

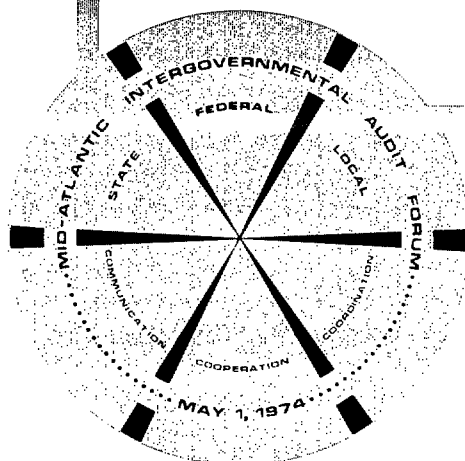
Report on the Administration of the Get Set Day Care Program in Philadelphia, Pennsylvania

~~H-116~~
095078

OFFICE OF HUMAN DEVELOPMENT SERVICES, REGION III--
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

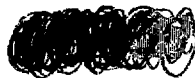
DEPARTMENT OF PUBLIC WELFARE,
COMMONWEALTH OF PENNSYLVANIA

PHILADELPHIA SCHOOL DISTRICT



095078

706243



MARCH 1978

PHILADELPHIA REGIONAL OFFICE
U.S. GENERAL ACCOUNTING OFFICE

REGIONAL AUDIT AGENCY,
REGION III— PHILADELPHIA
DEPARTMENT OF HEALTH,
EDUCATION, AND WELFARE

DEPARTMENT OF THE AUDITOR GENERAL
COMMONWEALTH OF PENNSYLVANIA

CITY CONTROLLER'S OFFICE
PHILADELPHIA, PENNSYLVANIA

0 A, C
R D2589
S1 + S2

FOREWORD

The combined staffs of four governmental audit agencies--Federal, State, and city--located in Pennsylvania made this broad scope review of the largest federally assisted day care program in Pennsylvania.

The Philadelphia Regional Office of the General Accounting Office; the Regional Audit Agency, Region III--Philadelphia, Department of Health, Education and Welfare; the Auditor General of Pennsylvania; and the Philadelphia City Controller undertook the review to determine whether

--the program was accomplishing its objectives,

--program expenditures were recorded and reported properly, and

--resources were managed efficiently and economically.

In all three areas, the audit staffs also noted whether applicable laws, regulations, and procedures were being complied with.

CONTRACTUAL SERVICES AND PROGRAM ADMINISTRATION

The Pennsylvania Department of Public Welfare contracts for day care services with local school districts, county commissioners, and private organizations. These service contracts are funded up to 75 percent with Federal funds, received from the Department of Health, Education and Welfare, and 25 percent with State and local funds.

Since 1969, the Department of Public Welfare has awarded annual contracts to the Philadelphia School District to provide day care services to preschool and school-age children in Philadelphia.

1 1348
2 C1204
3 C1205

Get Set, the largest program in Pennsylvania, is a School District day care program for about 4,500-4,700 children costing about \$20 million a year from fiscal years 1975 through 1977. For each of these years, the cost amounted to over 30 percent of the total day care costs for the entire State.

2 At the time of our review, the Regional Commissioner of the Social and Rehabilitation Service, Secretary of the Pennsylvania Department of Public Welfare, and the Superintendent of the Philadelphia School District had specific responsibilities for the administration of the Get Set program. 179

In April 1977, the Social and Rehabilitation Service was disestablished as part of a major reorganization and realignment of functions within the Department of Health, Education and Welfare. Responsibility for administering programs funded under title XX is transferred to the Office of Human Development Services. The Regional Administrator, Office of Human Development Services, Region III has replaced the Regional Commissioner of SRS.

COOPERATIVE EFFORT

This audit was made at the request of the Mid-Atlantic Intergovernmental Audit Forum, one of 10 regional forums established throughout the country to bring together representatives of Federal, State, and local audit organizations.

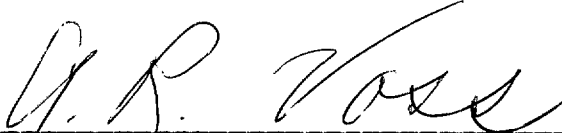
The Get Set program was selected because of the magnitude of program expenditures and because all four audit agencies have certain responsibilities for auditing the program.

REPORTING

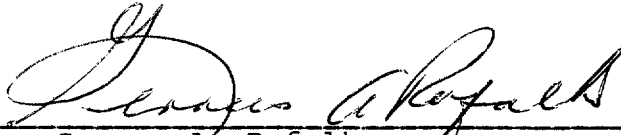
The results of the joint audit are set forth in this report. The findings and recommendations are addressed to the top official of each agency audited--the Acting Regional Administrator of the

Office of Human Development Services, Region III;
Secretary of the Department of Public Welfare,
and the Superintendent of the Philadelphia School
District.

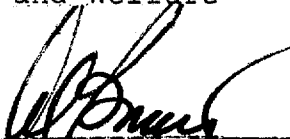
The report identifies several serious problems
in the administration of the Get Set program and
contains specific recommendations on the corrective
action needed for program improvements. It also
includes the audited agencies' pertinent comments
on the findings and the corrective actions each
agency has taken and/or plans to take to implement
the recommendations.



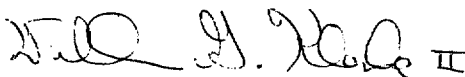
Allen R. Voss
Regional Manager
Philadelphia Regional Office
U.S. General Accounting Office



Gervus A. Rafalko
Regional Audit Director
Regional Audit Agency
Region III, Philadelphia
Department of Health, Education
and Welfare



Al Benedict
Auditor General
Department of the Auditor General
Commonwealth of Pennsylvania



William G. Klenk II
City Controller, and School Auditor
City Controller's Office
Philadelphia, Pennsylvania

C o n t e n t s

		<u>Page</u>
CHAPTER		
1	INTRODUCTION	1
	Funding	3
	Title XX funds allotted to Pennsylvania	3
	Administration	4
	Implementation of State plan	5
	Delivery of services by DPW	6
	Day care contracts with the Philadelphia School District	7
	Get Set day care program	8
2	HIGHLIGHTS	10
3	NEED TO EVALUATE GET SET'S EFFECTIVENESS IN ACHIEVING FEDERAL ECONOMIC GOALS	28
	Need to make Get Set more responsive to the economic goals of the program	29
	State plan for title IV-A programs	30
	State plan for title XX programs	31
	System improvements needed	33
	Caseworkers' responsibilities	34
	Caseworkers' knowledge and attitude toward the Get Set program	35
	Social workers' responsibilities	37
	Comments by the Deputy Secretary of the Southeast Region	38
	Program reporting and requirements for evaluations of program effectiveness	39
	Efforts and capabilities in measuring program results	41

CHAPTER

Page

Results of interviews	43
Reasons for using Get Set	44
Employment status of participants	45
Low-income levels and minor improvements in financial stability	46
AFDC participants	47
Long-term unemployment	47
Conclusions	48
Comments by the Deputy Secretary of the Southeast Region	49
Conclusions	49
Recommendations to the Acting Regional Administrator, Office of Human Development Services	51
Recommendations to the Secretary of DPW	52
Agencies' comments and our evaluation	52
Corrective actions	56
4 NEED FOR DPW TO TAKE EFFECTIVE CONTROL IN ADMINISTERING THE GET SET PROGRAM	58
Contracting weaknesses	60
Better guidelines on delivery of services needed	60
Contracted spaces not based on need	62
Fiscal year 1976 contract negotiations failed to reduce cost of Get Set program	65
Late awards of contracts violated Federal regulations	68
Personnel costs can be reduced without affecting care to children	69

CHAPTER

Page

	Need to evaluate Get Set curriculum	70
	Teaching personnel overstaffed	74
	Excessive qualifications and high salaries	77
	Social services component overstaffed	79
	Conclusions	80
	Recommendations to the Acting Regional Administrator, Office of Human Development Services	83
	Recommendations to the Secretary of DPW	83
	Suggestions to the Superintendent, Philadelphia School District	84
	Agencies' comments and our evaluation	84
	Corrective actions	89
5	NEED TO STRENGTHEN PROCEDURES TO CONTROL AND EXPEDITE ELIGIBILITY DETERMINATIONS	93
	Review of eligibility	93
	Ineligible participants	94
	Excess income	94
	Non-member of assistance unit	95
	No eligibility records	95
	Redeterminations not made when due	96
	Fees not collected	96
	Better control over eligibility determinations needed	98
	Redetermining title IV-A cases	98
	Need for HEW guidance	100
	Conclusions	101

CHAPTER

Page

	Recommendations to the Acting Regional Administrator, Office of Human Development Services	101
	Recommendations to the Secretary of DPW	102
	Agencies' comments and actions	102
	Corrective actions	104
6	IMPROVEMENTS NEEDED IN LICENSING GET SET CENTERS	106
	Day care licensing requirements	107
	Background on DPW's licensing actions	108
	Better guidance to regional offices required	110
	Regional licensing authority	111
	Regional policies not in conformity with State licensing laws	112
	Issuing full licenses	112
	Issuing provisional licenses	114
	Unlicensed centers not monitored by DPW	117
	Affirmative action required by School District to bring centers into compliance	119
	Structural, physical, and sanitary problems at centers	122
	HEW needs to monitor State licensing actions	124
	Conclusions	125
	Recommendations to the Acting Regional Administrator, Office of Human Development Services	126
	Recommendations to the Secretary of DPW	126

	<u>Page</u>
CHAPTER	
Recommendations to the Superintendent of the Philadelphia School District and the City of Philadelphia	127
Agencies' comments	127
Corrective actions	128
7 FINANCIAL ACCOUNTABILITY NEEDS TO BE IMPROVED	131
Need to justify major cost variances from approved budget	133
Authorized positions not filled	135
Unauthorized positions	136
Major differences in filled authorized positions	136
Understated substitute service costs	138
Sick leave taken	140
Improvements needed in accounting controls over Get Set costs	142
Unsupported adjustments made to cost overruns	142
Encumbrances improperly used	144
Invalid fringe benefit costs billed	145
Need to implement more effective control over payroll operations	147
Time and attendance reporting needs to be strengthened	148
Time reporting practices	149
Weaknesses in posting to time and attendance reports	149
Leave recordkeeping fragmented	150
Essential payroll information missing	152

	<u>Page</u>
CHAPTER	
Audits needed	153
Conclusions	154
Recommendations to the Acting Regional Administrator, Office of Human Development Services	155
Recommendations to the Secretary of DPW	156
Recommendations to the Superintendent of the Philadelphia School District	156
Agencies' comments and our evaluation	157
Corrective actions	159
8 SCOPE OF REVIEW	160

APPENDIX

I	Handling agencies' written comments on the draft report	162
---	--	-----

ABBREVIATIONS

AFDC	Aid to families with dependent children
CAO	County Assistance Office
DPW	Department of Public Welfare
FIDCR	Federal Interagency Day Care Requirements
HEW	Department of Health, Education, and Welfare
SRS	Social and Rehabilitation Services
WIN	Work incentive

CHAPTER 1

INTRODUCTION

Title IV of the Social Security Act, as amended, authorized Federal grants to States for child care programs to help welfare families move from dependency to economic self-support. It was superseded by title XX in October 1975.

The major category of assistance under title IV was to be provided to recipients of the aid to families with dependent children (AFDC) program.

AFDC recipients received social services under two provisions of the act: title IV, part A, and title IV, part C. Part A provided for States to develop programs for providing services to AFDC recipients to

- insure, to the maximum extent possible, that they will enter the labor force, accept employment, and ultimately become self-supporting and
- prevent or reduce the incidence of births out of wedlock and otherwise strengthen family life, attain or retain personal independence, and protect children.

Also, the State had an option to provide child care services to past and potential welfare recipients.

Part C provided for AFDC recipients to receive training and other services under the work incentive (WIN) program so that they can become employed, restoring them and their families to independence.

Services were to be provided in the child's home or in another private home by relatives or others, or in a day care facility. Child care services provided in a day care facility were to include educational and social development and/or direct care and protection of infants and preschool and school-age children. Day care facilities were required to meet the Federal Interagency Day Care Requirements (FIDCR) and applicable State licensing requirements.

Federal regulations which implemented title IV-A required that child care services, including day care, must be furnished to all persons referred to and enrolled in the WIN program and to other persons for whom the agency has required training or employment.

Title XX was implemented on October 1, 1975, and consolidated previous social service programs funded under titles IV and VI. Social service programs funded under title XX are extensive and include day care services for children. These programs must be directed to achieve at least one of the following five Federal goals.

- Helping people become or remain economically self-supporting.
- Helping people become or remain self-sufficient (able to take care of themselves).
- Protecting children and adults who cannot protect themselves from abuse, neglect, and exploitation, and to help families stay together.
- Preventing and reducing inappropriate institutional care as much as possible by making home and community services available.

--Arranging for appropriate placement and services in an institution when this is in the individual's best interest.

Under title XX, States can select the particular services that meet the needs of their residents, and different services can be offered in different geographic regions within the State.

FUNDING

The Congress has authorized up to \$2.5 billion Federal dollars each year to be allotted among the 50 States and the District of Columbia on the basis of population. This has been the ceiling for Federal social services funding since 1972. The ceiling remains in effect for title XX. No State can receive more than its allotment; however, some States have been using less than their full allotments.

Title XX funds allotted to Pennsylvania

The States allocate their share of title XX funds to the various social service programs which are to be delivered by the State. In Pennsylvania, a total of 20 different service programs are offered to serve the needs of the people in all four geographic regions of the State. Title XX allotments to Pennsylvania for fiscal year 1976 amounted to \$141.8 million, a reduction from \$143.2 million in fiscal year 1975. The ceiling had been reduced because of the State's declining percentage of the total U.S. population.

ADMINISTRATION

Public assistance programs were administered at the Federal level by the Social and Rehabilitation Service (SRS)--Department of Health, Education, and Welfare (HEW). 179

Each State administers its own programs in accordance with its State plan which SRS must approve. The plan must declare the State's intent to comply with Federal regulations in its (1) planning, programing and budgeting, (2) evaluating, and (3) reporting of activities. The State plan must also include (1) a description of services to be provided, (2) the methods used by the State to provide these services, and (3) the administrative structure of the unit responsible for establishing service policies and furnishing services.

In addition to the administrative State plan, title XX requires the State to prepare a comprehensive annual services program plan. The comprehensive plan must be consistent with Federal law and outline the proposed use of Federal social service funds on behalf of the low-income population. Title XX also requires that the State's residents be given an opportunity to have input in developing this plan which must be published for public review at least 90 days before it goes into effect.

SRS Regional Commissioners determined the States' adherence to (1) State plans, (2) comprehensive annual services program plans, (3) Federal policies, and (4) program

rules and regulations set forth in Title 45, Code of Federal Regulations, Parts 220 and 228, which implemented titles IV-A and XX.

The SRS Regional Commissioner, Region III--Philadelphia, monitored social service programs in Pennsylvania. The major responsibilities of SRS included

- providing technical resources in the interpretation of Federal social services' regulations;
- developing regionwide plans, goals, objectives, and priorities;
- reviewing applications and making recommendations concerning approval or disapproval of projects; and
- coordinating the assessments of State day care programs and implementation of FIDCR.

SRS was also responsible for evaluating the quality of service programs and making sure that followup action was initiated by the States for correcting program deficiencies.

In April 1977, after the completion of our audit, SRS was disestablished and its responsibilities were assumed by the Office of Human Development Services.

Implementation of State plan

In Pennsylvania, the Department of Public Welfare (DPW) is the single State agency responsible for providing state-wide social services. The Bureau of Child Development Programs (Children and Youth Division) is responsible for developing policy, planning, and coordinating day care services. The Department's four regional offices implement program policy and supervise the delivery of services.

Under title IV-A, eligible families were those who were receiving funds under the AFDC program or families who were former or potential recipients of AFDC. Title XX broadened the eligibility requirements so as to cover families who received cash payments under AFDC or supplemental security income programs, and families with income that did not exceed 115 percent of the State's median income as adjusted for family size.

Delivery of services by DPW

Child care services may be provided in several ways. States are authorized to operate service programs directly or to purchase the services from public agencies, private nonprofit organizations, proprietary organizations, or individuals. The Federal share is 75 percent of the cost of contracted services and the State and local share is 25 percent.

Under the provisions of title 45, parts 220 and 228, HEW has established the Federal regulations pertaining to child care service programs for families and children. These regulations apply to social service programs funded by titles IV-A and XX.

DPW purchases child care services through contracts with local school districts, county commissioners, and private organizations. Contracts awarded under title IV-A funding provided free services to children from infancy to 16 years of age. Under title XX, States must charge

reasonable income-related fees for services furnished to people whose incomes are above 80 percent of the State's median income as adjusted for family size.

DPW's four regional welfare offices--Central, Northeast, Southeast, and Western--contract with local public agencies and nonprofit organizations. These agencies and organizations may provide the services themselves or subcontract with other agencies who actually provide the child care services.

DAY CARE CONTRACTS WITH THE
PHILADELPHIA SCHOOL DISTRICT

DPW has had day care service contracts with the School District of Philadelphia since 1969.

In fiscal year 1975, the School District was awarded five prime contracts totaling \$35.1 million by the DPW Southeast Region for purchased day care services in Philadelphia. Under four contracts, which totaled \$14.0 million, the School District was the prime contractor for DPW. The School District subcontracted with 40 social agencies to provide day care services to 3,757 children in 64 day care centers and 230 day care homes. Under one prime contract, the School District agreed to serve 4,977 children in five day care programs at a cost of \$21.1 million.

The five School District day care programs and fiscal year 1975 contract amounts are shown below.

<u>Day care programs</u>	<u>Number of children</u>	<u>Total contract amount</u>	<u>Cost per child</u>
Allen Child Care Center (note a)	87	\$ 280,749	\$3,227
Rosen Child Care Center (note a)	85	248,534	2,924
Durham Infant Center (note b)	30	176,829	5,894
Spring Garden Child Care Center (note c)	75	426,082	5,681
Get Set Day Care (note c)	<u>4,700</u>	<u>19,922,272</u>	<u>4,238</u>
Total	<u>4,977</u>	<u>\$21,054,466</u>	<u>\$4,230</u>

a/Infants and preschool.

b/Infants and toddlers.

c/Preschool (3-, 4-, and 5-year-olds).

All the above programs are separate organizations and are staffed with School District employees. The Get Set program is the largest day care organization and it has its own director and administrative and operating staffs. The Get Set budgeted cost of about \$19.9 million is over 55 percent of the total day care costs in Philadelphia and about one-third of the State's total contracted day care services (\$62 million) for fiscal year 1975.

Get Set day care program

The Get Set program was organized in 1965 by the School District and funded by the Office of Economic Opportunity as a Head Start program for 5,000 prekindergarten children. Early in 1969, a proposed cutback in Federal funds made it necessary to find another funding source. To continue

providing services to these children, DPW awarded a day care contract to the School District of Philadelphia under title IV-A. The conversion of one Federal funding source for another did not expand services. However, if title IV-A funds had not been used, services to many children would have ceased.

The cost of the Get Set program has increased each year while the number of children contracted to be served has decreased. The unit cost per child has risen steadily since 1969, partly due to economic inflation, from \$1,600 to \$4,672 in 1976. The following chart shows this trend:

	<u>Fiscal year</u>					
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Contract amount (millions)	\$13.3	\$14.2	\$16.1	\$16.8	\$19.9	\$20.0
Children to be served	5,000	5,000	5,000	4,914	4,700	<u>a/</u> 4,332
Average cost per child	\$2,660	\$2,839	\$3,213	\$3,410	\$4,238	<u>a/</u> \$4,672

a/Weighted average for a 4-month/8-month contract.

CHAPTER 2

HIGHLIGHTS

Substantial improvements are needed in the administration of the Get Set program if it is to:

- Effectively achieve the objectives of Federal legislation and the State plan.
- Reduce its high costs.
- Comply with Federal, State, and city health and safety regulations and ordinances.

