	26.9	27.1
Employee complement at year-end		
Filled	388	336
Vacant	34	49
Totals	422	385
Bed capacity at year-end		
New Castle Secure Treatment Unit	124	124
New Castle Residential Unit	62	62
Southwest Secure Treatment Unit	48	48
Cresson Secure Treatment Unit	52	52
Totals	286	286
Actual student days of care		
New Castle Secure Treatment Unit	41,924	43,477
New Castle Residential Unit	18,021	17,377
Southwest Secure Treatment Unit	15,814	10,604
Cresson Secure Treatment Unit	15,335	16,215
Totals	91,094	87,673
Available student days of care ²		
New Castle Secure Treatment Unit	45,260	45,260
New Castle Residential Unit	22,630	22,630
Southwest Secure Treatment Unit	17,520	17,520
Cresson Secure Treatment Unit	18,980	18,980
Totals	104,390	104,390

¹ Operating expenses were recorded net of fixed asset costs, an amount that would be charged as part of depreciation. In addition, regional and department level direct and indirect charges are not allocated to the totals reported here.

² The available days of care was calculated by multiplying the bed capacity by the number of calendar days in the year.

Background Information

	2005	2006
Average daily census ³		
New Castle Secure Treatment Unit	115	119
New Castle Residential Unit	49	48
Southwest Secure Treatment Unit	43	29
Cresson Secure Treatment Unit	42	44
Totals	249	240
Percentage of utilization ⁴		
New Castle Secure Treatment Unit	92.6%	96.1%
New Castle Residential Unit	79.6%	76.8%
Southwest Secure Treatment Unit	90.2%	60.5%
Cresson Secure Treatment Unit	80.8%	85.4%

³ The average daily census was calculated by dividing the actual student days of care for the year by the number of calendar days in the year.

⁴ Percentage of utilization was calculated by dividing the actual student days of care by the available student days of care.

Objectives, Scope, and Methodology

We selected the objectives for the current audit from the following general areas: Board of Trustees, Procurement, Training, Maintenance Expenses, and Payroll. In addition, we determined the status of recommendations made during the prior audit of New Castle. The specific objectives for this audit were:

- To determine if New Castle maintained a Board of Trustees and conducted regular meetings. (Finding 1)
- To determine if New Castle has adequate management controls over the procurement function and if purchases made were in accordance with the Department's policies and procedures. (Findings 2, 3, and 4)
- To determine the effectiveness of employee training. (Findings 5 and 6)
- To determine the accuracy of maintenance expenditures and if they comply with policies and procedures. (Finding 7)
- To determine if New Castle had adequate internal controls over the SAP R/3 Payroll module, including the input of time, leave and payroll deductions. (Finding 8)

We also determined the status of management's implementation of corrective actions on our recommendations in the prior audit report.

To accomplish these objectives auditors reviewed the Commonwealth's Agency Operating Advancement Account manual,⁵ the Department's Visa Purchasing Card Manual⁶ and the ImaginePA Procurement Manual. We also reviewed the Department's training manual⁷ and the Department's policies for facility maintenance.⁸

⁵ Commonwealth of Pennsylvania, Office of the Budget, Bureau of Financial Management, Agency Operated Advancement Accounts.

⁶ Department of Public Welfare Administrative Manual 7031, Management Directive 310.23, Visa Purchasing Card Manual dated January 6, 2006.

⁷ Commonwealth of Pennsylvania Department of Public Welfare, Bureau of State Children and Youth Programs, Training Policy Statement, Personnel Administration Manual Number PA002, dated September 28, 1998.

⁸ Youth Development Center at New Castle, Division of Facility and Space Management, Maintenance Work Order Processing Procedures.

Background Information

Auditors interviewed appropriate New Castle personnel, management and staff responsible training, management and staff responsible for maintenance operations and record keeping, and appropriate management and staff responsible for payroll activity.

To determine if New Castle maintained a Board of Trustees and conducted regular meetings, auditors requested meeting minutes from July 1, 2004, through November 13, 2006.

To determine if New Castle has adequate management controls over the procurement function and if purchases made were in accordance with the Department's policies and procedures, we randomly selected and tested 37 of 927 Advancement Account purchases from July 1, 2004, to June 30, 2006, 30 Visa purchasing card transactions from July 1, 2005, to June 30, 2006, and 20 Integrated Enterprise System (IES) transactions for the period from July 1, 2005, to June 30, 2006.