We noted significant weaknesses in (1) implementing the program and evaluating the results achieved, (2) contracting for Get Set services and evaluating costs of services delivered, (3) determining and controlling the eligibility of persons in the program, (4) licensing and inspecting centers for compliance with health and safety standards, and (5) financial control over budgeting and accounting for expenditures. These weaknesses increased Get Set costs for fiscal years 1975, 1976, and 1977.

Our full scope audit of fiscal year 1975 (July 1974 to June 30, 1975) revealed that contract cost of \$19.9 million, funded under title IV-A, could have been reduced by \$5.1 million through personnel reduction of \$2.1 million and disallowance of unauthorized or improperly billed costs of \$3 million without affecting care to children.

Personnel reductions were also applicable to fiscal years 1976 and 1977. In addition, we have determined that \$1.5 million had been incurred for ineligible in Get Set

for the 9 months of fiscal year 1976. Also, we have identified improper costs of \$1.4 million that were billed by and reimbursed on a pro rata basis to the School District in fiscal years 1976 and 1977.

The following schedule shows the cost reductions and questioned costs for each fiscal year and the Federal, State, and School District shares of these costs.

Summary of Cost Reductions
and Questioned Costs

	Fiscal year			
	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>Total</u>
	----- (millions) -----			
<u>Cost reductions</u>				
Personnel (ch. 4)	\$ <u>2.1</u>	\$ <u>2.1</u>	\$ <u>2.1</u>	\$ <u>6.3</u>
<u>Questioned costs</u>				
Cost of unused contracted spaces (ch. 4)	1.7	(a)	(a)	1.7
Cost unauthorized and improperly billed (ch. 7)	1.3	.7	.7	2.7
Cost of ineligible children (ch. 5)	(b)	<u>1.5</u>	(b)	<u>1.5</u>
	<u>3.0</u>	<u>2.2</u>	<u>.7</u>	<u>5.9</u>
Total cost reductions and questioned costs	\$ <u>5.1</u>	\$ <u>4.3</u>	\$ <u>2.8</u>	\$ <u>12.2</u>
 <u>Shares of questioned costs</u>				
Federal	\$2.3	\$1.1	\$.4	\$ 3.8
State	.1	.6	.1	.8
School District	<u>.6</u>	<u>.5</u>	<u>.2</u>	<u>1.3</u>
Total	\$ <u>3.0</u>	\$ <u>2.2</u>	\$ <u>.7</u>	\$ <u>5.9</u>

a/Provisions for recovery of costs for unused contracted spaces were deleted from Get Set contracts for these years.

b/Eligibility test not made for 1975 and 1977 fiscal years. Although no questioned cost is noted, it should not be concluded that none exists in these years.

Disallowance of \$5.9 million in Get Set costs obligates the School District to repay \$4.6 million to DPW for the Federal and State shares and to absorb \$1.3 million in incurred costs. These actions will require special funding from the School District or from other municipal sources.

We are recommending that DPW recover these costs and reimburse HEW for the Federal share.

The findings and recommendations in this report and the agencies' comments and corrective actions are summarized below.

NEED TO EVALUATE GET SET'S
EFFECTIVENESS IN ACHIEVING
FEDERAL ECONOMIC GOALS (see p. 28)

Although over \$100 million has been spent on the Get Set day care program since 1969, Federal, State and local government agencies have not developed, nor required the development of, information systems to measure the program's effectiveness in achieving the economic goals set forth in Federal legislation. Consequently, the agencies do not know the extent to which families have been (1) removed from welfare roles, (2) prevented from joining the welfare ranks, or (3) receiving lower welfare payments as a result of using such services.

One of the goals of title IV-A and its successor legislation, title XX, is to provide social services, such as day care, to children so that AFDC and other welfare and low-income parents can work, receive employment-related

training, and ultimately become self-supporting. Other goals relate to the care and development of handicapped children or children with special needs to achieve self-sufficiency (reduce dependency), avoid neglect, abuse, and institutionalization.

HEW-Region III did not monitor the program for compliance with title XX and the State plan or measure program results. DPW could not measure Get Set's effectiveness in helping people to achieve the economic and social goals because it did not maintain records to identify the specific goal or goals for each parent/caretaker and child in Get Set, and did not establish an adequate monitoring and reporting system to measure progress made by each person in reaching his/her goals, as required by the State plan. Parents who used Get Set for work-related reasons were not counseled on their job potential, or assisted in obtaining and maintaining employment.

We interviewed randomly selected parents/caretakers to determine the effect Get Set had in helping them to improve their employment status and financial income. We concentrated on the economic goal because (1) the State plan emphasized this goal, (2) over 80 percent of the parents/caretakers of the children were reported as working or in training, and (3) the results are quantifiable and can be used to measure the direct impact of these services.

Our interviews with 67 participants in March 1976 showed that:

- Many of these parents used Get Set services for the education and development of their children rather than for work-related reasons.
- There was little improvement in income and financial stability of parents who continued working.
- Get Set had little effect on the unemployment status of welfare recipients using the service.

We made specific recommendations to the Acting Regional Administrator, Office of Human Development Services, HEW-Region III and to the Secretary of DPW on needed improvements. (See pp. 51 and 52.)

The Acting Regional Administrator did not comment on the specific actions his office plans to take to implement our recommendations.

The Secretary of DPW advised that the Department has taken the following actions:

- Beginning July 1, 1977, socialization has been removed from the priority list for day care services. Approximately 30 percent of Get Set children will be affected.
- Effective July 1, 1978, day care services will be limited to persons with work-related goals.
- As of March 1, 1977, the responsibility for eligibility determination was transferred to administering agencies and prime contractors (providers) of title XX services. The social workers at the day care facilities are responsible to work with families to achieve the established goals.
- Established a statewide computerized system to (1) collect data on goal achievement for all children receiving day care services in each month and (2) disseminate information to caseworkers on services rendered to public assistance recipients.

--In January 1978, the Southeast Region implemented a monitoring instrument which will provide the Region with the capability to determine effectiveness of all day care programs more adequately.

The Superintendent of the School District said that:

--The School District will conduct an annual survey to generate information on the work status, the training status, and the movement toward economic self-sufficiency of adult clients.

--A cooperative arrangement is being suggested to DPW to incorporate survey information into the client reports which are submitted to DPW monthly. In this way, both Get Set and DPW will be able to see monthly movement toward the accomplishment of the first Federal goal--"Achieving or maintaining economic self-support."

NEED FOR DPW TO TAKE EFFECTIVE CONTROL IN
ADMINISTERING THE GET SET PROGRAM (see p. 58)

Get Set is the largest and one of the most costly preschool and school-age day care programs in Pennsylvania. Contract costs have increased from about \$8 million for care of 5,000 children in fiscal year 1969 to \$20 million for 4,332 children in fiscal year 1976. Get Set receives about 30 percent of the entire State annual allocation for day care.

In fiscal year 1975, DPW's contracted cost per child was \$4,238. However, based on program expenditures and average monthly attendance, the cost per child served exceeded \$4,900. Contract cost per child for fiscal year 1976 rose to \$4,672.

DPW needs to be more effective in its contract negotiations with the School District and in its administration of Get Set to assure compliance with Federal

and State regulations and with contract provisions.

Further, DPW and the School District must improve their contractual relationship if Get Set is to be operated in an efficient and economical manner and if its costs are to be kept in line with other day care programs in Philadelphia.

DPW and the School District can reduce Get Set costs significantly without a detrimental impact on the care to children. We estimated that fiscal year 1975 costs could have been decreased by \$3.8 million through disallowance of cost for unused contracted spaces and through personnel reductions. Other cost reductions are discussed in chapters 5 and 7.

The high costs are primarily due to the Philadelphia School District's free hand in (1) establishing its own child development curriculum for the Get Set program and (2) using excessive numbers of high-salaried personnel with qualifications that exceed Federal and State day care standards. Underutilization of contracted spaces and low attendance at Get Set centers have been an ongoing problem which has contributed to the overstaffing and to the increased costs. Despite this fact, DPW continued to contract for more spaces than needed. For example, in fiscal year 1975, Get Set did not use 400 spaces worth \$1.7 million. DPW did not recover these costs as provided for in the contract. We estimated that 189 teaching positions and

53 social worker positions totaling \$2.1 million could have been eliminated and could have resulted in annual savings to Get Set.

DPW has been ineffective in keeping program costs at a level comparable to other day care programs because of serious weaknesses in its negotiation, award, and administration of the Get Set annual contract. We noted that (1) better guidelines on the delivery of services are needed, (2) contracted spaces are not based on need, (3) contract negotiations for the fiscal year 1976 contract failed to reduce costs, and (4) late awards of contracts violated Federal regulations.

In negotiating the fiscal year 1976 contract, DPW had attempted to reduce Get Set funds by as much as \$4.5 million but the School District resisted such efforts. With the approval of the Governor, these funds were restored to the contract. Both fiscal years 1976 and 1977 contracts were awarded on the basis of Get Set's operating costs.

HEW-Region III did not monitor this high cost program to (1) determine reasonableness of costs, (2) evaluate compliance with Federal regulations, and (3) provide technical assistance and guidelines to DPW to improve its awarding of Get Set contracts.

We made specific recommendations to the Acting Regional Administrator, Office of Human Development Services,

HEW-Region III and the Secretary of DPW on improvements needed. We also made suggestions to the Superintendent of the School District on ways to reduce Get Set cost. (See pp. 83 and 84.)

The Acting Regional Administrator agreed with our findings and recommendations and stated that HEW would monitor DPW's progress in correcting deficiencies noted. He further advised that in accordance with an agreement between the Federal Government and the State, it is proposed not to recover from the State disallowed costs under titles IV-A and VI programs.

This agreement is predicated on the passage of a bill in the Congress which, at the time of this report, has not been enacted.

To improve weaknesses in its contracting procedures and to be able to contract on the basis of need, the Secretary of DPW and the Deputy Secretary of the Southeast Region cited the following actions.

- DPW has developed a system of collecting utilization, waiting list, and census data which will be used to determine need for day care throughout the State. The Southeast Region implemented the system in January 1978. It is expected that the Region will improve its contracting procedures and contract on the basis of need.
- The system has a monitoring instrument which will be used to review interactions within the classroom on a consistent and objective basis.
- The automatic renewal clause contained in the fiscal year 1976-77 contract was removed in March 1977.

--The fiscal year 1977-78 contract was executed prior to the start of the contract period. All subsequent Get Set contracts will comply with this Federal requirement.

--DPW is attempting to work out a scale of unit costs for day care. Its long-range goal is to pay for days of care actually provided. DPW estimates that the system will be fully implemented within a 3-year period.

The Superintendent advised that there have been at least four significant changes in the contract-management aspect of the School District-DPW relationship. He cited the following actions:

--By cooperative effort, the fiscal year 1977-78 contract was negotiated and approved prior to the beginning of the contract period.

--Overall Get Set staff was reduced by 148 positions for the 1977-78 program year.

--Objectives of the Get Set program have been better aligned with title XX. A primary programmatic concern is to consider the delivery of required units of service. Curriculum is being evaluated. Plans are underway to determine possible modifications for the 1978-79 program year.

--A monthly analysis of enrollment and attendance figures is made by the Get Set administrative staff to determine how and where to establish or to maintain maximum contracted levels of service.

NEED TO STRENGTHEN PROCEDURES TO
CONTROL AND EXPEDITE ELIGIBILITY
DETERMINATIONS (see p. 93)

Get Set services were rendered to children of participants who were ineligible for such services under title XX.

Program costs for ineligibles are not reimbursable under title XX. We have determined that costs of about \$1.5 million had been incurred for 437 ineligibles for the 9-month period from October 1, 1975 to June 30, 1976.

Participants were ineligible for the following reasons:
(1) family income exceeded State levels, (2) child was not a member of financial assisted family, (3) no eligibility records, (4) redeterminations were not made when due, and (5) required fees were not collected.

The School District did not establish a fee collection system for Get Set participants until February 1977, 17 months after the implementation of title XX. We estimated that 158 of the 437 participants were ineligible during the period November 1, 1975 to June 30, 1976, because required fees were not collected. According to School District figures, 200 children continued to be ineligible during the 7 months prior to the initiation of the fee collection system.

DPW needs to improve controls over eligibility determinations to fully comply with title XX requirements and to more closely monitor the program. DPW needs to implement procedures to insure timely reporting by Get Set of all factors that affect the participants' eligibility, including collection of stipulated fees.

HEW-Region III did not issue guidelines to assist the State in implementing eligibility provisions of title XX.

We made specific recommendations to the Acting Regional Administrator, Office of Human Development Services, HEW-Region III and to the Secretary of DPW on the improvements needed. (See pp. 101 and 102.)

The Acting Regional Administrator agreed with our recommendations and incorporated them in HEW's corrective action plan, which provided for the recovery of the Federal share of the cost of ineligibles. He said HEW will monitor DPW's actions and will provide the necessary technical assistance to DPW.

The Secretary stated that the issues involved and recommendations would require major structural changes which must be reviewed as part of DPW's development and implementation of client and management information systems. He said the following actions were taken:

- Responsibility for eligibility determination has been delegated to providers as of March 1977. This change is expected to solve the system's problems of delays in establishing eligibility by the Region's caseworkers.
- Eligibility is based on the declaration of parents. Parents will ultimately be held accountable for misinformation regarding family income.
- Samplings of eligibility determinations will be taken routinely as part of DPW's monitoring instrument.

The Superintendent reported these actions.

- Eligibility, in each case, is determined by the senior social worker and supervisory personnel. Redeterminations, resulting in possible termination of services, will be reviewed by higher level supervisors and, if necessary, by the Southeast Region.
- Get Set is in its second year of collecting fees. The number of fee-paying clients has grown annually.

IMPROVEMENTS NEEDED IN LICENSING
GET SET CENTERS (see p. 106)

Health, safety, and sanitary conditions have been a general problem at Get Set centers. Also, the failure to

meet minimum health and safety standards at some centers has resulted in these centers operating without a proper State license. This affects the health and safety of children in these centers and causes an undue financial burden to be placed on the taxpayers of the city of Philadelphia because Federal and State regulations require centers to be licensed by the State authority as a condition for obtaining Federal and State funds.

HEW-Region III has initiated a claim against the Commonwealth of Pennsylvania for the recovery of \$2.7 million of Federal funds paid to the School District for operating 28 unlicensed centers from July 1972 to March 1974. As a result of this action, DPW disallowed over \$380,000 of the School District rental costs for these centers for the period they were unlicensed. In addition, we estimated that over \$300,000 in costs will be disallowed the School District for nine unlicensed centers for the first 10 months of fiscal year 1977. To the extent that centers continue to be unlicensed, additional disallowances will occur.

Centers have been very slow in correcting their deficiencies. Remedial measures at many centers were only partially initiated and/or implemented over long periods of time.

DPW's licensing actions and enforcement practices have not been sufficient to compel the School District and the centers to correct their deficiencies within a reasonable

period. The School District is responsible to see that all centers meet State and city health and safety standards. However, the School District has (1) a poor record of correcting unsatisfactory conditions in Get Set centers housed in its own buildings and (2) not been aggressive enough in getting owners of Get Set leased facilities to comply with the terms of the lease agreement which require that the facilities meet all licensing requirements.

HEW-Region III needs to monitor the licensing of centers with health and safety problems.

DPW needs to revise its licensing regulations or issue guidelines to establish objective criteria for initiating and enforcing licensing actions.

The School District needs to initiate an affirmative action plan to (1) correct violations in its own buildings, (2) enforce its lease agreements which obligate landlords to correct violations in centers, and (3) instruct its facility inspectors and custodial personnel on their responsibilities.

Our recommendations to the Acting Regional Administrator, Office of Human Development Services, HEW-Region III, Secretary of DPW, and the Superintendent of the School District are discussed on pages 126 and 127.

The Acting Regional Administrator agreed with the recommendations. He said HEW will monitor DPW's corrective actions.

The Secretary agreed with our findings and recommendations. He stated that the Department has made considerable progress in achieving its objective of insuring the health and safety of children in day care centers. Previous weaknesses are being removed through the implementation of new licensing regulations and stronger regional policies.

The Superintendent said the School District (1) established action plans with DPW and with the city departments to deal with the violations, (2) advised landlords of possible closures if corrections are not made, (3) set up a central licensing file, (4) initiated training for custodial workers, and (5) developed a facilities check list for its inspectors.

FINANCIAL ACCOUNTABILITY NEEDS
TO BE IMPROVED (see p. 131)

The School District did not have adequate financial controls over budgeting and accounting for Get Set costs. Inadequate recordkeeping and weak internal controls affect the accountability for costs incurred and billed to DPW.

The School District did not (1) analyze and justify major budget variances, (2) have adequate accounting controls to prevent cost overruns of budget ceilings and insure proper billings to DPW, and (3) have adequate controls over the recording of time and attendance at the centers, leave recordkeeping, and personnel documents.

We have taken exception to \$2.7 million in unauthorized and improperly billed costs to DPW in fiscal years 1975, 1976, and 1977. In addition, Get Set costs have increased

because of significant personnel cost variances from approved budget, serious weaknesses in time reporting, excessive use of long-term and per diem substitute personnel, and high sick leave usage.

The budget and accounting functions are carried out by separate staffs at the Get Set Office and at the School District's central accounting department. Cost records maintained by Get Set and the School District are not reconciled timely to insure the justification for costs billed to DPW under terms of the purchase services contract.

DPW did not audit nor did it request the School District's Internal Controller or the State Auditor General to audit Get Set costs to validate its billings and determine and assess reasons for large budget variances. Furthermore, DPW did not require the School District to submit periodic reports of expenditures and make comparisons of budgeted costs with actual costs. Without this information, DPW could not effectively administer the program.

The School District's Internal Controller has not audited Get Set since the inception of the program in 1969.

HEW-Region III did not monitor DPW expenditures of Federal funds for the Get Set program to (1) determine if expenditures were made in compliance with Federal regulations and (2) assist DPW in establishing effective reporting procedures and controls over such costs.

We made specific recommendations to the Acting Regional Administrator, Office of Human Development Services, HEW-Region III, Secretary of DPW, and the Superintendent of the School District on the corrective actions needed. (See pp. 155 and 156.)

The Acting Regional Administrator included the deficiencies and our recommendations in HEW's corrective action plan. He agreed to monitor DPW's progress in correcting the deficiencies noted.

The Secretary did not state what actions DPW plans to initiate to:

- Improve the financial accountability of the Get Set program.
- Recover the Federal and State shares of invalid reimbursements made to the School District.
- Require its Division of Internal Audit to make periodic reviews of the Get Set program.

The Superintendent cited the following actions:

- Established the Office of Categorical Finance which has the prime responsibility for the financial management of all categorical programs, including Get Set.
- Recently installed automated accounting and budget systems to assure timely reporting, budget monitoring, and improved fiscal control in Get Set.
- Initiated steps to improve internal control over payroll expenditures through biweekly reviews of time and attendance records and leave records by supervisory Get Set personnel.

The Superintendent did not advise whether the School District's Internal Controller would audit Get Set costs.

CHAPTER 3

NEED TO EVALUATE GET SET'S EFFECTIVENESS

IN ACHIEVING FEDERAL ECONOMIC GOALS

Although over \$100 million has been spent on the Get Set day care program since 1969, Federal, State, and local government agencies have not developed, nor required the development of, information systems to measure the program's effectiveness in achieving the economic goals set forth in Federal legislation. Consequently, the agencies do not know the extent to which families have been (1) removed from welfare roles, (2) prevented from joining the welfare ranks, or (3) receiving lower welfare payments as a result of using such services.

One of the goals of title IV-A and its successor legislation, title XX, is to provide social services, such as day care, to children so that AFDC and other welfare and low-income parents can work, receive employment-related training, and ultimately become self-supporting.

DPW did not administer the Get Set program in accordance with the requirements of its State plans for title IV-A and for title XX and did not have the means to measure program effectiveness. We noted serious system weaknesses which need to be corrected before DPW can generate the required data to adequately measure effectiveness of the Get Set program.

NEED TO MAKE GET SET MORE RESPONSIVE
TO THE ECONOMIC GOALS OF THE PROGRAM

The primary emphasis of day care under the State plans for title IV-A and title XX is to assist welfare and low-income families to achieve or maintain total or partial self-support. Other day care goals relate to the special care and development of handicapped children or children with special needs to achieve self-sufficiency (reduce dependency), avoid neglect, abuse, and institutionalization.

DPW did not have procedures to identify the specific goal or goals for each parent/caretaker and child in Get Set and to evaluate the progress made by each person in reaching the established goals, as required by the State plan. Consequently, DPW was unable to measure the effectiveness of the Get Set program in achieving the economic goals (work related) and the social goals. Furthermore, its Southeast Region did not adequately monitor the Get Set program to assure effective delivery and utilization of services in relation to program costs as required by the State plans. (See ch. 4.)

Our review concentrated on the effectiveness in achieving the economic goals because (1) these goals were the primary emphasis of the State plan, (2) over 80 percent of the parents/caretakers of the children in Get Set were reported as working or in training, and (3) the results are quantifiable and can be used to measure the direct impact of Get Set.

State plan for title IV-A programs

Day care was one of at least 10 social services provided by the State under title IV-A.

DPW's Southeast Region did not establish procedures to screen applicants and determine their specific need for day care, maintain service plans for each child and family using Get Set, and make annual reviews of these service plans to assure continuing need for the service, and evaluate each participant's progress toward achieving individual goals, as required by the State plan. The Region did not require the School District to gather and report complete and factual information on each participant in the Get Set program which is needed to make a meaningful ongoing evaluation of program results. Consequently, neither the School District nor the Southeast Region could determine the extent to which families were (1) removed from welfare roles, (2) prevented from joining the welfare ranks, or (3) receiving lower welfare payments as a result of using Get Set.

Federal regulations (45 CFR 220), which implemented title IV-A, required that services be provided to children of parents participating in the WIN Program and to children of other public assistance recipients for whom the States have required training or employment (mandatory group).

States had the option to provide services to (1) applicants for public assistance, (2) former recipients

of public assistance, and (3) those likely to apply for or receive public assistance (optional group).

The State plan provided for mandatory and optional services for child care. The optional group was subject to the same eligibility and needs requirement as the mandatory group. The plan stipulated that services will be provided to assist all appropriate persons achieve employment and self-sufficiency. In addition to the applicants in the optional group cited above, child care services were extended to cover (1) children living with caretaker relatives who worked or who had physical or emotional problems or home responsibilities that were otherwise beyond their capacity and (2) children whose home environment was such that they could not receive adequate care and education.

The School District reported to DPW that (1) about 4,200 children were enrolled in Get Set on October 31, 1975, and (2) about 3,400 of these children, or over 80 percent, had parents who were working or in training. Only 71 children or less than 2 percent had parents or caretakers in the WIN program. Consequently, over 98 percent of the Get Set children were from families in the optional group.

State plan for title XX programs

Under title XX, the State is free to choose one or more of the five national goals which a particular service

or program is expected to achieve. The State's Comprehensive Annual Services Program Plan, dated October 4, 1975, listed 20 specific social services to be provided to meet one or more of the five goals of title XX. Under the State plan, day care is provided when the child's own parent or other responsible relative is unable to care for him/her due to employment or participation in an activity that is part of an individual service plan. The plan cites the following two objectives for day care services for children and the related Federal goal(s) for each objective:

- To free the parents or other caretakers of 15,620 children to work, receive employment-related training or education, or to receive social or health services, thus achieving or maintaining total or partial self-support. (Related to National Goal A--Self-support.)

- To provide 19,868 children, including those above and others with special handicaps, with developmentally-oriented care, thus contributing towards the child's development and self-sufficiency and, in some cases, avoiding abuse, neglect, or institutionalization. (Related to National Goals B, C, and D--Self-sufficiency; Protective care; and Community based care.)

The title XX plan narrows the use of day care to children of parents who are working or enrolled in training or educational programs designed to lead to specific employment or who have special handicaps, and to children with special handicaps or needs.

We interviewed 67 parents or caretakers who had children in Get Set in October 1975. Sixty-one still had

children in Get Set in March 1976, 6 months after the implementation of title XX. Many gave reasons for using Get Set that did not appear to meet the specific criteria of the Plan. (See p. 44.)

Our review of procedures followed by the Southeast Region and Get Set showed significant weaknesses in (1) evaluating each applicant's need in relation to specific goals and (2) assisting the applicants to achieve these goals.

System improvements needed

A major weakness in the administration of the program is the lack of involvement of DPW's Philadelphia County Assistance Office (CAO) caseworkers with Get Set and other day care programs. These caseworkers maintain case files and have the primary responsibility under the State plans to assist welfare recipients toward financial improvement and reduced dependency. However, except for determining income eligibility of all applicants for Get Set, DPW has left the administration of the program to the School District whose stated objective is to care for and develop the total child and improve family life through parental involvement in the program. The Get Set social workers at the centers determine the need for day care primarily on the basis of information supplied by the applicants. Furthermore, DPW did not require the exchange of pertinent employment, training, and educational data between Get Set

social workers and its CAO caseworkers who are responsible for the families of about 2,800 AFDC children, or over 60 percent of the children in Get Set. The remaining 1,851 children in the program were from low-income families who could be future applicants for welfare.

Our review of eligibility cases under title XX showed that (1) the Southeast Region did not have adequate control over eligibility determinations and (2) Get Set records and DPW case files contained conflicting employment information on the same participants. (See ch. 5.)

Caseworkers' responsibilities

Caseworkers are required to

- establish eligibility for benefits and for social services,
- determine specific needs of recipients and identify problems which cause financial dependency of families,
- assist recipients in achieving satisfactory adjustments to specific problems,
- render or arrange for social services,
- maintain case files on each recipient, and
- redetermine eligibility for day care every 6 months.

Caseworkers serve as the focal point of contact between recipients and DPW. They should be used to (1) evaluate the need for day care and (2) generate information on the financial gains made by Get Set parents and on the number of parents dropped from the welfare rolls or who received lower welfare payments because of Get Set.

Under DPW procedures in effect at the time of our review, welfare recipients and low-income persons could apply for and receive day care services without the knowledge of the responsible caseworker in the district offices.

AFDC families, other public assisted families, and low-income families not on welfare applied directly at one of the Get Set centers to enroll their children. The center's social worker completed the application and forwarded it to DPW's CAO for eligibility determination. Eligibility was generally based on income criteria without determining the applicant's need for day care services to assist him or her in seeking, obtaining, and maintaining employment. An applicant is eligible if he or she is receiving AFDC or other financial assistance, or has a low income. These determinations were made at a central office by CAO caseworkers who maintained eligibility files on each Get Set applicant.

However, the information in these files, including employment data, was not generally forwarded to the caseworkers in the CAO's district offices who were responsible for providing social services to the applicants receiving financial assistance. The participants' children were enrolled and admitted after eligibility had been determined.

Caseworkers' knowledge and
attitude toward the Get Set program

Of the 959 caseworkers assigned to the Philadelphia CAO, a majority of the 46 we interviewed in March 1976

had 1 to 3 years of social service experience with the DPW. Their caseload ranged between 101 and 150 cases.

Many of the 46 DPW caseworkers included in our sample had a poor understanding of the economic objectives of titles IV-A and XX. Caseworkers had limited contact with the Get Set program and were not generally aware of the actual location of Get Set centers within the immediate neighborhood. Many caseworkers had never referred any of their clients to the Get Set program.

CAO district offices were not notified concerning application for or enrollment in social service programs by welfare recipients. Consequently, caseworkers at the district offices were not aware of Get Set participation unless the recipient brought this matter to the attention of the caseworker. Because there was no exchange of information between Get Set and CAO district offices, caseworkers were not told who was in Get Set or why such services were requested. Despite these facts, the majority of caseworkers we interviewed thought that Get Set was one of the best social service programs available to welfare recipients. On the other hand, they stated Get Set had little effect on the employment of participants. They cited limited employment and training opportunities as the primary reason.

We were told that the actual delivery of social services had the lowest priority of all the caseworkers'

duties. The DPW Southeast Regional Office has mandated guidelines which establish the following priorities for caseworkers

- eligibility determinations,
- early screening,
- Work Incentive Program,
- title XX reporting, and
- delivery of social services.

These priorities were established for all five counties covered by the Southeast Regional Office.

Social workers' responsibilities

Social workers at the Get Set centers, who are School District employees, are suppose to render many of the same services to parents as those required of caseworkers. Their responsibilities, as outlined in the Get Set contract, are to

- strengthen family life through worker advocacy on behalf of the child and parent;
- provide casework and counseling community organization and group work services to Get Set children and their families; and
- emphasize the understanding and relationship between the life experiences of the individual and his needs, desires, and social problems.

In our opinion, social workers' responsibilities are similar to caseworkers' responsibilities. However, without the coordination and assistance of responsible caseworkers, social workers' services are limited to child/parent problems. These social workers have some contacts

with parents and other caretakers at the time of application and admission to the program and intermittently throughout the year. Parental involvement in the program is encouraged but not compulsory. Visits to parents' homes to assist in job problems were generally not made.

Of the 85 Get Set social service personnel involved in the program in fiscal year 1975, 65 were social worker trainees and social worker assistants receiving on-the-job training. Our review of correspondence at DPW's Southeast Region revealed that regional officials had continually questioned the qualifications, size, and effectiveness of the Get Set social services component. In addition, we believe this component is overstaffed. (See ch. 4.) DPW should reevaluate the need for social workers in the program and the extent of their duties.

Comments by the Deputy Secretary
of the Southeast Region

In our discussion in June 1976, the Deputy Secretary acknowledged system weaknesses in (1) assessing needs and assisting applicants to achieve specific goals, (2) monitoring the Get Set program, and (3) evaluating program results. He said he hoped to initiate needed improvements as soon as additional staffing resources become available to the Region. He advised that DPW was undertaking certain changes that would affect the regions. The following comments on organizational and policy changes are discussed

in DPW's second title XX State plan, dated June 19, 1976, for the program period July 1, 1976 to June 30, 1977.

"The Department recently organized an Office of Family Assistance which is responsible for the policies governing the operation of income maintenance and social service functions in the County Assistance Offices. Their social service function is now being evaluated in light of Departmental objectives, Title XX goals, and the availability of staff. County Assistance Offices services will be focused first on public assistance recipients, to enable individuals and families to become either self-supporting or self-sufficient."

The plan also provides that the CAOs will be actively involved in determining other service needs, referring clients to services provided by DPW contractors, and following up on such services to determine the continuing need for the services.

PROGRAM REPORTING AND REQUIREMENTS FOR
EVALUATIONS OF PROGRAM EFFECTIVENESS

Title IV-A required the Secretary of HEW to compile such data as he believed necessary and periodically publish his findings as to the effectiveness of the programs developed and administered by the States. The act and State plan required federally funded day care programs to be evaluated in terms of meeting specific program goals.

Title XX is more specific than title IV-A in its presentation of Federal goals and program evaluations based on attainment of such goals. Title XX also requires the Secretary of HEW to provide for the continuing evaluation of State programs in terms of services provided to meet the five Federal goals cited in the law. (See pp. 2 and 3.)

On the State level, the Pennsylvania State plan requires DPW to furnish all reports and evaluations as may be specified showing the scope, results, and costs of services for families and children. The DPW Comprehensive Annual Services Program Plans also require the preparation of annual reports for Federal authorities, elected officials, and the public concerning title XX social service programs and their impact.

Both HEW-Region III, and DPW had not developed ongoing systems to measure program effectiveness. Plans were being formulated to comply with Federal and State requirements. However, DPW had some reservations in its second title XX State plan as to when full compliance would be achieved. The plan contained the following statements:

"Much testimony was received suggesting that increased program evaluation is needed both to insure compliance with program regulations and to provide planning data. The Secretary has already expressed his concern for the 'improvement of the Department's capacity to manage, monitor, and audit programs' in testimony to the Legislature. In light of decreased funding for the Department's operations, expansion in monitoring and evaluation staff cannot be expected during the second program year. However, since the title XX program in Pennsylvania has reached its Federal ceiling, the Department is coming to the end of a rapid growth phase in social services, and staff energies will now be redirected from intensive developmental activities towards increased monitoring and evaluation of established programs."

Efforts and capabilities in
measuring program results

HEW

In June 1975, HEW headquarters contracted with the Pacific Training and Technical Assistance Corporation to describe, assess, and identify the best practices in the management of child care services. Child care management systems were to be reviewed in many States, including Pennsylvania. A preliminary report on the management study was issued to HEW in July 1976. Final results of the study were not available at the time of our review.

HEW headquarters had published the Social Service Reporting Requirements which are designed to have utility for management at Federal, State, and local levels. These requirements are designed to be implemented incrementally over a 2-year period. This will give States enough time to collect data and generate reports. This reporting system requires States to prepare an Individual Recipient Basic Data File for each recipient of social services funded by title XX. Information included in these files will enable the States and HEW to evaluate the program effectiveness based on the five specific goals cited in title XX.

The requirement for the data file was revoked by the Secretary of HEW in May 1976, because of opposition by several States, including Pennsylvania. States were given the option of modifying procedures governing the collection

of data without violating the provisions established for Federal participation. Because the data file issue has not yet been resolved by HEW, goal status reporting and program evaluations based on attainment of goals must be resolved at a later date.

HEW-Region III program officials stated that until the management review of child care services is completed, they will not measure program effectiveness. In addition, monitoring of social service programs has been limited to a review of eligibility and licensing of facilities.

DPW

DPW did not evaluate the effectiveness of day care programs, including Get Set. It did, however, award contracts for making impact studies. DPW awarded a contract to the Research and Evaluation Unit of the Philadelphia School District to make an impact study of day care services in Philadelphia. This study addressed the impact of day care on the nutritional and educational aspects of the program. Another contract was awarded to a consulting firm to determine the impact on both the families served and the community in general. Reports from these contracts did not address program results based on the economic objectives of title IV-A.

With the reporting changes in progress under title XX regulations, DPW believes that it will have enough data to measure program results.

Data is currently being gathered manually to provide certain information on primary recipients of social service programs. This data may provide the basis for evaluating program effectiveness based on the five Federal goals.

RESULTS OF INTERVIEWS

Because of the lack of data on the impact of the program, we interviewed program participants to determine the effect Get Set services had on improving their financial income. The results of our interviews with 67 participants in March 1976 showed that:

- Many parents used Get Set services for the education and development of their children rather than for work-related reasons.
- There was little improvement in income and financial stability of parents who continued working.
- Get Set had little effect on the unemployment status of welfare recipients using the service.

We selected 88 children out of 4,651 children on the Get Set rolls in October 1975. Of the 4,651 children, 2,800 or more than 60 percent were from AFDC families; 1,700 or about 37 percent were from potential welfare families; and 151 or 3 percent were from past welfare families.

We interviewed 67 parents or caretakers in their residences in March 1976 to (1) determine the impact Get Set had on their financial income and families under title IV-A and (2) evaluate the changes made by DPW to implement title XX requirements. These parents or caretakers were receiving:

	<u>Number</u>
AFDC assistance	31
Other financial assistance (note a)	11
No financial assistance	<u>25</u>
Total	<u>67</u>

a/Medical and general assistance, food stamps

A majority of the 67 stated that their children had been enrolled in Get Set 12 months or more. Before enrolling in Get Set, many of these children were cared for by spouses or other relatives. Sixty-one still had children in Get Set in March 1976 under title XX.

We were unable to interview 21 selected parents primarily because they (1) moved away from Philadelphia, (2) could not be reached or located, (3) refused to be interviewed, and (4) failed to keep scheduled appointments.

Reasons for using Get Set

Although federally funded day care programs are intended to aid families to attain or retain economic self-support, parents and caretakers we interviewed gave a variety of reasons for enrolling their children in the program. Participants were given the opportunity to provide one or more reasons for using Get Set. The two most prevalent reasons cited dealt solely with the education and/or development of the child. While 30 parents cited the need to work as one of the reasons, 37 parents selected Get Set for a variety of other reasons.

Only 10 of the 29 participants (34 percent) who gave one reason for using Get Set, cited work or training.

The following reasons were cited:

Work or training of parent	10
Child's education or development	10
Improve or continue education of the parent	4
Other day care is too expensive	3
Mother's health	<u>2</u>
Total	<u>29</u>

Employment status of participants

The number of participants holding jobs had declined since they enrolled in Get Set.

The following schedule compares the employment status at the time of enrollment and at the time of our interviews in March 1976.

<u>Participants</u>	<u>Total</u>	<u>Working now</u>		<u>Working when enrolled</u>		<u>No response to our question</u>
		<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	
AFDC	31	9	22	9	21	1
Other public assistance	11	1	10	4	7	-
No assistance	<u>25</u>	<u>22</u>	<u>3</u>	<u>24</u>	<u>1</u>	<u>-</u>
Total	<u>67</u>	<u>32</u>	<u>35</u>	<u>37</u>	<u>29</u>	<u>1</u>

Of the 32 participants who were working when interviewed, 27 were working (17 full-time and 10 part-time) when they enrolled their children in Get Set. This means that 10 of the 37 who were working when they enrolled, had ceased working. However, 5 other participants obtained employment since they started Get Set. Of the 32 participants working when interviewed, 23 were full-time and 9 were part-time.

Overall, a total of five participants dropped from the employment rolls. The largest decline in jobs, three of five, was felt by participants who were receiving other public assistance. Only one of 11 of these participants remained employed. Two participants who were receiving no assistance, were laid off.

Low-income levels and minor improvements in financial stability

Get Set participants reported low levels of income. Actual improvements in their financial stability during participation in the program were minor.

Many parents working on a full-time basis reported taking home less than \$100 a week. Twenty-two of the 27 participants who continued to work gave us enough information to evaluate their financial gains. Any changes or improvements in either the employment status or weekly take-home pay, during Get Set participation, may be attributed, in part, to the program's beneficial impact.

The schedule below, which compares the respective incomes, shows that four participants had modest increases in income.

<u>Weekly take-home pay</u>	<u>Number of participants</u>	
	<u>Enrollment date</u>	<u>Interview date</u>
\$ 20 to \$ 60	6	5
\$ 60 to \$100	12	9
\$100 to \$140	3	6
Over \$140	<u>1</u>	<u>2</u>
Total	<u>22</u>	<u>22</u>

Further, 18 participants indicated no changes in the number of hours worked; 5 reported increases; and 1 had a decrease.

AFDC participants

AFDC participants who represent the greatest potential area for reducing welfare rolls, reported little improvement in the number of persons continually employed and low levels of income.

As shown in the schedule on page 45, 9 of the 31 AFDC participants we interviewed were working when they started with Get Set, but only 5 of the 9 had continuous employment. These 5 participants did not have increases in the hours worked or in their weekly take-home pay.

Ten participants were able to take advantage of training programs. Because only 4 of the 31 participants obtained employment while in the program, it appears that the training programs did not result in employment for many.

There are a number of factors which affected the employment status of this group, such as a depressed job market and lack of job training. The reason for choosing Get Set and the need for day care is one important factor to be weighed in assessing program effectiveness. For example, 13 of the 31 AFDC participants chose Get Set for work-related reasons.

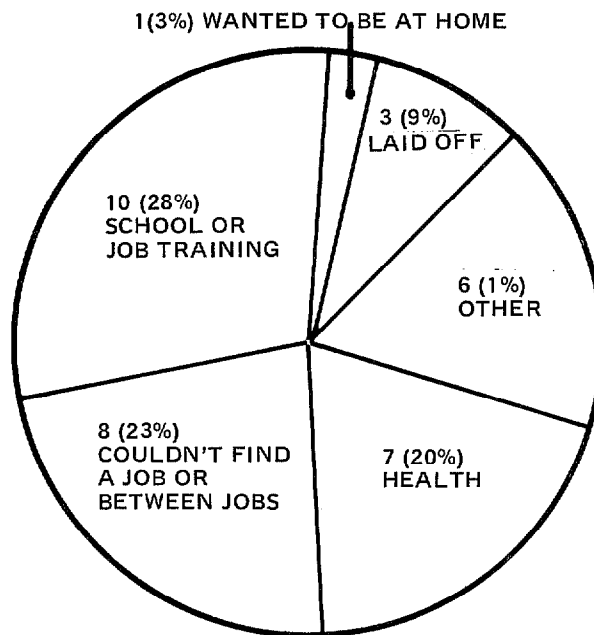
Long-term unemployment

Our statistical analysis of the data provided by participants disclosed little or no relationship between

the length of time a parent has been in the Get Set program and whether or not the parent is employed. Of the 67 participants, 36 were in the program from 13 months to over 24 months; 31 were in from under 6 months to 12 months.