To determine the effectiveness of employee training, auditors reviewed the facility's annual training plan for the fiscal years ended June 30, 2005, and June 30, 2006,. Auditors randomly selected and tested 31 of 336 employee training records for the fiscal year ended June 30, 2006, and randomly selected and tested 30 of 336 employees training records for the fiscal year ended June 30, 2005.

To determine the accuracy of maintenance expenditures and New Castle's compliance with policies and procedures, we randomly selected and tested 45 of 1,041 maintenance work orders from October 1, 2006, to December 31, 2006, and 30 of 168 incomplete maintenance work orders from October 1, 2006, to February 12, 2007.

To determine if New Castle had adequate internal controls over the SAP R/3 Payroll module, including the input of time, leave and payroll deductions, auditors randomly selected and tested 32 employee records from the last payroll generated under the former accounting system, and compared the employees' gross salaries to the gross salaries generated under the SAP R/3 Payroll module for the pay period ending January 16, 2004. We also reviewed the work hours, leave usage, overtime, and additional supporting documentation for the 32 selected employee records posted to the pay periods ending December 29, 2006, and January 12, 2007, to determine if they were properly recorded.

To determine the status of management's corrective actions on recommendations of the prior audit, auditors reviewed DPW's July 31, 2006, written response replying to the Auditor General's audit report. Auditors performed tests as part of, or in conjunction with the current audit, and had discussions with appropriate New Castle personnel regarding the prior audit findings and recommendations.

The scope of the audit was from July 1, 2004, to March 16, 2007. An exit conference was held with New Castle management on March 15, 2007. Management comments are included with each recommendation within the audit report.

Audit Results

Board of Trustees

The Administrative Code of 1929⁹ requires the Commonwealth institutions to establish and maintain a Board of Trustees and describes the organizational structure they are to follow. The Public Welfare Code¹⁰ defines the Board's powers and duties as follows:

To advise, assist and make recommendations to the superintendent with respect to the management and operation of the institution and with respect to any plans or programs for its improvement.

To keep under review all matters pertaining to the welfare and well-being of juvenile delinquents and to make recommendations to the superintendent with respect thereto.

To advise and make recommendations to the Commissioner of Mental Health or the secretary, as the case may be, with regard to the selection and appointment of a superintendent in case of a vacancy.

To advise and make recommendations to the superintendent with regard to his selection of employees of the institution.

To develop and further means and methods of establishing relations of understanding between the institution (and its programs) and the community in which it is located; and to provide liaison between the institution and the community in order to better serve the interests and needs of both.

To make recommendations to the Advisory Committee for Children and Youth on matters of policy and program emerging from their intimate knowledge and experience of juvenile delinquency programs in operation.

⁹ Pennsylvania Statute Title 71 P.S., The Administrative Code of 1929, Article II. Administrative Organization, §62. Departmental Administrative Boards, Commissions, and Offices. Pennsylvania Statute Title 71 P.S.; The Administrative Code of 1929, Article IV. Organization of Departmental Administrative Boards and Commissions and of Advisory Boards and Commissions, §111. (Adm. Code § 401). Boards of Trustees of State Institutions.

¹⁰ The Public Welfare Code Act of 1967, P.L. 31, No. 21, Section 317 - Boards of Trustees of Other State Institutions.

Audit Results

Finding 1 – New Castle did not maintain a Board of Trustees.

Auditors requested to review the New Castle Board of Trustees meeting minutes as a routine part of the audit. However, New Castle did not have any meeting minutes to review. Discussions with management indicated that a Board was once in place, but was disbanded prior to July 2004. Due to staff turnover within New Castle's administration auditors could not determine the exact date the Board was disbanded or when the last meeting was held.

The Administrative Code¹¹ states that:

The following boards, commissions, and offices are hereby placed and made departmental administrative boards, commissions, or offices, as the case may be, in the respective administrative departments as follows:

- The Department of Public Welfare.
- The Board of Trustees of the Western Youth Development Centers. (YDC New Castle)

Department policy¹² explains that the Board of Trustees shall exist and be maintained to:

Have knowledge of the respective facilities, including programs, child care practices and physical environment through reports of the directors, visitations and tours, and serving as members of facility compliance reviews and other evaluation teams.

Assist, as needed, in recruiting and to serve on panels involved in interviewing prospective candidates for employment for selective positions as per Civil Service Commission regulations and procedures.

Provide liaison between and among the facilities, communities, and other public and private entities.