Thirty-five participants interviewed were unemployed. Over 50 percent had been unemployed for over 2 years; 26 percent between 1 and 2 years, and the remainder 12 months and less.

The following chart shows the reasons for the current unemployment.



Conclusions

The Get Set program had little effect on improving the financial income and self-support of the participants we interviewed.

Almost all of these participants were willing to work but they gave a variety of reasons for not working. Those who were working were receiving insufficient income to get off welfare rolls.

Although the program had little impact on improving their financial stability, most participants were in favor of the program because of its social services to children and their families.

Comments by the Deputy Secretary
of the Southeast Region

We discussed the results of our interviews with the Deputy Secretary in June 1976. He told us that:

- The focus of title IV-A day care programs had been on strengthening family life and not necessarily on achieving the economic objectives.
- The needs of the child rather than the needs of the parent(s) have been stressed by Get Set.
- The Get Set program has been promoted and used as an educational development program for children.

CONCLUSIONS

The success of the program in terms of the achievement of the economic goals of titles IV-A and XX, which are restated in the State plan, has not been evaluated. We believe that Federal, State, and local agencies have not given adequate attention to accomplishing these objectives. The Get Set program has been a maintenance type of day care service provided to participants for a variety of reasons; many of which are not work related. If the intent

of the law is to be achieved to the maximum extent possible, then more attention and assistance must be given to the employment potential and job status of AFDC and low-income families participating in Get Set.

The participants should be counseled by caseworkers or other assigned DPW personnel at the time they apply for Get Set services and at the time of their eligibility re-determinations, which occurs every 6 months under title XX. Considering all economic and social drawbacks, counseling should be aimed at helping participants to (1) obtain and maintain a job and (2) progress to self-support. The functions of social workers at the centers could be curtailed to processing of applications and admissions and providing statistical data to caseworkers.

AFDC and low-income families who use day care services for the education and development of their children should be referred to other federally funded programs, such as Head Start. The Head Start program is administered by the Philadelphia School District for the educational advancement of prekindergarten children from low-income poverty areas. These alternative programs might better serve the needs of the child and parent and, at the same time, satisfy the individual objectives of the programs.

Also, HEW-Region III and DPW should periodically review day care programs to determine whether they are meeting the economic goals established in title XX and

the State plan. HEW has developed a reporting system to be used by the States in collecting data and generating reports which is expected to satisfy the reporting requirements set forth under title XX. DPW is currently collecting data and preparing reports on a manual basis in accordance with the HEW prescribed timetables. Because the Secretary of HEW has recently modified the reporting system requirements imposed on States under Federal participation, we are unable to comment on the adequacy of HEW's reporting system in terms of measuring the impact of day care or other social service programs funded under title XX. DPW's second title XX State plan indicated a delay in the full implementation of Federal and State requirements in its programs. In view of this, we believe that because of the magnitude of Get Set's annual expenditures (about one-third of DPW's total day care allocations), DPW must give top priority and special attention to making needed system improvements to better evaluate the effectiveness of the Get Set program.

RECOMMENDATIONS TO THE ACTING
REGIONAL ADMINISTRATOR, OFFICE
OF HUMAN DEVELOPMENT SERVICES

We recommend that the Acting Regional Administrator, Office of Human Development Services, instruct his staff to:

- Require DPW to furnish a plan of action with specific milestones for the implementation of each of the recommendations presented below.

- Monitor DPW's progress in implementing its plan of action and provide the needed technical assistance to insure that milestones are met.
- Require periodic reviews of the administration of the Get Set program to determine the extent to which DPW is meeting the economic objectives set forth in title XX and the State plan.

RECOMMENDATIONS TO THE SECRETARY OF DPW

We recommend that the Secretary of DPW:

- Establish top priority and assign sufficient staff and resources to the Southeast Region to initiate needed improvements to make the Get Set program responsive to the economic objectives of title XX.
- Require the Region to fully implement the requirements of the State plan by
 - using CAO caseworkers and other State and county agencies to screen applicants and determine their needs and specific goals under title XX, refer applicants to Get Set and other day care programs, assist the applicants and families to achieve their assigned goals, and make annual reviews of their progress toward achieving their goals;
 - establishing a reporting system that will generate the types of data needed to make ongoing evaluations of program results; and
 - developing monitoring procedures to periodically determine the effectiveness of the delivery and utilization of Get Set services, and to make improvements in the program.
- Instruct the Region to reevaluate the role and duties of social workers at the centers.

AGENCIES' COMMENTS AND OUR EVALUATION

In his letter of November 21, 1977, the Secretary of DPW provided the following comments on HEW guidance and on DPW's evaluation of day care programs.

- Title IV-A eligibility regulations had been published in January of 1975. Title XX came into effect on October 1, 1975. However, it wasn't until November 1, 1975, that final publication was made bearing a retroactive date of October 1, 1975. Subsequently, even after final publication, the regulations were rescinded and revised several times causing total confusion and chaos throughout the entire system.
- The difficulty in the start-up period for title XX was compounded by the confusion, rumors, and misinformation surrounding the closing years of title IV-A. Also, a retracing of years 1973, 1974, and 1975, would reveal that the Federal Government was undergoing considerable administrative changes both at the central and regional offices that impacted negatively on the direction and leadership provided to the States.
- Each region in the State has monitored and evaluated day care programs in a different way. The Philadelphia Region maintained excellent records detailing specific deficiencies in the programs, who was being served, the total population being served, etc. The data collected, while being useful at the regional level, was not the same as in other regions and could not be efficiently used at the statewide or central office level; consequently, the system for evaluating may be considered weak rather than nonexistent.
- Only in May of 1977 did the Federal Government mandate that States monitor and evaluate day care programs in a uniform manner.

The Acting Regional Administrator, Office of Human Development Services, HEW, the Secretary of DPW, and the Superintendent of the Philadelphia School District commented that the report emphasizes the achievement of the economic goal but does not give adequate coverage to the attainment of social goals--self-sufficiency, protective care, and avoiding institutionalization--which they considered equally important as the economic goal.

The Secretary of DPW said it has been State policy to implement day care as a child care and development program that would protect children and help families stay together and prevent and reduce inappropriate institutional care by making home and community services available.

The Superintendent of the School District said that:

- Get Set gave primary attention to supporting the child and his/her family, while the parent sought means to strengthen family life.
- Efforts to improve the financial income of recipients (parents) were conceived as falling within the tasks given to DPW caseworkers.
- Get Set sought and continues to seek, working and/or training parents in hope of more effectively meeting the economic goal.

The main thrust of the finding in this chapter is that neither DPW nor the School District had established a specific goal or goals for each parent and child in Get Set, as required by the State plan. Consequently, the effectiveness of Get Set could not be evaluated.

We met separately with officials of the School District and DPW on December 28 and 29, 1977, to discuss their written comments on our draft report. We explained our approach to the audit of program results and gave the following reasons for concentrating on the economic goal: (1) the title XX State plan projected that about 79 percent of the people using day care throughout the State would have work related goals, (2) Get Set's October 1975 report showed over 80 percent of the children had parents who were working or in

training, and (3) the results are quantifiable. The report was revised to clearly identify our reasons. We also pointed out that the State plan specified that social goals would be established for children with special handicaps requiring developmentally-oriented care. Most of the parents we interviewed who chose Get Set for the educational development of their children did not indicate that their children had special handicaps or required special care.

In regard to the statement on page 49 of the report that--Get Set has been a maintenance type of day care provided to participants for a variety of reasons, many of which are not work related--the Superintendent stated that eligibility requirements were established and controlled by DPW. Families receiving the service, in every instance, were approved by DPW. Of the seven eligibility priorities, categories 5-7 were not work related. He further commented that Get Set could not discriminate against low priority persons by refusing service to them or by replacing them with higher priority persons once they had been in the program and continued to be eligible.

This statement appears to equate eligibility to need. The State plan provides that in addition to eligibility there must be a specific need for day care consistent with the State's goals.

The Acting Regional Administrator in his letter of December 13, 1977, said that a response to the audit needs

to be addressed to the question of whether or not the School District used Federal dollars they received from DPW in a proper manner, and did DPW monitor the program as required. He also added that his staff must examine its role as to whether or not it has sufficiently reviewed past program activities, or should, in the future, monitor this program more than it has previously. He further stated that the question of whether or not child care contributes to the economic well-being of the family is uncertain. Day care does not in itself (1) guarantee a parent employment, (2) assure that an AFDC parent will come off the roles by having a child in day care, and (3) mean that the family's income will increase.

We agree with this concept. However, it is equally true then, that day care of itself cannot assure self-sufficiency, improve family life, or prevent neglect, abuse, or institutionalization. Thus, the requirement that HEW continually evaluate the State programs in terms of services provided to meet the five Federal goals is cited in the law.

CORRECTIVE ACTIONS

HEW

The Acting Regional Administrator did not specify what action he plans to take to implement the recommendations made to him in this chapter.

DPW

The Secretary of DPW advised that the Department has taken the following actions:

- Beginning July 1, 1977, socialization had been removed from the priority list for day care services. Approximately 30 percent of Get Set children will be affected.
- Effective July 1, 1978, day care services will be limited to persons with work related goals.
- As of March 1, 1977, the responsibility for eligibility determination was transferred to administering agencies and prime contractors (providers) of title XX services. The social workers at the day care facilities are responsible to work with families to achieve the established goals.
- Established a statewide computerized system to (1) collect data on goal achievement for all children receiving day care services in each month and (2) disseminate information to caseworkers on services rendered to public assistance recipients.
- In January 1978, the Southeast Region implemented a monitoring instrument which will provide the Region with the capability to determine effectiveness of all day care programs more adequately.

School District

The Superintendent of the School District said that:

- The School District will conduct an annual survey to generate information on the work status, the training status, and the movement toward economic self-sufficiency of adult clients.
- A cooperative arrangement is being suggested to DPW to incorporate survey information into the client reports which are submitted to DPW monthly. In this way, both Get Set and DPW will be able to see monthly movement toward the accomplishment of the first Federal goal--achieving or maintaining economic self-support.

CHAPTER 4

NEED FOR DPW TO TAKE EFFECTIVE CONTROL

IN ADMINISTERING THE GET SET PROGRAM

Get Set is the largest day care program in Pennsylvania. Contract costs have increased from about \$8 million for care of 5,000 children in fiscal year 1969 to \$20 million for 4,332 children in fiscal year 1976. In fiscal year 1975, DPW's contracted cost per child was \$4,238. However, based on program expenditures and average monthly attendance, the cost per child served exceeded \$4,900. Contract cost per child for fiscal year 1976 was \$4,672, which made the Get Set program one of the most costly preschool and school-age day care programs in Pennsylvania.

Through reasonable application of Federal and State requirements for day care programs, and through effective program management, Get Set costs can be reduced significantly without a detrimental impact on the care to children. We estimated that fiscal year 1975 costs could have been decreased by \$3.8 million by disallowing \$1.7 million and by making cost reductions of \$2.1 million as shown below.

	<u>Millions</u>
Recovering equivalent costs from the School District for 400 unused contracted spaces.	\$1.7
Eliminating 189 excess teaching positions at the centers.	1.7
Eliminating 53 social worker positions at the centers.	<u>.4</u>
Total	<u>\$3.8</u>

The recovery of \$1.7 million for unused contracted spaces applies to fiscal year 1975 only. However, the above personnel reductions will result in annual savings of at least \$2.1 million.

The high costs are primarily due to the Philadelphia School District's free hand in (1) establishing its own curriculum for the Get Set program and (2) using excessive numbers of high-salaried personnel with qualifications that exceed Federal and State day care standards.

Although annual contracts for the delivery of day care services to a specified number of children are negotiated each year, DPW has been ineffective in keeping program costs at a level comparable to other day care programs. In negotiating the fiscal year 1976 contract, DPW had attempted to reduce Get Set funds by as much as \$4.5 million but the School District resisted such efforts. With the approval of the Governor, these funds were restored to the contract. Both fiscal years 1976 and 1977 contracts were awarded on the basis of Get Set operating costs.

Continued funding of the Get Set program without effective management action to reduce excessive costs will result in the following.

- Depletion of limited day care funds which could be used to provide care to an additional 1,000 preschool children of families in the Philadelphia area and in other parts of the State.
- Preferential treatment over other day care providers under contract with DPW.

Under titles IV-A and XX, HEW has responsibility to assist the State in using purchase service contracts and to determine whether the costs of contractual services for day care are reasonable. Although findings similar to those discussed in this chapter were reported in March 1975 by the HEW Audit Agency, effective followup action has not been taken by HEW-Region III to insure that audit recommendations were fully implemented by DPW.

CONTRACTING WEAKNESSES

There are serious weaknesses in DPW's negotiation, award, and administration of the Get Set annual contract. These weaknesses have resulted in higher costs than necessary and in inefficient program administration. We noted that (1) better guidelines on the delivery of services are needed, (2) contracted spaces are not based on need, (3) contract negotiations for the fiscal year 1976 contract failed to reduce costs, and (4) late awards of contracts violated Federal regulations.

Better guidelines on delivery of services needed

Two of the most important aspects of contracting for services is to define exactly (1) what is being purchased and (2) how the services are to be delivered, including methods to evaluate the delivery of services purchased. Specifications must be developed to enable potential providers to know the type and level of services they will

be required to provide. Without such specifications, the amount of services, methods of delivery, and cost of services will greatly vary.

DPW title 4600 day care regulations define day care as care given to children under 16 years of age for part of a 24-hour day while away from home. The regulations require that day care programs provide educational services, social services, health and nutrition services, and parent involvement services. DPW, however, did not issue implementing instructions or guidelines and parameters for contracting for such services to the Southeast Region to establish standards of care. The purpose of such instructions or guidelines would be to (1) define the degree and quality of services and the method of delivering the required services and (2) provide a consistent basis for contracting with providers and for evaluating performance. Because there were no guidelines, the Southeast Region relied on Get Set to determine the quality and degree of care to be provided as well as the methods of delivering the services. Consequently, Get Set's costs were much higher than other providers.

The following schedule shows the major difference in the contracted cost per child for Get Set and three other DPW providers in Philadelphia in fiscal years 1975 and 1976.

<u>Provider</u>	<u>Cost per child</u>	
	<u>1975</u>	<u>1976</u>
Get Set	\$4,238	a/\$4,672
Salvation Army	3,247	3,972
Associated Day Care	3,431	3,163
Community Concern #13	2,886	2,445

a/4-month contract \$1,954 and 8-month contract \$2,718.

Our review of the contracts for these providers revealed major differences in the personnel ratios and salaries, health costs and services, and social service costs. Moreover, because DPW did not define the extent of educational and health care to be provided, the cost of these services varied among providers.

An effective reporting system and evaluation of day care services delivered is mandatory for good contracting, to insure (1) equitable care to all children, (2) compliance with Federal and State regulations and contract provisions, and (3) reasonableness of costs.

Contracted spaces not based on need

DPW did not realistically analyze Get Set's proposal justifying the number of spaces needed. An adequate review would have shown that (1) contracted spaces exceeded the total capacity of the centers and (2) the average attendance was much lower than capacity as well as the average enrollment on which the School District based its need for spaces.

The following schedule shows that for fiscal years 1971 through 1975, DPW contracted for substantially more spaces than the Get Set program could legally accommodate.

<u>Fiscal year</u>	<u>Contracted spaces</u>	<u>Average approved capacity</u>	<u>Average attendance</u>	<u>Average enrollments</u>
1975	4,700	4,516	3,633	4,784
1974	4,914	4,689	3,644	4,815
1973	5,000	4,761	3,324	4,872
1972	5,000	4,713	3,596	4,925
1971	5,000	4,458	3,269	4,644

For example, DPW contracted for 4,700 spaces in fiscal year 1975 even though the 95 centers had an approved capacity of 4,516 spaces. The average enrollment for 1975 was 4,784 children but the highest number of children attending classes at anytime during the year was 4,300, which is 400 less than the total contracted spaces. By applying the contracted unit cost of \$4,238 per child, the 400 unneeded spaces resulted in additional contract funds of about \$1.7 million.

Although these contract weaknesses were known to DPW, it did not amend the contract nor withhold funds for the number of unused spaces as provided in paragraph 2 of the 1975 contract, which stated:

"* * * The Provider [School District] agrees to make every effort to fill such places to capacity, depending upon the availability of eligible children. Failure of the Provider to fill places with available children shall entitle the Department to withhold funds for the number of places that could have been filled, but were not utilized by the Provider."

We discussed these poor contracting practices and the recovery of Federal and State funds from the School District

with DPW officials several times during our audit. However, DPW did not recover funds for unused spaces in 1975.

The 1976 (8-month contract) and 1977 contracts did not have the same provision for recovery of funds for unused spaces as did the 1975 contract. Instead, the School District agreed to make every effort to fill such places as authorized to capacity, depending upon the availability of eligible children. This agreement further illustrates the weaknesses in determining the number of spaces actually needed and the ineffectiveness in executing contract provisions. For example, although the 1976 contract provided for service to 4,498 children, the approved budget, incorporated in the contract, was based on 4,700 children.

The 1977 contract provided for 4,514 units of service. A full unit is equal to 4 or more hours of service to a child and a half unit represents less than 4 hours of service. Neither the agreement nor the approved Get Set budget showed the number of children to receive full units and half units of service. The budget, prepared in July 1976, estimated that very few of the 4,800 children expected to enroll in the program would receive less than full units of service. The budget contained the following statement.

"* * * Since precise numbers will not be known until enrollments are complete, it is suggested that adjustments should be made and some precision determined during the period October-November 1976. At that time social service staff will be able to detail the total client population and the amount of service required for each."

The 1977 contract was awarded in January 1977, 6 months after the start of the contract period, on the basis of the July 1976 preliminary estimates, and without any adjustments or refinement of these estimates.

The need for an effective reporting and evaluation system was previously reported by the HEW Audit Agency in March 1975. The report recommended that DPW establish procedures to monitor and evaluate the reasonableness of day care costs and establish cost guidelines. HEW-Region III, in response to the report, stated that a special task force would be formed to monitor DPW's actions to implement the recommendations.

Fiscal year 1976 contract negotiations
failed to reduce cost of Get Set program

DPW recognized that Get Set costs were too high and attempted to reduce Get Set's proposed fiscal year 1976 budget through recommended staff reductions, realignment of staffing patterns, establishing salary limitations of personnel, and closing of underused centers. In addition, it used its newly established maximum cost ceilings for pre-school and school-age children. The School District resisted all attempts to reduce budgeted costs. Based on a decision from the Governor's office, DPW reverted to program funding to support the Get Set program at its current level without any reductions in staff and salaries.

This form of contracting resulted in a unit cost of \$4,672 per child for fiscal year 1976, an increase of more than \$430 a child over fiscal year 1975.

Two separate contracts were awarded during this period--a 4-month contract from July 1 to October 31, 1975, and an 8-month contract from November 1, 1975 to June 30, 1976.

The 4-month contract was an extension of the fiscal year 1975 contract. It covered services for 4,000 children at total costs of \$7.8 million, or \$1,954 per child. On a 12-month basis this would amount to \$5,862 per child.

In negotiating the 8-month contract, DPW attempted to limit total funds by applying its maximum cost ceilings of \$3,200 for preschool children and \$1,800 for school-age children for a full year of service. These ceilings were established by DPW in September 1975 for application to all day care contracts. This was not acceptable to the School District and contract deliberations continued throughout the 8-month period. The contract was signed by all parties on June 3, 1976, just 27 days before the end of the contract period.