Make recommendations to the Department of Public Welfare on matters of policy and program.

Serve as advocates for the clients of the Youth Development Center/Youth Forestry Camp System, in general, and their respective facilities, in specific.

Participate on board appointed and/or facility appointed committees.

¹¹ Pennsylvania Statute Title 71 P.S., The Administrative Code of 1929, Article II. Administrative Organization, §62. Departmental Administrative Boards, Commissions, and Offices.

¹² Youth Development Center/Youth Forestry Camp System of the Office of Children, Youth and Families, Board of Trustees Policy, Purpose.

Assist in the recruitment of volunteers.

Keep under review all matters pertaining to the welfare and well-being of the clients and make recommendations to the Executive Director with respect thereto.

A Board of Trustees aids New Castle in maintaining a high level of service to the clients, community and the general public. The lack of a Board of Trustees places a burden on New Castle management to maintain the same high level of service without the help of an advisory council.

Recommendations:

New Castle management should begin the process to re-establish a Board of Trustees. Management should then hold regular Board meetings in order to comply with regulations.

Management Comments:

Management stated that, historically, it has been difficult to obtain approvals for board members even though they are required to have a board. They also state that New Castle is in the process of forming a community advisory board that will function much like the board of trustees. Once this is established, New Castle will consider establishing a board of trustees.

Procurement

Beginning in 2001, the Commonwealth began undertaking a comprehensive project to redesign administrative functions, including procurement, by replacing outdated computer systems with new software. This project is called IES, formerly referred to as ImaginePA. The Mission of the Commonwealth's project is stated as follows:

The mission of the Bureau of Integrated Enterprise System is to maintain, improve, and grow the Commonwealth of Pennsylvania's Enterprise Resource Planning (ERP) system to accommodate the administrative and operational requirements of the Commonwealth and to promote standardization of Commonwealth business processes in an effective and efficient manner.

The IES software is designed to allow state agencies to operate more efficiently by helping to eliminate paperwork, spending hours on the phone trying to get information from others, getting numerous approvals, and reconciling data from many sources.

Audit Results

The dollar value and type of purchase determines which method is used to pay for goods and services. Purchases are made through the Department's centralized Advancement Account, the facility's Visa purchasing cards or through the new ImaginePA software known as SAP R/3. New Castle implemented the SAP R/3 system in January 2004. The Advancement Account is used to expedite payments to vendors for goods and services. The Governor's Office of Administration manual states:

Comptrollers, in conjunction with agency heads, may establish agency advancement accounts to expedite vendor payments not exceeding \$1,500 and for which the Purchasing Card cannot be used for the payment. For management reasons, most of these local advancement accounts are subsidiary accounts within a single statewide account¹³

The goals of the Visa purchasing card program are to expedite payment to vendors, reduce the amount of paperwork and staff time and save money. The benefits of SAP R/3 are to speed transaction processing, provide more accurate data and reduce or eliminate redundancy.

Finding 2 – New Castle established adequate controls over the SAP R/3 procurement process.

All of the 20 tested transactions from the SAP R/3 accounting system were completed according to policies and procedures. New Castle employees prepared the requisitions and received the goods. Youth Development Center at Loysville purchasing department employees created the purchase orders. All purchases were processed accurately and in a timely manner. Required approvals, purchasing and receiving documents, and invoices accompanied the disbursements.

Finding 3 – Management did not review Advancement Account checks and supporting documentation.

The Advancement Account is used to pay for purchases that are not made through state contract or are not requisitioned from the Department of General Services warehouse. In addition, it is used when the vendor will not accept a Visa purchasing card.

Prudent business practice normally should include management review and approval of the check for proper signature and a verification that the amount agrees with supporting documentation. In addition, management should ascertain that the purchase transaction is a legitimate use of Commonwealth funds. Ideally, this review should occur prior to the issuance of the check.

¹³ M310.1 - Agency Operated Advancement Accounts, 08/11/1999.

Testing of 37 Advancement Account transactions disclosed that New Castle management did not review or approve the Advancement Account checks prior to issuance of the checks to vendors. When an invoice is received for a purchase, an Accounting Office employee inputs the information into the SAP R/3 system in order to record the payment. The SAP R/3 system generates an electronically signed check that is printed on a special printer and paper at New Castle. The check is then mailed to the vendor without additional review by New Castle management.