This contract provided for care to 3,932 preschool age children and 566 school-age children, or total spaces of 4,498, at total cost of \$12.2 million. Final negotiations reduced the Federal share from \$9.2 million (75 percent) to \$5.6 million (45 percent)--a reduction of \$3.6 million

which DPW accepted as the State's share. The School District's share was set at \$3.0 million (25 percent).

The contract was negotiated on the basis of Get Set's operating costs without considering the established cost ceilings. By applying these ceilings, total costs would have been limited to about \$9.0 million, or about \$3.2 million less than the contract amount.

We recognize that there should be some flexibility in applying costs guidelines, but the considerable difference of \$3.2 million, or an override of more than 25 percent, for an 8-month period must be critically analyzed to determine its effects on (1) the total day care program and available funds and (2) the contractual relationship of DPW and the School District. First, at least an additional 1,000 preschool age children (at \$3,200 each) could be served for a full year with these funds. Secondly, the effectiveness of DPW to keep the cost of purchase services contracts reasonable is questionable, unless it is given the resources and support to implement its maximum cost ceilings or similar unit of service provisions.

Federal regulations required that costs for day care services must be reasonable. Unless DPW can reduce the costs of the Get Set program, it should consider contracting with other providers for these services on a competitive basis.

Late awards of contracts
violated Federal regulations

Federal regulations 45 C.F.R. 228.70 specify that:

"(a) FFP [Federal financial participation] is available when services are purchased by the State agency from an agency, individual, or organization other than the State agency only when the State agency executes a written contract in accordance with requirements under this Part and 45 CFR Part 74 with the agency, individual, or organization from which services are purchased. The contract shall:

"(1) Include all terms of the contract in one instrument, be dated, and be executed by authorized representatives of all parties to the contract prior to the date of implementation;

"(2) Have a definite effective and termination date; * * *."

Both the 1976 8-month contract (11/1/75 to 6/30/76) and the fiscal year 1977 contract (7/1/76 to 6/30/77) were awarded 7 and 6 months after the commencement dates of the respective contract periods. This practice violates Federal regulations (45 CFR 228.70(a)(1)) quoted above, which require that the contract be executed by authorized representatives of all parties to the contract prior to the date of implementation.

Additionally, the fiscal year 1977 contract provided that the agreement was to continue from year to year unless terminated by 90-day notice from either party prior to the end of the contract year. Federal regulations require that such contracts have a "definite" effective and termination date. A contract that is automatically renewed subject to notice by either party does not have a definite termination

date. This provision is contrary to the intent of Federal regulations and could result in the nonavailability of Federal financial participation.

We discussed the late awards of the two contracts and the automatic renewal provision in the 1977 contract with the HEW-Region III attorney and other officials in October 1976 and in March 1977. They agreed to discuss these violations of Federal regulations with DPW officials.

PERSONNEL COSTS CAN BE REDUCED
WITHOUT AFFECTING CARE TO CHILDREN

High salaries and the increasing number of employees are the main reasons for the high costs of the Get Set program. In addition, ineffective internal controls over the recording of time and attendance and liberal leave policy are contributing factors. (See ch. 7.)

Total actual costs for fiscal year 1975 amounted to \$17.9 million, of which \$13.7 million, or over 75 percent, was for personnel. Similar costs for fiscal years 1976 and 1977 increased.

When the Get Set program began in 1969, employees were paid on a lower scale. In September 1972, Get Set employees were brought into the School District's employees' union and placed on a pay parity with other employees. From fiscal year 1972 to fiscal year 1975, contract costs increased by \$5.7 million, from \$14.2 million to \$19.9 million, with no increase in number of children served.

Need to evaluate Get Set curriculum

Because DPW did not define the degree or standard of instructional services to be provided, the Philadelphia School District established its own curriculum for the Get Set program employing an excessive number of high-salaried personnel with qualifications that far exceeded Federal and State requirements on day care. The Philadelphia School District stressed a high educational component in its Get Set day care program. The overriding goal of the program was to provide a stimulating and educational curriculum in a day care setting for children while away from parental care. The educational component was conceived as vital to the total development of the child.

The high cost of the Get Set program and its use of high-salaried and over-qualified personnel far exceeds the requirements of day care services.

Under title IV-A, day care facilities and services were required to comply with Federal Interagency Day Care Requirement (FIDCR) standards. FIDCR was designed to insure quality care for each child and represented the minimum requirements which had to be met by each facility receiving Federal funds. FIDCR required educational opportunities--appropriate to the children's ages--to be provided, as well as daily activities designed to (1) influence a positive self-concept and (2) enhance social, cognitive, and communication skills.

DPW title 4600 day care regulations implemented FIDCR requirements at the State level. Title 4600 regulations required providers to include a well-balanced daily program designed to meet the physical and developmental needs of children. The daily program was to provide educational opportunities appropriate to the children's ages, as well as creative experiences in music, stories, art, conversation, and indoor and outdoor play. Title 4600 regulations met or exceeded FIDCR requirements.

Like title IV-A, title XX also required day care facilities and services to meet FIDCR requirements, with one exception. Educational services which were required under title IV-A are recommended but not required under title XX.

Although Get Set proposed a highly structured educational component staffed with overqualified and highly salaried professionals, the actual day-to-day operations were left mostly to the discretion of lead teachers. Our review of selected Get Set centers and our discussions with area supervisors found that the School District had a generalized curriculum guide in existence. However, its use and implementation was dependent on the discretion and views of individual area supervisors and lead teachers. An area supervisor is responsible for six to eight centers. A lead teacher is the designated head of a center. In some instances, area supervisors disagreed on the type and extent

of formal instruction to be provided. This was conveyed to the lead teachers who may or may not require classroom personnel to prepare weekly lesson plans.

For example, formal lesson plans or records were not required at one center, each teacher followed a general schedule of activities. We were told that classes were autonomous and received limited direction from the lead teacher. Teachers had a general idea of what was expected in the classroom. At another center, two of three classroom personnel interviewed prepared lesson plans. The third said she did not prepare lesson plans.

A review of available lesson plans and/or our observations at selected centers showed that the majority of the day was spent at free play, snacks and lunch, cleanup, afternoon nap, and outdoor exercises. About an hour and a half was spent on instructional activities. According to a lead teacher, her lesson plan was changed each week; however, the basic components and time allotments remained much the same.

We compared lesson plans prepared by Get Set teachers with lesson plans prepared by teachers in day care centers administered by the Salvation Army and Community Concern #13. As shown in the chart below, Get Set provided no more instructional activities than the other agencies even though Get Set had a highly educational component.

<u>Time and activity</u>	<u>Get Set</u>	<u>Salvation Army</u>	<u>Community Concern # 13</u>
	<u>(hours)</u>		
Arrival, breakfast, free play, snack time, cleanup, and toileting	2-1/2	1-1/2	1/2
Instructional-recognizing, names, numbers, colors, Sesame Street, letters, shapes, etc.	1-1/2	1-1/2	2
Outdoor activities and/or health drills and exercises	1	0	1
Lunch	1	3/4	1/2
Nap time, snack time, and toileting	1-1/2	2	3
Story time, film, table games, show 'n' tell	1	1-3/4	1
Free play, outdoor exercise, departure	<u>2-1/2</u>	<u>1-1/2</u>	<u>0</u>
Total	<u>11</u>	<u>9</u>	<u>8</u>

Because Get Set conceived a highly educational component, they staffed the program accordingly. Get Set staffs and their qualifications far exceeded program requirements. This resulted in additional cost to the program. (See pp. 74 and 77.)

The social agencies employed professional staffs in their centers, but not to the degree that Get Set employed professional staffs. A DPW monitoring report on Get Set services for the first half of fiscal year 1975 stated that:

"The quality of services at the center level vary from poor to excellent with most of the services falling into the low or medium range. * * * In some instances staff was not involved in the children's activities although free play was always encouraged. * * * Creative projects were the exception rather than the rule. Most disappointing was the afternoon programs. Most programs are geared for the prime time of the day, 8:30 to 12:00 p.m. After lunch and nap, the program seemed to reach a standstill with little happening but custodial care."

Teaching personnel overstaffed

Get Set employed an average of 778 full-time and 72 part-time teachers, assistant teachers, and teacher aides during the period July 1, 1974 to June 30, 1975. This was 189 more full-time teaching personnel than was needed based on the average monthly attendance of the children. By applying the average salary of \$8,772 for these positions, we have estimated excessive salaries of \$1.7 million.

Both FIDCR and title 4600 regulations established limits on the number of children per adult. According to these regulations, the total ratio of children to adults is normally not greater than

- 5 to 1 (children 3 to 4 years old),
- 7 to 1 (children 4 to 6 years old), and
- 10 to 1 (children 6 to 14 years old).

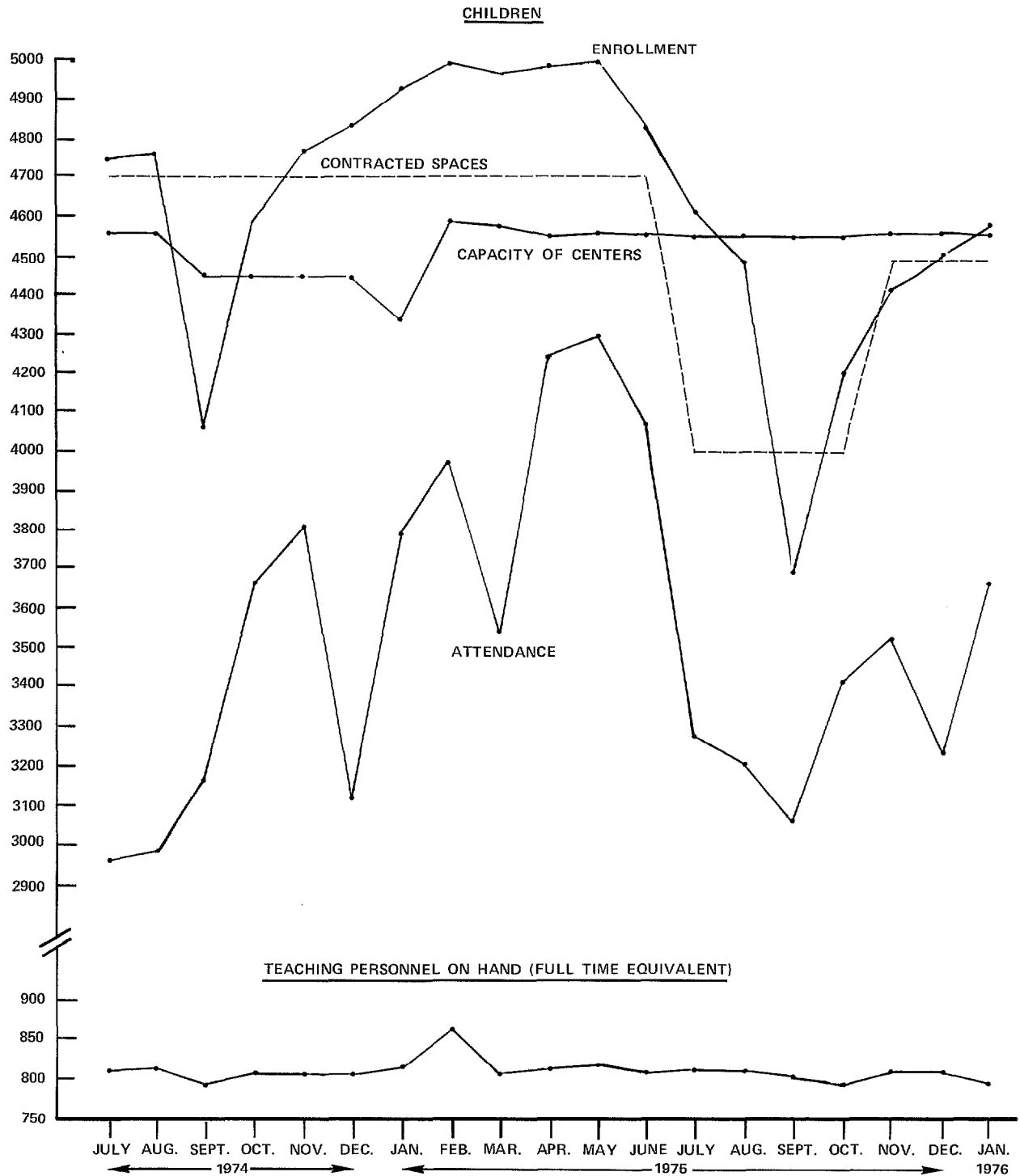
FIDCR also stated that volunteers may be used to supplement the paid staff responsible for the children and used in computing caregiver/child ratios. Volunteers may include older teenage children who are often highly

successful in working with younger children. Title 4600 encourages the use of volunteers as assistants.

We applied the ratios to the average monthly attendance of 3,633 children to determine the number of teaching personnel needed. We increased this number by 10 percent to 3,996 to cover those periods above average attendance. Except for 3 of the 19 months, attendance did not exceed 3,996. Our comparison of teaching personnel needed with the number employed showed that Get Set was overstaffed by at least 189 full-time teaching personnel. Our computation is based solely on teaching personnel and does not include other center employees, such as social workers, housekeeper-cooks, and assistant housekeeper-cooks, who are available to assist with the children. These employees can be included in determining the center's child/staff ratio.

The graph which follows shows the relationship of the number of teaching personnel to the number of children enrolled and in attendance for the 19-month period from July 1974 to January 1976.

COMPARISON OF GET SET TEACHING PERSONNEL ON HAND WITH THE NUMBER OF
CHILDREN TO BE SERVED (CONTRACTED SPACES) AVERAGE NUMBER ENROLLED
AND ATTENDED GET SET DAY CARE CENTERS AND THE CHILD-CAPACITY OF THESE CENTERS



As shown in the graph, teaching personnel remained fairly constant despite the fact that both enrollment and attendance varied greatly. Get Set's teaching personnel exceeded the number needed to cover peak enrollments in 7 months in fiscal year 1975.

Moreover, no correlation existed between teaching personnel employed and teaching personnel needed. For example, between July 1975 and October 1975, DPW decreased the number of contracted spaces from 4,700 to 4,000 spaces with no corresponding decrease in the number of teaching personnel. Enrollment and attendance at the centers decreased by an average of 542 and 448 children, respectively, during these 4 months. Applying the ratio of 5 children per adult, Get Set teaching personnel should have decreased by about 140 positions. We noted a decrease of only 12 positions.

The monthly attendance of Get Set children for the 19-month period was greatly below center capacity and enrollment. Even though Get Set overenrolled the number of children to be served, attendance never exceeded 4,300 children. In its report for the period January 1 to October 31, 1975, Get Set officials stated that they did not establish objectives relating specifically to recruitment, enrollment, or attendance. The report attributed the low attendance in July, August, September, and December to (1) family vacations or the desire for Get Set children to be at home with brothers and sisters during the summer months and major holiday periods, (2) heavy illnesses during

the winter months, (3) a lag between the time children are transferred into the public and nonpublic schools and replaced by new enrollees, and (4) extended turnaround time in the fall of 1975 between the submissions of applications and determination of eligibility.

Although the above conditions occur regularly during the cited months, a full staff of teaching personnel was retained. Little effort was made by the School District to put some flexibility in the staffing patterns to adjust to these conditions. For example, centers with low attendance could be closed for the summer months and children sent to nearby centers, or 10-month teachers could be employed to cover the period September to June, using special staffing during the summer months to meet the needs for day care services.

Excessive qualifications and high salaries

To implement the educational component, as conceived by the School District, the Get Set program was staffed with lead teachers, teachers, assistant teachers, teacher aides, and various supervisory personnel. A lead teacher is the designated head of the center.

The minimum acceptable training and experience required by Get Set surpassed DPW title 4600 day care requirements which implemented Federal regulations. According to title 4600, a group supervisor had to be a high school graduate with 1 year of experience working with children and have 18 credit hours of training in child development or early childhood

education. An assistant group supervisor had to be a high school graduate or have 2 years experience as an aide in a day care center. In contrast, the minimum acceptable training and experience required of a Get Set lead teacher was a bachelor's degree plus 2 years of teaching experience at the prekindergarten or kindergarten levels. Get Set teachers were required to have a bachelor's degree. Supervisory positions usually required a master's degree. For example, instructional supervisors were required to have a master's degree plus 12 credit hours in educational administration.

The disparity of the budgeted salaries in DPW contracts with the School District and with three other day care providers for similar teacher classifications is illustrated in the schedule below. The personnel qualifications of the three other providers meet or exceed the Federal and State requirements.

Average Budgeted Salaries in DPW

FY 1975 Contracts

<u>Position</u>	<u>Day care providers</u>			
	<u>School District (Get Set)</u>	<u>Salvation Army</u>	<u>Associated Day Care</u>	<u>Community Concern #13</u>
Instructional supervisor	19,145	<u>a</u> /\$8,250	<u>b</u> /\$13,872	<u>b</u> /\$13,230
Lead teacher	15,739	6,750	None	9,450
Teacher	13,608	6,225	8,673	8,155

a/Program director--75 percent of annual salary of \$11,000.

b/Center director--annual salary.

Note: All Salvation Army personnel are full-time, but only 75 percent of annual salary is charged to contract.

Significant salary differences exist for all Get Set teaching positions.

Social services component overstaffed

Get Set employed 81 social workers, a social service coordinator, 2 caseworker training supervisors, and a parental involvement supervisor at a cost of about \$723,000 for fiscal year 1975. Of the 81 social workers, 47 were not authorized by the contract and were paid a total of about \$379,000.

Our review of correspondence at the Southeast Region revealed that regional officials had continually questioned the qualifications, size, and effectiveness of the Get Set social component. The following comments, made in its fiscal year 1975 study report, summarize the conditions found.

"Because this component has inherited a number of paraprofessionals, whose skill and competence is questionable, there are tremendous problems and this component is not as effective as it could be * * *. There is no uniformity of performance in this department and until competent and skilled staff can be employed, there will continue to be problems."

Region officials were ineffective in their attempts to reduce the number of social workers and to improve the quality of services. For example, 47 social workers were retained in Get Set and paid without specific authorization from the Region until the fiscal year 1976 contract, which gave blanket authorization to all persons on the Get Set rolls. (See p. 65.) The fiscal year 1977 contract authorized

a total of 81 in the social services component, with insignificant changes in the staffing, at total estimated costs of over \$1 million.

As discussed in chapter 3 of this report, DPW caseworkers were responsible for the families of about 2,800 Get Set children who were either AFDC or general assistance recipients. We estimate the remaining 1,851 children and their working parents could be serviced by 28 social workers at an average salary of \$10,230 each or total cost of \$286,400. The social services staff could be reduced by 53 positions. This would result in a cost reduction of over \$437,000 in social services for fiscal year 1975. Our computation is based on the current Get Set caseload of 65 children per social worker, which is very low compared to the caseload of 101 to 150 for caseworkers.

Also, in chapter 3 we recommend that if the Federal goals are to be achieved, DPW must increase the responsibility and involvement of its caseworkers in Get Set. Under this approach, the role and number of Get Set social workers can be further limited and result in greater cost reductions.

CONCLUSIONS

The corrective actions promised by HEW-Region III and the Secretary, DPW, in their replies to the HEW Audit Agency's April 1975 report on child care services have not materialized for the Get Set program. In our opinion,

HEW-Region III has not made a sufficient review of this high cost program to (1) determine reasonableness of program costs, especially the Federal share, (2) evaluate compliance with titles IV-A and XX and Federal regulations, and (3) provide technical assistance and guidelines to DPW to improve its awarding of purchase services contracts.

DPW, on the other hand, has not resolved its problems in contracting for and funding the Get Set program. From fiscal years 1971 to 1975, DPW continually contracted for more spaces for children to be served than Get Set could legally accommodate. Also, in four of these years, contracted spaces exceeded enrollment and attendance, as well. This method of contracting provided more funds to the School District than necessary. On the basis of average attendance, the cost per child was much higher than the contracted cost per child. Furthermore, the 1976 and 1977 contracts violated Federal regulations.

In its fiscal years 1976 and 1977 negotiations, DPW has been ineffective in implementing cost reductions and in achieving closer compliance with the objectives and requirements of Federal and State regulations. The educational requirements under title IV-A are no longer mandatory under title XX. However, the School District continues to emphasize its high educational component and its commitment toward the total development of the child. This far exceeds the requirements of day care services and is the main reason

for the high cost of the Get Set program and its use of overqualified and higher salaried personnel.

The cost ceilings established by DPW, in our opinion, should have been forcibly applied with some degree of flexibility. By awarding funds of \$3.2 million over these cost ceilings for an 8-month period, DPW continued to fund the Get Set program at its current level, which DPW acknowledges to be much higher than necessary.

In view of the spiraling costs, DPW should consider several alternatives to effectively limit the costs to

- assist the School District in realigning its program to meet the minimum Federal and State day care requirements and reduce costs to an acceptable level; or
- contract with the School District solely on the basis of its established cost ceilings or other comparable unit of service provisions; or
- make plans to contract with other providers on a competitive basis.

We recognize that implementing maximum cost ceilings or other cost savings to limit the Federal and State share will greatly affect the costs of the current program, which the School District will have to absorb. If the School District cannot absorb the unfunded costs, then it must seriously consider such program changes as:

- Making greater use of paraprofessionals and volunteers in its centers in place of the higher qualified and salaried personnel.
- Using 10-month employees instead of 12-month employees.

- Closing underused centers during summer months, accommodating children at nearby centers, and providing special staffing for these centers during summer months.

RECOMMENDATIONS TO THE ACTING
REGIONAL ADMINISTRATOR, OFFICE
OF HUMAN DEVELOPMENT SERVICES

We recommend that the Acting Regional Administrator, Office of Human Development Services, instruct his staff to:

- Require DPW to furnish a plan of action with specific milestones for the implementation of each of the recommendations presented below.
- Monitor DPW's progress in implementing its plan of action and provide the needed technical assistance to insure that milestones are met.
- Recover from DPW the Federal share of payments made for unused contracted spaces.

RECOMMENDATIONS TO THE SECRETARY OF DPW

We recommend that the Secretary of DPW require his staff to:

- Develop guidelines on the quality of day care services desired and use these guidelines in negotiations with the School District and other providers to help insure equitable and consistent treatment for all children.
- Improve contracting to insure compliance with Federal and State day care regulations and enforce the provisions of the contract when not complied with by providers. Specifically, the automatic renewal provision should not be included in day care contracts. Also, the number of contracted spaces should be based on need and not to exceed the maximum approved capacity of the centers.
- Initiate action to recover the contract cost of \$1.7 million for unused spaces in fiscal year 1975 as provided for in the contract.

--Use the maximum cost ceilings or other unit of services provisions in negotiating day care contracts.

--Consider other alternatives if negotiations with the School District fail to lower Get Set program costs.

SUGGESTIONS TO THE SUPERINTENDENT,
PHILADELPHIA SCHOOL DISTRICT

If the Philadelphia School District plans to continue providing Get Set services under contract with DPW, it should:

--Realign the objectives and curriculum of the Get Set program to meet the minimum requirements of Federal guidelines and State regulations and reduce costs.

--Review the organization and management of the Get Set program, including the qualifications, salaries, and number of employees.

--Implement cost reductions needed to make the Get Set program more competitive with other day care programs.

AGENCIES' COMMENTS
AND OUR EVALUATION

In commenting on contract weaknesses and the need for better guidance on the delivery of services, the Secretary of DPW stated that regional monitors always discussed program weaknesses in classroom activities with center staff and with Get Set administrators. In the absence of guidelines or standard procedures for observing classroom activity, DPW assumed that there was a disparity in monitoring practices. He said that with the implementation of DPW's monitoring instrument, the Region will be able to review interactions

within the classroom on a consistent and objective basis. He advised that (1) a task force was established to work on a model budget for day care and (2) the Region is taking steps to establish a uniform cost for day care in the Region.

The Secretary did not comment on whether guidelines on the quality and level of care is being developed or considered. We believe these guidelines are essential to the uniform delivery of care and should be included in the process of establishing a standard cost.

In responding to the finding on the need to evaluate curriculum, the Secretary stated that the Southeast Region has attempted to fund the Get Set program at a lower qualification level for teachers. He said that this effort was aborted due to activities resulting from the School District and community forces.

The Superintendent stated that the School District has the responsibility and professional right to establish its own curriculum. The policy of the School District is to establish the same curriculum for all children regardless of the funding sources of its programs. According to his comments, the day-to-day program is not left to the discretion of lead teachers and/or area supervisors. It is expected that the curriculum guide will be used and that plans developed by the instructional team be followed by the supervisors and lead teachers.

Regarding the finding on contracted spaces, the Secretary stated that underattendance has been an ongoing problem in Get Set. Overenrollment is one of a number of methods that the Region has tried to solve this problem. He stated that for contract period 1975-76, the Region attempted to apply a unit cost based on child category coupled with an analysis of enrollment versus attendance for contract year 1974-75. When attendance was markedly lower than enrollment, day care programs were given a lower number of contract slots for the 1975-76 period. When the Regional Office applied this formula to the Get Set Program, the decision to fund at a lower number of contracted slots was not achieved due to activities resulting from school and community forces.

The Superintendent of the School District stated that the determination of 400 unused contracted slots in the report was based on child attendance statistics. He opposed the use of attendance statistics and believed that the School District met the conditions of paragraph 2 of the 1975 contract--to make every effort to fill such spaces to capacity--because average enrollment of 4,784 children in 1975 exceeded the total contracted spaces by 84 children. He also said there were no stipulations in the 1975 contract that funding would be based on attendance.

In our December 28, 1977 meeting with School District officials, we reaffirmed our position on the 400 unused

spaces. The schedule on page 63 of this report shows that for fiscal years 1971 through 1975, the number of contracted spaces was substantially greater than the average approved capacity of the centers. Furthermore, contracted spaces also exceeded the average enrollment in 4 of the 5 years. Our analysis of fiscal year 1975 statistics showed that the average attendance was 3,633 children. In only 1 month (May 1975) did attendance reach 4,300 children. This was 400 children fewer than the number contracted to be served. Moreover, the continuing underutilization of contract slots is further demonstrated by the enrollment and attendance figures for the first 4 months of fiscal year 1977-78. For 3 of the 4 months (July-October 1977), the School District enrolled from 403 to 1,031 fewer children than the 4,500 contracted slots; average attendance was 3,100.

In his letter of May 23, 1977, to the School District, the Deputy Secretary of the Southeast Region stated,

"The allocation is intended to provide day care service for 4,500 children. Any decrease in number of children served would lead to a reduction in the dollar allocation."

Consequently, recovery of equivalent contract costs for unused space is also applicable to fiscal year 1977-78.

The Secretary concurred that personnel costs can be reduced without affecting care to children. In commenting on the method used in the report to determine the number of teaching positions overstaffed, he said that staffing

is based on classroom capacity, not attendance. Each classroom must be staffed with a certain number of employees regardless of how many children attend. The Deputy Secretary of the Region told us that staffing imbalances result from underutilization of capacity and low attendance. The Deputy Secretary also said that the position of the Department has been that volunteers cannot be used to replace paid staff because volunteers are not bound to be present every day. Reliance on volunteers would leave the program in danger of understaffing on days volunteers fail to report.

The chart on page 75a clearly demonstrates the significant disparities in enrollment, capacity, and attendance at the centers. The chart also shows that teaching levels remained constant while enrollment and attendance fluctuated significantly each month. It points out the need to reevaluate the staffing objective. Our method of determining the number of teaching personnel needed based on average attendance is sound because it levels out attendance figures and establishes a realistic basis for determining staffing requirements. Further refinements can be made by realigning the classroom sizes at the centers and applying the flexibility provided in DPW's title 4600 day care requirements. These regulations state that when groups consist of 10 children or fewer, one assistant may be assigned to two groups provided the adult/child ratio conforms to the regulations.

During the period October 1975 to January 1976, Get Set used about 287 classrooms. Twenty-four classrooms had an approved capacity of 10 or fewer children; however, each classroom employed two to three full-time teaching personnel during the period. For example, one center had three classrooms with an approved capacity to serve 10, 7, and 6 children or a total capacity of 23 children. Eight full-time teaching personnel were employed at this center. Over 70 percent of the children were 4-6 years of age; the staff/child ratio for this age group is 1 to 7. By applying the flexibility permitted in title 4600, three full-time employees could be dropped. Additionally, we should point out that the employees referred to above are full-time teaching personnel (teachers, assistant teachers, and aides) and do not include the cook and social workers who are also assigned to the center and could be used to assist with the children.

Regarding the finding on the overstaffing of social workers, the Secretary of DPW stated that there has been insufficient time to monitor social worker activity since the responsibility for determining eligibility and for assisting families has been delegated to the social workers at the centers.

CORRECTIVE ACTIONS

HEW

The Acting Regional Administrator agreed with our findings and recommendations and incorporated them in HEW's

corrective action plan. He said HEW will require DPW to immediately review and correct its contracting weaknesses which have resulted in higher costs than necessary and inefficient program administration. HEW will monitor DPW's actions and provide needed technical assistance to insure that repooled deficiencies do not reoccur.

In regard to the recovery of Federal funds from DPW for unauthorized or improperly billed expenditures, he said:

"In accordance with an agreement entered into by the Federal Government and the State, it is proposed that any disallowances under Title IVA and VI contemplated by Federal reviewers where the States have received and expended the funds on such program expenditures, shall be forgiven the State by the Federal Government and no recovery action pursued. This policy shall not apply to Title XX expenditures after October 1, 1975.

For all Federal matching funds expended by the State under Title XX after October 1, 1975, which do not qualify for funding, HEW contemplates action to determine the amount of cost questioned and proceed with recovery action."

The agreement referred to above is predicated on the passage of H.R. 10101 which was presented to the U.S. House of Representatives in November 1977. As of the date of this report, the bill had not been enacted by the Congress. Until the bill is enacted, our recommendations on the recovery of costs stand.

DPW

To improve weaknesses in its contracting procedures and to be able to contract on the basis of need, the Secretary

and Deputy Secretary of the Southeast Region cited the following actions.

- DPW has developed a system of collecting utilization, waiting list, and census data which will be used to determine need for day care throughout the State. The Southeast Region implemented the system in January 1978. It is expected that the Region will improve its contracting procedures and contract on the basis of need.
- The system has a monitoring instrument which will be used to review interactions within the classroom on a consistent and objective basis.
- The automatic renewal clause contained in the fiscal year 1976-77 contract was removed in March 1977.
- The fiscal year 1977-78 contract was executed prior to the start of the contract period. All subsequent Get Set contracts will comply with this Federal requirement.
- DPW is attempting to work out a scale of unit costs for day care. Its long-range goal is to pay for days of care actually provided. DPW estimates that the system will be fully implemented within a 3-year period.
- Sixteen centers were closed in June 1977; 14 centers were closed for poor enrollment and poor attendance.
- DPW expects further reductions in Get Set as a result of its decision to remove socialization from day care. It estimates that about 30 percent of the children in Get Set in 1976 would be affected. DPW found from experience that attendance in day care is low when parents are unemployed. DPW feels that improvements have been achieved in attendance in all programs as a result of implementing the above changes.

The Secretary and the Deputy Secretary did not comment on the actions to be taken, if any, to recover the Federal and State share of the \$1.7 million for unused contracted spaces.

School District

The Superintendent stated there have been at least four significant changes in the contract-management aspect of the School District-DPW relationship. He cited the following actions.

- By cooperative effort, the fiscal year 1977-78 contract was negotiated and approved prior to the beginning of the contract period.
- Overall Get Set staff was reduced by 148 positions for the 1977-78 program year.
- Objectives of the Get Set program have been better aligned with title XX. A primary programmatic concern is to consider the delivery of required units of service. Curriculum is being evaluated. Plans are underway to determine possible modifications for the 1978-79 program year.
- A monthly analysis of enrollment and attendance figures is made by the Get Set administrative staff to determine how and where to establish or to maintain maximum contracted levels of service. Where these levels are below those contracted for, the parent councils who represent each center client population will be advised. The parent councils, facility owners, and clients are further advised that possible closings may occur where the costs of contracted slots are increased substantially either by poor enrollment or poor attendance.

CHAPTER 5
NEED TO STRENGTHEN PROCEDURES TO
CONTROL AND EXPEDITE ELIGIBILITY
DETERMINATIONS

Several areas need to be strengthened to improve controls over eligibility determinations to fully comply with title XX requirements. DPW needs to implement procedures to insure timely reporting by Get Set of all factors that affect the participants' eligibility, including collection of stipulated fees, and to more closely monitor the program.

Day care services were rendered to children of participants who were ineligible for such services under title XX.

Program costs for ineligibles are not reimbursable under title XX. We have determined that costs of about \$1.5 million had been incurred for 437 ineligibles for the 9-month period from October 1, 1975 to June 30, 1976.

REVIEW OF ELIGIBILITY

We reviewed the eligibility of randomly sampled Get Set participants. Our review included a sample of 234 cases of 4,651 children enrolled in Get Set in October 1975. Eligibility was verified by reviewing the case records at Get Set and comparing this information with titles IV-A and XX criteria. In addition, public assistance case records were

reviewed, and the recipients of financial assistance as well as their employers, when necessary, were interviewed to verify and confirm eligibility. We completed our field work in April 1976.

INELIGIBLE PARTICIPANTS

Of the 234 cases audited, 22 (9.4 percent) were determined ineligible under title XX for Get Set services. Officials of the Philadelphia County Board of Assistance reviewed each case and agreed with the exceptions.

By applying the fiscal year 1976 contracted cost per child of \$4,672, adjusted to \$3,504 for 9 months, we estimate that it cost over \$77,000 to provide care to 22 ineligible children. If the results of our sample are representative of the Get Set population for the 9 months under title XX, we estimate that 437 children were ineligible at total costs of \$1.5 million.

Excess income

Five participants had excess income. The period audited was covered by two different sets of regulations. Title IV-A was in effect through September 30, 1975. Under this title, one of the areas of eligibility was an income criterion. As an example, a family of four with an annual gross income of \$8,100 would have been eligible to receive the services of Get Set day care. Any family with an income above this level would not have been eligible.

As of October 1, 1975, title XX replaced title IV-A. Income eligibility is much broader under these criteria. The same family of four can now earn an annual gross income of \$10,704 and still remain eligible for these services. In addition, if the income is between \$10,705 and \$15,372, eligibility still exists on a graduated scale, fee-paying basis. Fees range between \$6 and \$20 per week for the first child, depending on income. One half of this amount is to be collected for each additional child in the family.

We determined that 13 participants who were receiving services under title IV-A were ineligible based on their excess income. However, with the institution of title XX, 8 of them are now eligible on a fee-paying basis. Five participants remain ineligible.

Non-member of assistance unit

One child, believed to be receiving financial assistance, who, in fact, was not, had been enrolled in the Get Set program. The same child was not even a member of the household unit to which a check had been sent.

Regulations under title IV-A state that a recipient of financial assistance is a family or individual currently receiving financial assistance. Similiar definitions exist under title XX.

No eligibility records

There were no eligibility records for three participants. Get Set applicants fill out applications for admission to

the program at the centers. The applications are then forwarded to DPW's eligibility unit for eligibility determination. The eligibility unit notifies the center of its decision by returning a signed copy of the application or some other form of written documentation.

Eight Get Set case records contained no eligibility determination forms. However, in five instances, enough information was available to audit the cases. There were three cases for which the necessary documentation could not be provided either by the day care center or the County Assistance Office.

Redeterminations not made when due

Five participants were ineligible because they did not have redeterminations of eligibility made by March 31, 1976, the due date for all recipients of services under title XX to establish their eligibility.

Fees not collected

The School District did not set up a system for collecting fees from Get Set participants as required by title XX and the State's comprehensive plan. DPW did not enforce this requirement because a valid contract for the 8-month period from November 1, 1975 to June 30, 1976, was not agreed to and signed until June 3, 1976, just a few weeks before the close of the contract period. Before this date, the School District had not billed DPW for any costs

incurred for the Get Set program. DPW did not later withhold equivalent funds to compensate for the lost fees.

We identified eight cases in our sample in which fees should have been collected from participants. By projecting these results to the 4,651 enrolled children and using the lower weekly fee of \$6 per child, we estimate that total fees of about \$37,000 for 158 children were lost. If the results of our sample are representative of the Get Set population for the 9 months under title XX, we estimate program costs of \$553,000 for these 158 children.

The School District maintained that it did not have the resources to collect fees at its centers. Both the School District and DPW had discussed this problem for months. According to a Get Set official, a fee collection system was not fully implemented until February 1977.

DPW regional officials estimate that fees for about 200 children in the program will total about \$60,000 for fiscal year 1977 (July 1976 to June 1977). Contract provisions required that the School District collect these fees on a regular basis, and that \$60,000 be deducted from reimbursement payments to the School District.

Delays in implementing a fee collection system not only resulted in lost fees but also affected the eligibility of children whose enrollment in the program was based on the payment of stipulated fees. Children may be denied service if their parents refuse to pay the fee or if payment is more

than 4 weeks delinquent. In addition, title XX reimbursement cannot be claimed for services provided to children where a collectible fee is accumulated for more than 4 weeks.

BETTER CONTROL OVER ELIGIBILITY
DETERMINATIONS NEEDED

DPW needs to set up a master file of all Get Set participants, establish eligibility redetermination dates for each, and review the cases when due for redetermination.

Under the current system, DPW depends on the Get Set centers to initiate redetermination actions. Without a complete master file and a system for calling up redeterminations when due, DPW cannot insure that all Get Set redetermination applications are received and reviewed on time. We also found that factors affecting participants' eligibility were not reported timely to DPW, and that Get Set records and DPW case files contained conflicting employment information on the same participants.

Redetermining title IV-A cases

Title XX regulations state that all persons eligible for and receiving social services under title IV-A on September 30, 1975, may continue to receive those services--if they are identified in the title XX service plan--until eligibility is determined, but in no event later than March 31, 1976. After this date, all cases will be redetermined at least every 6 months.

DPW did not meet the March 31 deadline. In fact, it did not know if all title IV-A cases were submitted for redetermination, because its Get Set files were maintained alphabetically and not by redetermination dates.

The social workers at each of the 95 centers were responsible for submitting new applications and redetermination applications to DPW's Social Services Planning Unit. If the social workers failed to (1) submit new applications or redetermination applications or (2) mark the application for redetermination, DPW would not have detected these shortages.

During the extension period October 1, 1975 to March 31, 1976, DPW's Planning Unit processed 2,059 new applications and 2,230 redetermination applications for Get Set children. There were 4,651 children enrolled in October 1975 under title IV-A. We could not identify the number of applications that covered the enrollment of 4,651 children. However, based on DPW figures more than 360 title IV-A cases were closed, not redetermined or redetermined after the deadline of March 31. According to Planning Unit personnel, part of the problem was that many applications were misclassified as new because the the Get Set social workers did not identify the application for redeterminations. Because of this system weakness, DPW could not determine the number of title IV-A participants who had been extended eligibility but who were no longer

entitled to services. DPW officials maintained that such cases would be reviewed in the redetermination period ending September 1976.

We noted events that affected eligibility for Get Set, such as termination of employment or training, return to work, and increased income, were not timely reported to DPW for redetermination of eligibility. In our test of 18 cases, we found that Get Set records and DPW case files contained conflicting employment information on seven Get Set parents. For example, Get Set showed three parents were employed; DPW classified them as unemployed. Timely and accurate reporting of events affecting eligibility are essential to making redeterminations and removing ineligible from the program. In order to accomplish this objective, DPW must (1) establish a master file of all Get Set participants and (2) schedule and account for all redeterminations when due. In addition, procedures should be implemented to require Get Set centers to timely report all events bearing on eligibility.