As an added control over the propriety of the Advancement Account checks, DPW's Comptroller in Harrisburg has the authority to review the support for any Advancement Account check prepared at New Castle. The audit team was informed that the Harrisburg Comptroller's Office rarely, if ever, requests copies of invoices or other support for the Advancement Account transactions.

Since New Castle management does not conduct any review or approval of the payment process, and DPW's Comptroller Office also does not review the process, it is possible for an Accounting Office employee, responsible for processing the Advancement Account checks, to pay unauthorized transactions, such as personal bills without being detected.

Recommendation:

New Castle should require Business Office management to review and approve all Advancement Account checks and supporting documentation prior to releasing the checks for payment.

Management Comments:

Management agreed with the finding and stated that they will establish a process to review checks and supporting documentation prior to sending checks to vendors.

Finding 4 – Management control improvement is needed over the Visa purchasing card program.

Our audit of New Castle's Visa purchasing card program disclosed the following weaknesses:

- Eleven or 37 percent of the 30 transactions tested were missing receiving reports.
- Two of the 30 transactions tested did not have invoices.
- Cardholder reconciliations were not reviewed by management.

Audit Results

The Department's Visa Purchasing Card Manual states that:

*It is the responsibility of the Cardholder/Authorized User to obtain a receipt from the vendor. It is important to closely examine the receipt for accuracy, including the item description, per item price, and total price.*¹⁴

*All transactions require a receipt for audit purposes. Receipts must be provided.*¹⁵

*Review of the Memo Statement and reconciliation shall be conducted by the Cardholder's supervisor, who may or may not be an Authorized User. The supervisor shall then sign and date the statement.*¹⁶

The Department's Administrative Policy states that:

*Original invoices may be paid based upon the completion of a Goods Receipt or proper certification on the invoice that the material was received, correct and the invoice was approved for payment.*¹⁷

Management controls are necessary to ensure that resources are adequately safeguarded, accounted for and efficiently used. Lack of proper controls increases the potential for fraud, waste and abuse, and the likelihood that errors may occur and not be detected.

Recommendation:

New Castle management should enforce the existing policy for Visa Purchasing Card transactions to ensure that all transactions are accompanied by the proper supporting documentation and management should review and sign the monthly statement reconciliations.

Management Comments:

Management agreed with the finding and they will develop a process to ensure that all policies are followed.

¹⁴ Department of Public Welfare Administrative Manual 7031, Management Directive 310.23, Visa Purchasing Card Manual, Section III. Purchasing Guidelines, A. Credit Card Purchases.

¹⁵ Department of Public Welfare Administrative Manual 7031, Management Directive 310.23, Visa Purchasing Card Manual Section IV. Cardholder Reconciliation, D. Receipts.

¹⁶ Department of Public Welfare Administrative Manual 7031, Management Directive 310.23, Visa Purchasing Card Manual Section IV. Cardholder Reconciliation, A. Billing Cycle/Billing Date.

¹⁷ Department of Public Welfare, Bureau of Administrative Services and the Office of the Comptroller, Administrative Policies, Payment of Invoices Policy, Number 4.

Training

The Youth Development Center at New Castle, through the Department of Public Welfare, is responsible for providing all employees with initial orientation and continuing education and training programs that focus on basic skills and competencies necessary to provide quality services, promote safety and protect the community.

Finding 5 – A training course to aid employees in effectively performing their duties has been developed.

A competency training curricula was established for various job classifications for direct care employees. The course is entitled Develop a Curriculum (DACUM). The competencies include professionalism, communication, Master Care Planning system, treatment, supervision of residents, etc. Once the course has been completed, management uses a “crosswalk” to provide on going performance feedback to staff through assessment of the aforementioned competencies. It appears that this course was effective in ensuring that employees were properly trained in all aspects of their job.

Finding 6 – Not all New Castle staff received the required training.

Auditors selected 30 employee records for testing during the fiscal year ended June 30, 2006. The following table reflects the results of that testing.

Required Training Courses	Number of staff	Percentage
received all training	8	27%
received some training	22	73%
Total	30	100%

In addition, auditors selected 31 employee records for testing during the fiscal year ended June 30, 2005. The following table reflects the results of that testing.

Required Training Courses	Number of staff	Percentage
received all training	7	22%
received some training	24	78%
Total	31	100%

Audit Results

The Department's Policy states that:

*All employees are to receive a minimum of 40 hours of training annually.*¹⁸

New Castle employees must attend the mandated training in order to effectively perform their duties. Failure to properly train employees may jeopardize the safety and security of New Castle's residents, employees, and visitors.