NEED FOR HEW GUIDANCE

HEW had not issued guidelines to assist the State in implementing eligibility provisions of title XX, especially the collection of fees by providers and redeterminations of title IV-A cases.

An HEW regional official told us that HEW had not monitored day care programs under title XX because to do so

would have duplicated the work of a national consulting firm, engaged by HEW headquarters. The consulting firm started work in July 1975, and issued a preliminary report on its study in July 1976. The results of the study will be the basis for future guidance from HEW Headquarters.

CONCLUSIONS

Title XX has liberalized the eligibility requirements for day care by increasing (1) the maximum amount of the family income for free day care and (2) the total income ceiling for parents who can still participate in the program by paying a stipulated fee for each child. These requirements are based on income factors that can change within a short time and require reasonable surveillance, especially the collection of fees. Both of these changes make it necessary for HEW-Region III and DPW to have effective monitoring systems to determine the continuing eligibility of all participants in the program.

RECOMMENDATIONS TO THE ACTING REGIONAL ADMINISTRATOR, OFFICE OF HUMAN DEVELOPMENT SERVICES

We recommend that the Acting Regional Administrator, Office of Human Development Services, instruct his staff to:

- Require DPW to furnish a plan of action with specific milestones for the implementation of each of the recommendations presented below.
- Monitor DPW's progress in implementing its plan of action and provide the needed technical assistance to insure that milestones are met. Special emphasis should be given to the Get Set program to insure compliance with all eligibility requirements in title XX and HEW regulations.

--Assist the State in improving the control over eligibility determinations and in making sure that the School District collects fees on a current basis from all Get Set parents.

--Initiate action to recover Federal funds paid to the State for ineligibles in the program.

RECOMMENDATIONS TO THE SECRETARY OF DPW

We recommend that the Secretary of DPW require the Southeast Region to:

--Review its Get Set cases for current eligibility and establish redetermination dates.

--Establish a system for automatic call up and review of cases when due for redetermination of eligibility.

--Strengthen its procedures to insure that Get Set social workers and DPW caseworkers timely report all factors affecting eligibility.

--Initiate action to recover Federal and State funds of \$1.1 million paid to the School District for ineligibles in the program.

--Evaluate the effectiveness of the School District's fee collection system in collecting fees and insuring continuing eligibility of participating parents.

AGENCIES' COMMENTS AND ACTIONS

The Secretary of DPW and the Superintendent of the School District raised questions concerning the method of computing the number of ineligible children and the cost of \$1.5 million.

In our subsequent meetings with officials of the Southeast Region and the School District, we explained the basis for our computations and our evaluation of the results.

We maintain that the projected figure of 437 ineligible children is reasonable because:

- Our sample was randomly drawn from the October 1975 population and is representative of that population.
- The results are in line with DPW and School District's previous findings on ineligibles in Get Set. For example, included in the 437 ineligibles were 158 who were ineligible because fees were not collected. Our results compare favorably with the School District determination that 200 children should be paying fees but were not. In April 1975, DPW found that 155 children were ineligible because eligibility determination certificates were not in the records. Our review was much more extensive. We compared DPW's eligibility records and public assistance records with Get Set records for each child in our sample and, when necessary, the parent's employment status and income was verified with employers.
- The ineligibles found were reviewed by the Philadelphia County Board of Assistance. The Board agreed with the exceptions.

The Superintendent attributed the problem of ineligibles in Get Set to (1) DPW's declaration method, which accepts employment and income information from applicants without verification and (2) the Southeast Region's delays in processing applications and in making semiannual eligibility reviews. He said that the establishment of a fee collection system was delayed because of (1) changing DPW guidance necessitating revisions to its four separate collection plans and (2) negotiations with its employee bargaining unit.

CORRECTIVE ACTION

HEW

The Acting Regional Administrator agreed with our recommendations and incorporated them in HEW's corrective action plan including the recovery of the Federal share of the cost of ineligibles. He said HEW will place special emphasis on monitoring the eligibility requirements of title XX and Federal regulations and providing necessary technical assistance to DPW.

DPW

The Secretary stated that the issues involved and recommendations would require major structural changes which must be reviewed as part of DPW's development and implementation of client and management information systems. He said the following actions were taken:

- Responsibility for eligibility determination has been delegated to providers as of March 1977. This change is expected to solve the system's problems of delays in establishing eligibility by the Region's caseworkers.
- Eligibility is based on the declaration of parents. Parents will ultimately be held accountable for misinformation regarding family income.
- Samplings of eligibility determinations will be taken routinely as part of DPW's monitoring instrument.

School District

The Superintendent reported these actions:

- Eligibility, in each case, is determined by the senior social worker and supervisory personnel. Redeterminations, resulting in possible termination of services, will be reviewed by higher level supervisors and, if necessary, by the Southeast Region.
- Get Set is in its second year of collecting fees. The number of fee-paying clients has grown annually.

CHAPTER 6

IMPROVEMENTS NEEDED IN

LICENSING GET SET CENTERS

Health, safety, and sanitary conditions have been a general problem at Get Set centers. Also, the failure to meet minimum health and safety standards at some centers has resulted in these centers operating without a proper State license. This affects the health and safety of children in these centers and causes an undue financial burden to be placed on the taxpayers of the city of Philadelphia because Federal and State regulations require centers to be licensed by the State authority as a condition for obtaining Federal and State funds.

HEW-Region III has initiated a claim against the Commonwealth of Pennsylvania for the recovery of \$2.7 million of Federal funds paid to the School District for operating 28 unlicensed centers from July 1972 to March 1974. As a result of this action, DPW disallowed over \$380,000 of the School District rental costs for these centers for the period they were unlicensed. In addition, we estimated that over \$300,000 in costs will be disallowed the School District for nine unlicensed centers for the first 10 months of fiscal year 1977. To the extent that centers continue to be unlicensed, additional disallowances will occur.

Centers have been very slow in correcting their deficiencies. Remedial measures at many centers were only partially initiated and/or implemented over long periods of time.

DPW's licensing actions and enforcement practices have not been sufficient to compel the School District and the centers to correct their deficiencies within a reasonable period. The School District is responsible to see that all centers meet State and city health and safety standards. However, the School District has (1) had a poor record of correcting unsatisfactory conditions in Get Set centers housed in its own buildings and (2) not been aggressive enough in getting owners of Get Set leased facilities to comply with the terms of the lease agreement which require that the facilities meet all licensing requirements.

DAY CARE LICENSING REQUIREMENTS

The Federal Interagency Day Care Requirements stipulate that day care facilities must be licensed or approved as meeting the standards for such licensing as a condition for Federal funding. A determination as to whether a facility meets licensing standards is a matter for State authority to determine unless the State does not have adequate standards or is not abiding by their implicit statutory requirements.

Pennsylvania's Public Welfare Code authorizes DPW to adopt regulations establishing minimum standards for issuing licenses to child day care centers. In discharging this responsibility, DPW has established regulations--title 4600--

which set forth specific requirements for day care centers as well as a general stipulation that centers should conform to all State and local public health and safety codes.

The State law further provides DPW with the statutory duty to

- issue licenses to day care centers that meet all necessary requirements,
- inspect centers to insure that they continue to meet these requirements during the license period, and
- enforce compliance with its day care regulations by instituting appropriate legal proceedings against a center and/or withholding State funds until a center meets the State and local requirements.

BACKGROUND ON DPW's LICENSING ACTIONS

In March 1975, the HEW Audit Agency issued a report on its review of the child care services program administered by DPW during the period July 1, 1970 to March 31, 1974. The Audit Agency found that DPW's Southeast Region permitted 28 Get Set centers to operate without licenses even though they consistently failed to meet minimum standards established for health, safety, and sanitation. Several of these centers had not met minimum standards since 1969. The Audit Agency identified about \$3.6 million expended for salaries and rent at the 28 unlicensed centers from July 1, 1972 to March 31, 1974. Of the 28 centers, 20 were in leased facilities and 8 centers were in School District buildings.

In June 1975, HEW-Region III initiated a claim against the Commonwealth of Pennsylvania for recovery

of \$2.7 million of Federal funds paid to the School District for these 28 unlicensed centers. The Commonwealth appealed to HEW Headquarters for an administrative review of the claim. As of July 1977, no decision had been made by HEW.

In commenting on the draft audit report, in November 1974, the Secretary of DPW stated that (1) a system was being implemented statewide to effectively monitor the compliance of child care programs with existing regulations and new regulations, (2) it has always been DPW's policy to have the regional staff develop a plan for centers to come into compliance within certain reasonable time limitations, and (3) corrective action will be established in writing and shared with centers in noncompliance.

Five of the 28 centers were closed. The Southeast Region issued licenses to the other 23 centers--9 full licenses and 14 provisional (temporary) licenses, thus restoring the full use of Federal and State funds for these centers.

As of April 1977, nine Get Set centers with health and safety violations had been unlicensed from 2 to 12 months but were still operating. Six of these centers were unlicensed at the time of the HEW Audit Agency's review. In addition, at least seven centers were operating with provisional licenses.

BETTER GUIDANCE TO
REGIONAL OFFICES REQUIRED

DPW has not provided sufficient guidance to its regions to assist them in (1) issuing licenses to day care centers that meet minimum standards and (2) monitoring the corrective actions taken by centers that do not meet these standards. DPW's implementing regulations--title 4600--discuss specific requirements for centers but do not provide the criteria needed by regional personnel to determine whether a center is in full or substantial compliance with the State and local licensing laws. Furthermore, DPW did not issue guidelines on its interpretation of the statutes regarding requirements for full or substantial compliance. DPW permits the individual caseworker, assigned to inspect a center, to make a determination of whether there is full or substantial compliance depending on the nature of any violations found at the center.

The lack of guidelines on specific licensing requirements resulted in inconsistencies among various inspection reports and licensing recommendations. Thus, DPW has little control over the quality and accuracy of the reports and recommendations in issuing full licenses when there is full compliance, or provisional licenses when there is substantial compliance.

Our review of the licensing and monitoring records for 36 Get Set centers, including 23 unlicensed centers discussed in the HEW Audit Agency's report, disclosed

that regional licensing practices did not comply with DPW's stated policy on enforcing corrective action, and that licensing determinations were inconsistently made. The extent of inspections and the basis for recommendations varied among the regional inspectors.

Regional licensing authority

DPW's Southeast Region's licensing unit is responsible for issuing licenses to all day care facilities in the Region, including Get Set centers located in Philadelphia. The Office of Family Services is responsible for inspecting and monitoring day care facilities.

Day care centers within the city of Philadelphia are inspected for conformity to local (1) health and sanitary codes by the Philadelphia Department of Environmental Resources and (2) building and fire protection codes by the Philadelphia Department of Licenses and Inspection. The local inspections are requested by the DPW licensing unit prior to licensing review. These city departments provide DPW statements showing that the facility inspected is either satisfactory or unsatisfactory.

Regional personnel inspect day care centers to determine if they meet (1) State requirements and (2) city health and safety standards. As a result of the inspection and evaluation of all conditions, a recommendation is made to the Region's licensing personnel to issue a full or provisional license or no license. The requirements

for a full or provisional license are provided in Sections 1007 and 1008 of the Public Welfare Code.

- A full license is issued for a 1-year period when the center meets all requirements of the act and of the applicable statutes, ordinances, and regulations.
- A provisional license is issued when there has been substantial but not full compliance with all applicable laws, and appropriate steps have been taken by the center to correct the deficiency. Provisional licenses can be issued for intervals of not more than 6 months and may be renewed three times.

Regional policies not in conformity
with State licensing laws

Regional officials advised us that in the absence of DPW guidelines, they have interpreted the licensing laws to mean:

- A full license can be granted if local inspections show satisfactory status for the center and the facility meets State day care regulations. Centers with minor violations which are not considered hazardous and with a past history of taking corrective actions would also be fully licensed. Lead base paint violations, alone, do not preclude full licensing because a rigid DPW policy has not been established.
- A provisional license can be issued even though local and State inspections show violations and/or unsatisfactory status of the center. However, if these conditions continue to exist after four provisional licenses have been issued, the center will no longer be licensed.

Issuing full licenses

It appears that the Region's practice of issuing full licenses to centers with minor violations which are not considered hazardous and have a past history of taking corrective action is not authorized by Section 1007

of the Public Welfare Code of June 13, 1967, (Pamphlet Law 31, 62 P.S. 1007) which requires, in part, that facilities:

" * * * meet all the requirements of this act and of the applicable statutes, ordinances, and regulations * * * ."

However, neither title 4600 nor the title 5300 regulations of DPW give any indication that the existence of minor, nonhazardous violations will not prevent the issuance of a full license.

If this is DPW's policy, then its regulations should be amended to specify which type of minor, non-hazardous violations, or combination thereof, will not prevent the issuance of a full license, and which type, or combination thereof, will prevent the issuance of a full license.

Our review showed that full licenses for 1 year were issued to centers with the following violations: toxic lead base paint in classrooms, rusted bathroom stalls, and peeling paint. Title 4600 states that:

"Because of poisonous qualities, no paint containing lead shall be used on windows, beds, toys, or any equipment which might be used by children or be within reach.

Paint or plaster shall be in good condition, and if peeling or damaged, repaired immediately to protect children from possible lead poisoning."

The presence of toxic lead base paint in accessible areas in classrooms with children under 7 years of age is considered hazardous by the Federal Government.

In July 1974, 56 of the 77 Get Set centers tested by the Philadelphia Department of Public Health exceeded the toxicity standards for the city. Of the 56 centers, 22 were previously cited for lead based paint in 1972 and 34 in 1973. It took as much as 3 years and more to remove the paint from many of these centers. For example:

A center was issued a full license in April 1976, at the time the Health Department found unacceptable toxic levels of lead base paint in 26 areas in the center. These conditions had existed since 1972.

Although title 4600 cites the hazards of lead base paint, the Region regarded the presence of lead base paint as minor and issued full licenses to such centers.

DPW needs to clarify its policy on issuing full licenses to centers with minor violations. If this is its policy, then DPW should amend its regulations to specify which type of minor, nonhazardous violations, or combination thereof, will not prevent the issuance of a full license, and which type will prevent the issuance of a full license.

Issuing provisional licenses

Regional practices have been lenient and permissive and, in our opinion, are not in consonance with the objectives of the licensing laws. Provisional licenses, in some cases, are used as a means of avoiding undesirable licensing decisions such as revoking licenses, by extending the period for corrective action and qualifying deficient centers for Federal and State funds.

A provisional license is designed to be a temporary measure to keep a center operational when there has been substantial but not full compliance with all applicable statutes, and appropriate steps have been taken by the center to correct the deficiency.

DPW did not define substantial compliance and did not issue guidelines to assist the Region in issuing provisional licenses. DPW has left this decision to the judgment of the regional inspectors and monitors. Without specific criteria, the requirements for substantial compliance will vary among regional inspectors and among DPW regional offices.

Regional officials stated that provisional licenses can be issued to centers with State and local violations and/or unsatisfactory ratings. They further explained that little enforcement action is taken against the center until the fourth provisional license expires. The regional inspectors note the corrective action taken on previous title 4600 violations and health and safety violations reported by the city of Philadelphia's departments of Licensing and Inspection and Public Health. In most cases, the provisional license is renewed.

Under this concept, provisional licenses can be extended up to 2 years (maximum allowed by the code) without assurances that the center will meet all standards.

This conclusion is confirmed by our analysis of the April 1977 status of the 14 unlicensed centers that were issued provisional licenses, subsequent to the HEW Audit Agency's report. Of the 14 centers, 6 became unlicensed after 4 consecutive provisional licenses and 5 were still operating under provisional licenses.

The Region's practice is contrary to DPW's stated policy of requiring the regional staff to develop a plan for centers to come into compliance within certain reasonable time limitations.

The following examples illustrate the inadequacy of regional practices.

1. A School District building (Bethune Center) has had a poor history of complying with minimum health and safety standards since long before February 1974. It had been without a license for two extensive periods, the latest was for 12 months. In August 1976, the regional inspector noted that the center was not unsafe or hazardous but it had facility problems that have existed since June 1974. The inspector found plumbing problems, scraping and flaking paint in kitchen, hallways, and social areas, and loose ceiling tiles. In November 1976, the center was issued a 3-month provisional license because it had corrected most deficiencies. The provisional license was renewed in April 1977. Under the Region's practice, this center could be granted four provisional licenses without assurance that the deficiencies will be satisfactorily corrected.
2. In June 1975, the Philadelphia Department of Licensing and Inspection reported that the building housing the Sarah Allen Center did not comply with minimum construction standards and cited 45 violations. The

center has had a poor history of correcting extensive State and local violations. In 1974 and in 1975, the Southeast Region recommended that the center be closed because of its many deficiencies. In February 1976, it was issued the first provisional license because the lessor promised to improve the premises. No mention was made of the corrective action taken or planned for the structural and facility problems. The center was issued its fourth provisional license in April 1977.

Unlicensed centers not
monitored by DPW

Unlicensed centers were not monitored or given specified time periods to correct their deficiencies and meet minimum standards. Furthermore, these centers are not inspected by the Region unless the School District requests that a licensing inspection be made. Because of this procedure, centers may continue to operate without a license for a long time.

A center becomes unlicensed when it is not in substantial compliance with minimum standards or when its fourth provisional license expires, which is the maximum number permitted under the code. When a center loses its license, the Region notifies the School District that the center will no longer be funded. The Region takes no action to enforce compliance.

Since October 1975, some centers have been permitted to operate from 6 to 12 months without a license.

The fact that centers are unlicensed does not preclude DPW from its statutory responsibilities to supervise the activities of these centers. Article IX

of the Public Welfare Code, Section 921(e), 62 P.S.

921(e) provides:

"(e) Whenever the department shall upon inspection, investigation or complaint find any violation in any institution of rules or regulations adopted by the department, or any failure to establish, provide or maintain standards and facilities required by this act or by the department, it shall give immediate written notice thereof, to the officer or officers charged by law with or in any way having or exercising the control, government or management of such institution, to correct the said objectionable condition in the manner and within the time specified by the department; whereupon, it shall be the duty of such officer or officers to comply with the direction of the department. If such officer or officers fail to comply with such direction, the department may request the Department of Justice to institute appropriate legal proceedings to enforce compliance therewith, and the department may withhold any State money available for such institution until such officer or officers comply with such direction." (Emphasis added)

In responding to the HEW Audit Agency's report, the Secretary of DPW stated that, where it seems feasible that centers in question can take corrective action to come into compliance within reasonable time limits, the regional office will lend technical assistance and consultation to help centers meet standards. In situations where centers cannot meet standards within reasonable time limits, action will be taken to either find alternate placement for children in approved facilities or find new replacement facilities which meet regulations.

Prior to fiscal year 1977, the Region disallowed mostly rental costs of unlicensed centers against the

School District's monthly billings. Regional officials notified the School District that it would disallow personnel, rental, and applicable food costs incurred by each center for each month that centers remained unlicensed beginning in July 1976, the first month of the fiscal year 1977 contract. Moreover, no refunds of disallowed costs will be made when a center is relicensed, as had been done in several instances in previous years.

Although disallowing costs penalizes the School District for not fulfilling its contractual responsibilities and increases the burden of city taxpayers, it has not been effective in forcing compliance with all licensing laws. To achieve the objectives of the Public Welfare Code, DPW needs to establish procedures to inspect and monitor unlicensed centers and set a specified time period for correcting deficiencies. If necessary, legal proceedings should be initiated to force compliance or closure of the centers as authorized by the Public Welfare Code.

AFFIRMATIVE ACTION REQUIRED
BY SCHOOL DISTRICT TO BRING
CENTERS INTO COMPLIANCE

The School District needs to take effective action to bring the Get Set centers into full compliance with State and city of Philadelphia health and safety standards.

Our review of DPW files revealed that since the beginning of the program, the School District has had a poor record of correcting unsatisfactory conditions in Get Set centers

housed in its own buildings. In addition, the School District has not been aggressive enough in getting owners of leased facilities to comply with the terms of the lease agreements which require that the facilities meet all licensing requirements.