Recommendation:

New Castle management should enforce Department training guidelines to ensure that all employees receive the required training.

Management Comments:

Management stated that they are aware of the problem and they will develop steps to address this issue.

Maintenance Expense Management

New Castle's Maintenance Department's primary objective is to maintain a clean and safe environment for the individuals and employees who live and work at New Castle. Various projects, renovations, repairs and grounds maintenance are completed on a daily basis.

Finding 7 – The maintenance department complied with policies and procedures.

Auditors found that the 46 work orders selected for testing were properly documented, reviewed, approved, and completed in a timely manner. In addition, we determined that the 30 incomplete work orders selected for testing were properly prioritized and completed in accordance with policies and procedures. The requests were properly approved; justifications were appropriate and all required documentation, such as, Agency Purchase requests, invoices, receiving reports were included.

¹⁸ Commonwealth of Pennsylvania Department of Public Welfare, Bureau of State Children and Youth Programs, Training Policy Statement, Personnel Administration Manual Number PA002; page 3.

SAP R/3 Payroll Module

Finding 8 – New Castle had adequate internal control over time, leave, and payroll deduction input in the SAP R/3 Payroll module.

New Castle implemented the SAP R/3 Payroll module in January 2004. The test work performed revealed that hours worked were documented and calculated correctly. Auditors also found that leave tested was calculated and recorded properly. Based on this testing, we concluded that adequate control existed over the input and processing of payroll.

Status of Prior Audit Findings and Recommendations

The following is a summary of the conclusions and recommendations presented in our audit report from July 1, 2002, to September 24, 2004, along with a description of New Castle's disposition of the recommendations.

Prior Audit Findings

Finding I-1 – The Department of Public Welfare did not inspect New Castle between February 2002 and September 2004 and did not follow up on previously cited problems.

Our prior audit reported that DPW regional licensing staff did not inspect New Castle between February 2002 and September 2004. In addition, DPW did not follow up on problems cited in a previous inspection.

We recommended that DPW enforce its guidelines that direct its regional licensing staff to inspect youth development centers annually and timely conduct follow-up of any noted deficiencies.

Status:

Our current audit revealed that DPW/Office of Children, Youth and Families representatives conducted an inspection from November 28, 2006, to November 30, 2006. New Castle implemented our recommendations.

Finding II-1 – New Castle did not upgrade four residential buildings to meet occupancy permit requirements.

Our prior audit reported that New Castle did not possess occupancy permits for four of its five residential buildings. Also New Castle did not follow a capital budget project timeline to upgrade the facility in order to meet Life Safety Code and occupancy permit requirements.

We recommended that New Castle take all necessary measures to immediately begin and complete the Life Safety Code upgrade project in a timely manner. We also recommended that DPW amend the project budget and provide the necessary funding for timely completion of the project.

Status of Prior Audit Findings and Recommendations

Status:

Our current audit found that New Castle obtained occupancy permits for all of its residential buildings. New Castle also added smoke detectors in individual living areas of all four buildings. The Bureau of Juvenile Justice Services, Office of Children, Youth and Families provided additional funds for the Life Safety Code upgrade project. The project specifications were redesigned in consideration of the available funding. New Castle implemented our recommendations.

Finding II-2 – Four residential buildings were still not equipped with sprinkler systems and installation plans were incomplete.

Our prior audit disclosed that four of the five residential buildings were not equipped with sprinkler systems. In addition, New Castle planned to install sprinklers in only one of the four buildings as part of a Life Safety Code project. We recommended that New Castle and DPW request that the Department of Labor and Industry inspect the four residential buildings without sprinklers in order to determine compliance with applicable fire safety standards. We also recommended that New Castle revise and implement its sprinkler system installation plans in order to comply with inspection recommendations.

Status:

The current audit found that New Castle installed a sprinkler system in one of the residential buildings. Also, the Department of Labor and Industry inspected the four buildings and determined that they are all in compliance with applicable fire safety standards. Therefore, New Castle implemented our recommendations.

Finding II-3 – New Castle controls over key identification and storage were inadequate.

Our prior audit found that New Castle did not adequately distinguish, report or store its key inventory. The inspection of keys disclosed that 11 of 13 rings selected for testing included keys that were not properly notched. Although all of the inspection keys were numbered, the keys on 4 of 13 examined sets were covered in paint. Also, keys on 5 sets did not correspond to keys listed on the master key list. Finally, auditors found that keys were stored in unlocked desks in three separate areas of the intensive treatment unit.

We recommended that New Castle's facility maintenance manager and key control officer ensure that all keys are properly notched and that key numbers are visible. We also recommended that the key control officer enforce policies and procedures to ensure the accuracy of the master key list and the physical security of unused keys.

Status of Prior Audit Findings and Recommendations

Status:

The current audit found that keys were properly notched and key numbers were visible. In addition, the master key list was accurate and unused keys were properly secured. Therefore, New Castle implemented our recommendations.

Finding III-1 – Tools of the independent contractors and the wood shop in the Frew Mill School were not secured.

Our prior audit reported that security personnel did not inspect nor count contractor tools or tool containers before entering or exiting facility grounds. In addition, the Frew Mill School did not secure the wood shop tool inventory. We recommended that New Castle develop and enforce policies and procedures for tool control of independent contractors and Frew Mill School workshop to address procedures regarding inventory inspection, sign in/out sheets and locked storage.

Status:

The current audit found that the facility maintenance manager provides security personnel with a list of outside contractor employees, tools and vehicle information prior to the start of a project. Security personnel then inspect and count contractors' tools upon entering and leaving facility grounds. In addition, the Frew Mill School tools used by students are stored on a shadow board. Tools are collected fifteen minutes prior to the end of class in order to ensure that all tools are collected. Restricted tools are kept in a locked cabinet in the instructor's office. New Castle has complied with our recommendations.

Finding IV-2 – New Castle and the Southwest Secure Treatment Unit maintained an excessive number of vehicles in the automotive fleet.

Our prior audit reported that the number of automotive fleet vehicles exceeded operational requirements for maintenance, warehouse, and the Southwest Secure Treatment Unit. From April 2003 through March 2004, the 14 maintenance vehicles were only used for 123 days and 884 miles; the two warehouse vehicles were used for 176 days and 419 miles; and the Southwest Unit's cargo van was only used four times and 51 miles and three other vehicles were used for only 71 days during the 12 month period.

We recommended that management analyze vehicle usage and evaluate the costs of the current automotive fleet in order to optimize its size.

Status of Prior Audit Findings and Recommendations

Status:

Our current audit revealed that, as of May 15, 2006, New Castle reduced their vehicle inventory from 32 vehicles to 24 vehicles. Subsequently, three additional vehicles were transferred to an institution in the eastern part of the state. In addition, vehicle usage has increased. Therefore, New Castle has complied with our recommendations.

Finding IV-3 – New Castle did not consistently verify that vehicle operators possessed valid driver licenses.

Our prior audit reported that New Castle did not verify that maintenance and warehouse employees possessed valid driver licenses during the fiscal years ended June 30, 2003 and June 30, 2004. We recommended that New Castle management develop and enforce written policies and procedures to ensure that each fleet vehicle operator is properly licensed.

Status:

Our current audit found that New Castle verified that employees possessed valid drivers' licenses. New Castle conducted drivers' license verification of maintenance and warehouse employees on a monthly basis and security was verified quarterly. Therefore, New Castle has complied with our recommendation.

Finding V-1 – Purchasing and warehouse employee duties were not segregated.

Our prior audit found that New Castle did not adequately segregate duties assigned to employees in the SAP R/3 Materials Management module in order to reduce the risk of errors or fraud. The facilities' two purchasing agents and two warehouse employees were assigned duties that allowed them to create a purchase requisition, complete the purchase order and also receive and post the order to inventory.

We recommended that New Castle management evaluate the roles assigned to all employees in the SAP R/3 Materials Management module and make the necessary changes in order to establish an effective segregation of duties.

Status:

Our current audit found that, as of January 2006, the purchasing function for New Castle is now performed at the Youth Development Center at Loysville. Therefore, this condition no longer exists.

Status of Prior Audit Findings and Recommendations

Finding V-2 – Advancement account processes were not reviewed.

Our prior audit found that advancement account payments were not adequately reviewed. DPW did not routinely request New Castle to forward supporting documentation. We recommended that Department and New Castle staff periodically review the advancement account check register with the supporting documentation.

Status:

Our current audit found that New Castle staff does periodically review the check registers. However, auditors found that management does not review advancement account checks prior to being sent to vendors. Please refer to Finding 2 in the current audit report for further discussion.

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