Our review of city inspection reports on health and building violations, and regional monitoring reports and correspondence disclosed that remedial measures at many centers were only partially implemented over long periods of time. In addition to structural deficiencies, the reports showed reoccurrences of unsanitary conditions in kitchens, bathrooms, classrooms, and on center grounds.

We recognize that many centers are located in depressed neighborhoods and that there are problems in maintaining these premises. However, in addition to the janitorial responsibilities of owners, the School District employs a large number of custodial personnel who are responsible for cleaning and maintaining centers in satisfactory condition. These conditions still exist despite budgeted expenditures of about \$1.6 million for rental and custodial services in fiscal year 1975. Expenditures for fiscal year 1977 are budgeted at \$1.8 million. The following schedule compares the costs for both years.

	Contracted costs			
	<u>Fiscal year 1975</u>		<u>Fiscal year 1977</u>	
	<u>Number</u>		<u>Number</u>	
	<u>of</u>		<u>of</u>	
	<u>centers</u>	<u>Amount</u>	<u>centers</u>	<u>Amount</u>
Rental - Lessors	85	\$ 857,000	84	\$ 869,000
- School District	<u>10</u>	<u>165,000</u>	<u>9</u>	<u>133,000</u>
Total	95	\$1,022,000	93	\$1,002,000
Custodial - Get Set employees		<u>617,000</u>	<u>—</u>	<u>813,000</u>
Totals	<u>95</u>	<u>\$1,639,000</u>	<u>93</u>	<u>\$1,815,000</u>

The Southeast Region and the city departments of Licensing and Inspection and Public Health each have separate statutory authority to enforce compliance with State and city laws. Officials of these agencies advised us that enforcement action is not taken because they regard the School District as a responsible municipal agency. Consequently, the School District has municipal and contractual responsibilities for Get Set centers.

As required by Federal and State regulations, the Southeast Region deducted total costs of over \$380,000 for unlicensed centers in fiscal years 1974 and 1975. Most of the deductions were for rental costs of the centers. Under its current policy, the Region has disallowed all identifiable costs--personnel, rental, and food--for each month a center remained unlicensed since July 1976. We estimate that total disallowances for nine unlicensed centers for the first 10 months of fiscal year 1977 will

exceed \$300,000. The School District's inaction will greatly increase the financial burden of the School District and the city taxpayers.

Structural, physical, and
sanitary problems at centers

Eight School District buildings have had serious structural and physical problems from the inception of the program. As of February 1974, all buildings had been operating without licenses for many months previous to that date because they could not meet the standards. Seven continued without a license up through July 1975, when they were issued full or provisional licenses. One center was closed. Substantial repairs were made to several buildings but many problems still exist. As of April 1977, two centers were unlicensed for 9 months because of health and safety violations and two centers were operating with renewed provisional licenses to correct deficiencies.

Centers have been repeatedly cited for unsanitary conditions by the Department of Public Health and by the Southeast Region inspectors. Centers were told to take corrective action to

- eliminate mice and roach infestations,
- remove grease from cooking area,
- clean refrigerator, closet shelves, and food storage cabinets,
- separate food and cleaning items,

- thoroughly clean bathrooms, remove odor, paint stalls,
- install fly screens in windows,
- clean outdoor area, and
- strip and wax floors.

We believe that these types of problems would not have existed if custodial employees effectively carried out their day-to-day responsibilities. The fiscal year 1977 budget for Get Set provided salaries totaling about \$735,000 for 92 full-time and part-time custodial aides and 33 assistant housekeeper-cooks who are responsible for cleaning and maintaining Get Set centers. These recurring conditions indicate a need to more closely supervise the performance of these employees.

Under the Get Set contract with DPW, the School District assumes full responsibility for initiating lease agreements and for enforcing the terms of the agreement. The owner agrees, among other things, to (1) make all repairs and provide janitorial services required to keep the leased premises in tenantable condition and (2) be responsible for maintaining compliance with all State and city health and safety regulations. If the lessor does not comply, the School District may provide the janitorial and cleaning services and charge these costs to the lessor and/or abate the rent.

As of April 1977, six leased facilities were unlicensed from 2 to 6 months.

A real estate facilities inspector and an assistant, with total salaries of about \$30,000, are responsible for enforcing lease provisions. Among other duties, they inspect buildings for conformance to housing and fire codes and related ordinances, apply for necessary license and zoning, and negotiate leases for centers. In addition, they discuss conditions with property owners and arrange for correction of the violations.

The effectiveness of facilities inspectors to bring leased facilities into compliance with regulations is essential to the School District. Under DPW's current disallowance policy, the School District will bear the loss of personnel cost and food cost for centers in unlicensed leased facilities. It may recover the rental cost paid to lessors or abate the rent until the center is licensed. However, the major portion of the disallowance will be borne by the School District.

HEW NEEDS TO MONITOR STATE LICENSING ACTIONS

HEW-Region III needs to (1) establish procedures to monitor State licensing procedures and policies to insure compliance with Federal regulations and (2) assist DPW in meeting all Federal requirements.

As a result of the HEW Audit Agency's report, HEW-Region III made a review of day care centers (not Get Set) in the Southeast Region and in the other three DPW regions. It found, among other things, that the State did not

(1) have a manual to guide regional procedures or a plan to train and instruct regional staffs and (2) give adequate support to regions in enforcing State regulations. The review team concluded that the State needed (1) stronger licensing legislation and (2) a strong policy to insure uniform application of the law and regulations throughout its regions. An HEW regional official told us that this report was given to the Deputy Secretary for Social Services, DPW for comments. We were advised that the Deputy Secretary did not answer the report.

Although it recognized a need to strengthen State licensing practices, HEW-Region III did not assist DPW in establishing uniform licensing standards to satisfy Federal requirements. Several violations which affect Federal requirements could have been resolved earlier if HEW-Region III had an effective monitoring program.

CONCLUSIONS

The primary objective of applicable licensing laws is to insure the health and safety of children in all day care centers. This goal is not being achieved.

Major weaknesses in licensing and inspecting Get Set centers still exist. HEW-Region III, DPW, and the School District of Philadelphia must take aggressive measures within their specific authorities to closely monitor these centers and to enforce compliance with health and safety requirements of Federal, State, and city laws and regulations.

RECOMMENDATIONS TO THE ACTING
REGIONAL ADMINISTRATOR, OFFICE
OF HUMAN DEVELOPMENT SERVICES

We recommend that the Acting Regional Administrator, Office of Human Development Services, instruct his staff to:

- Require DPW to furnish a plan of action with specific milestones for the implementation of each of the recommendations presented below.
- Monitor DPW's progress in implementing its plan of action and provide the needed technical assistance to insure that milestones are met. To accomplish this, the Acting Regional Administrator should require his staff to initiate procedures to monitor the licensing of centers with health and safety problems.

RECOMMENDATIONS TO THE SECRETARY OF DPW

We recommend that the Secretary of DPW:

- Revise DPW licensing regulations or issue guidelines to
 - identify the type of violations which will not prevent the issuance of full licenses,
 - establish objective criteria for determining when centers are in substantial compliance,
 - require that an inspection be made, before a subsequent provisional license is issued, to determine if the center is taking appropriate steps to correct previous deficiencies within an acceptable time period, and
 - require regional inspectors to inspect unlicensed centers to determine whether the centers can meet health and safety requirements, set specified periods for compliance, and monitor the corrective action taken.
- Request the Pennsylvania Attorney General, when necessary, to initiate legal proceedings to enforce compliance with the Public Welfare Code and DPW regulations by those centers which failed or refused to correct the deficiencies or are unlicensed.

RECOMMENDATIONS TO THE SUPERINTENDENT
OF THE PHILADELPHIA SCHOOL DISTRICT
AND THE CITY OF PHILADELPHIA

We recommend that the Superintendent of the Philadelphia School District and the city of Philadelphia:

- Initiate an affirmative action plan to identify all centers, including those in School District buildings, with health and safety problems and determine their ability to meet all State and city licensing requirements. Those centers that cannot meet these standards should be closed, and lease agreements which obligate the landlord to correct violations resulting in provisional or unlicensed centers should be enforced.
- Instruct Get Set real estate facilities inspectors and custodial personnel to effectively carry out their assigned responsibilities at the centers and periodically evaluate their work.
- Request the City Solicitor, when necessary, to initiate legal proceedings to enforce State regulations and city ordinances against centers which failed or refused to correct the deficiencies or are unlicensed.

AGENCIES' COMMENTS

The Secretary of DPW said that the termination of an existing facility is much more difficult to accomplish than the refusal to allow new centers to come into existence. DPW encountered considerable community resistance when previous attempts were made to close centers inherited from the Head Start Program and found not to be in compliance. Opposition came in the form of very strong and organized parent groups, the Board of Education, legislators, and from the churches who were the landlords; each time HEW-Region III did not supply technical assistance or support.

CORRECTIVE ACTIONS

HEW

The Acting Regional Administrator agreed with the recommendations made to him in this chapter and included them in HEW's corrective action plan. He said HEW will recommend to DPW that centers that cannot meet licensing requirements be closed and that lease agreements be enforced through legal proceedings, if necessary. HEW will monitor DPW's actions in correcting the deficiencies noted.

DPW

The Secretary agreed with our findings and recommendations. He stated that the Department has made considerable progress in achieving its objective of insuring the health and safety of children in day care centers. Previous weaknesses are being removed through the implementation of new licensing regulations and stronger regional policies. He stated the following actions have been taken:

--DPW issued new licensing regulations in June 1977 which (1) establish criteria for issuing full or provisional licenses, (2) require facilities with violations to submit a plan of action with realistic time frames for correcting the violations, (3) require reinspection of facilities with violations prior to issuing subsequent provisional licenses, and (4) require closure of facilities that cannot meet the health and safety requirements.

--In January 1978, the Southeast Region implemented the Department's Child Development Program Evaluation instrument, which has standard procedures for monitoring day care centers. When the instrument is fully implemented throughout the State, all

DPW staff will be looking at the same conditions in the same way when inspections are made. Weighing the items inspected with this instrument has not been completed.

- Two centers have been closed because of existing violations. As of October 1977, only one center (School District building) remained unlicensed. Corrections were almost completed. DPW expected to issue a full license in December. Funds for this center have been withheld since August 1976. There are 25 centers with provisional licenses which are being monitored under current regulations.
- Verification of the actions taken by the School District to correct lead base paint violations in centers tested by the Philadelphia Department of Health has not been documented. The Department of Health no longer makes routine lead paint inspections. This matter is being negotiated on an interdepartmental level in Harrisburg.

City of Philadelphia

The Mayor did not respond to our request to comment on the findings and recommendations in this chapter.

School District

The Superintendent stated that in an effort to resolve problems relating to licensing of centers, the School District took the following actions.

- Established an action plan with DPW to deal with violations and conditions of a provisional license.
- Met with representatives of the city's Department of Licenses and Inspections and Department of Health to set up procedures to handle violations and identify ways to prevent recurrences.
- Appraised landlords that failure to quickly respond to making needed improvements may be a factor in closing a center. Two centers were closed for this reason.

--Established, in the Land Acquisition Office, a file identifying licensed and unlicensed centers and their license renewal date. For unlicensed centers, the file contains the nature of the violation, the responsible person, and a corrective action plan with a deadline date for correcting the violation.

--Initiated training of Get Set custodial staff.

--Developed a facilities checklist for area supervisors and facilities inspectors to evaluate center conditions.

The Superintendent did not state whether the School District established procedures to request the City Solicitor, when necessary, to initiate legal proceedings to enforce State regulations and city ordinances against centers which failed or refused to correct deficiencies or are unlicensed.

CHAPTER 7

FINANCIAL ACCOUNTABILITY NEEDS TO BE IMPROVED

The Philadelphia School District did not have adequate financial controls over budgeting and accounting for Get Set costs. Inadequate recordkeeping and weak internal controls affect the accountability for costs incurred and billed to DPW.

Our review showed that the School District did not (1) analyze and justify major budget variances, (2) have adequate accounting controls to prevent cost overruns of budget ceilings and insure proper billings to DPW, and (3) have adequate controls over the recording of time and attendance at the centers, leave recordkeeping, and personnel documents.

We have taken exception to \$2.7 million in costs billed to DPW in fiscal years 1975, 1976, and 1977 for the reasons stated below.

	<u>Cost exceptions</u> (millions)
--Unauthorized positions paid	\$.3
--Unsupported adjustments made to cost overruns	.2
--Improperly charged encumbrances	.1
--Invalid fringe benefit cost	<u>.7</u>
Total 1975 exceptions	\$1.3
--Invalid fringe benefit costs for 1976 and 1977	<u>1.4</u>
Total exceptions	<u>\$2.7</u>

The budget and accounting functions are carried out by separate staffs at the Get Set Office and at the School District's central accounting department. Cost records maintained by Get Set and the School District are not reconciled timely to insure the justification for costs billed to DPW under terms of the purchase services contracts.

The American Institute of Certified Public Accountants' Auditing Standards No. 1, and the United States General Accounting Office's Standards for Audit of Governmental Organizations, Programs, Activities and Functions, require that reports which include a financial examination contain an expression of an opinion on the financial statements. Because the scope of our audit encompassed a financial review of the Get Set program, we intended to comply with these standards.

We found that the School District could not prepare meaningful financial statements on a timely basis. On February 20, 1976, almost 8 months after the end of the program year, the School District provided us with "preliminary financial statements" which were incomplete. Because we received only preliminary statements, we are not including them in the report.

DPW did not audit nor did it request the School District's Internal Controller or the State Auditor

General to audit Get Set costs to validate its billings and determine and assess reasons for large budget variances. Furthermore, DPW did not require the School District to submit periodic reports of expenditures and make comparisons of budgeted costs with actual costs. Without this information, DPW could not effectively administer the program.

We noted that the School District's Internal Controller has not audited Get Set since the inception of the program in 1969.

HEW-Region III did not monitor DPW expenditures of Federal funds for the Get Set program to (1) determine if expenditures were made in compliance with Federal regulations and (2) assist DPW in establishing effective reporting procedures and controls over such costs.

NEED TO JUSTIFY MAJOR COST
VARIANCES FROM APPROVED BUDGET

The School District needs to analyze Get Set costs and justify all major cost variances and other deviations from its approved budget, which is an integral part of the contract. Furthermore, it needs to make greater use of its accounting records in preparing budgets and in accounting for major changes which affect financial management.

The fiscal year 1975 Get Set budget was divided into eight cost categories such as personnel, consumable

supplies, travel, etc. Each category was further subdivided into line items or accounts. The approved budget was incorporated with the contract and the total estimated budget costs became the contract's ceiling. The contract further provided that the School District may reallocate funds within budget categories up to 10 percent of the amount budgeted for the account to which funds are to be transferred; reallocations exceeding 10 percent require prior written approval by DPW. All reallocation of funds between categories require prior written approval.

The personnel budget, which accounts for almost 75 percent of the total Get Set budget, showed the number of employees needed for each position classification assigned to Get Set and their estimated salaries, substitute service costs, and fringe benefits costs. However, personnel costs billed to DPW are reported in total as salaries and fringe benefits paid. Therefore, DPW is unaware of major deviations from the approved budget concerning the number and type of personnel employed in the program. Such information is needed to evaluate the basis for program funding.

Fiscal year 1975 payroll costs of \$11.3 million were paid to a total of 2,400 regular, long-term substitutes, and per diem employees as shown below.

	<u>Number</u>	<u>Amounts</u> (millions)
Regular and long-term substitutes	1,600	\$10.7
Per diem (substitute service)	<u>800</u>	<u>.6</u>
	<u>2,400</u>	<u>\$11.3</u>

Our analysis of these costs showed significant weaknesses in preparing the budget and in executing the approved budget.

Although budgeted personnel costs of \$11.9 million, were about \$550,000 higher than actual costs of \$11.3 million, we noted variances in costs and in the number of personnel employed in the various types of jobs. These variances shown below are of greater significance than the total variance.

	Budget over/(under) <u>actual</u>
Positions budgeted but not filled	\$637,000
Positions filled but not budgeted	(210,000)
Excessive budgeted salaries	459,000
Excessive substitute service costs	(227,000)
Other adjustments	(<u>107,000</u>)
Total	<u>\$552,000</u>

Authorized positions not filled

A total of 50 authorized positions with total estimated salaries of \$637,000 were not filled in fiscal year 1975. The School District followed a practice of budgeting for positions without definite plans to fill these positions. For example, the approved fiscal year

1975 budget provided \$357,732 for 33 social worker assistants III and IV positions which were not filled. These same positions were included in the fiscal year 1976 budget.

Get Set officials indicated that 13 positions were filled through upgrading of its social service employees. We pointed out to them that these positions were not included in the pay records for fiscal year 1975.

Unauthorized positions

The School District billed DPW \$210,000 (also \$67,000 in related fringe benefit and overhead costs) for employees who were not authorized in the 1975 contract. These unauthorized job classifications included: dental hygienist, school dentist, social worker trainees, teacher-special class (10 months) and others.

Major differences in filled authorized positions

Positions which were budgeted and filled also contained major differences in the number of persons employed and in salaries paid. Our review disclosed that a total of 1,600 persons were on the rolls for part of or the entire year and paid \$10.4 million to fill 1,200 budgeted positions with estimated salaries aggregating \$10.8 million.

The major variances between the budgeted and the actual number of employees used and paid during the year for selected position classifications are as follows.

	<u>Salaries</u>			<u>Employees</u>		
	<u>Budgeted</u>	<u>Actual</u>	<u>Variance over/(under) actual</u>	<u>Bud- geted</u>	<u>Actual</u>	<u>Variance over/ (under) actual</u>
Teachers, full- time	\$1,374,408	\$1,715,827	(\$341,419)	116	199	(83)
Assistant teachers, part-time	274,160	48,002	226,158	46	20	26
Custodial aides, full-time	205,020	338,352	(133,332)	45	120	(75)
Custodial aides, part-time	152,626	9,554	143,072	50	10	40
Instructional supervisors	459,480	285,754	173,726	24	15	9
Social worker, I full-time	153,464	49,650	103,814	15	7	8

The above schedule shows that the number of full-time teachers, and full-time custodial aides, and the amounts paid to them far exceeded the numbers and amounts budgeted. The use of long-term substitutes to fill in for regular employees who are absent from work on extended leave account for most of the increase. Long-term substitutes become eligible for leave and other employee benefits.

For the other four positions, the number of employees and the amounts paid to them were substantially below budgeted figures. Estimated salaries were also overstated. For example, Get Set budgeted for 24 instructional supervisors while the total number of supervisors employed in

the Get Set program had not exceeded 15 in the last few years. This resulted in overbudgeted salaries of over \$173,000 for fiscal year 1975 for these supervisors.

Although Get Set has been an ongoing program since 1969, the 1975 budget bears little relation to position classifications, salaries paid, and the number of employees shown in the accounting records. The significant over and under cost variances mentioned illustrate the broad discretion the School District has in its use of budgeted personnel funds.

Understated substitute service costs

Budgeted substitute service costs for per diem employees have been understated and will continue to be understated in future contracts because a low leave factor is used in computing these costs. Fiscal year 1975 substitute service cost of \$658,000 was \$227,000 (53 percent) higher than the \$431,000 budgeted.

A factor of 25 leave days used by the School District was unrealistic when compared to leave usage developed from payroll records. The average leave taken by Get Set employees for the 12-month period ending August 31, 1975, is as follows.

Holidays	16
Sick leave	23
Vacation	11
Personal leave	<u>3</u>
Total	<u>53</u>

Employee absences greatly increased program costs through the use of substitutes. The union contract between the School District and the Philadelphia Federation of Teachers states, in part, "Except for social workers and social workers' assistants, substitute service shall be provided whenever a center employee is absent in a center."

Get Set center personnel were granted leave for 25 holidays in fiscal year 1975--9 national holidays and 16 school holidays (spring and winter semester recesses). Centers are closed on national holidays but are open during school holidays. Compensatory days are granted to employees for holidays and for overtime worked. In addition, these employees accrue 10 sick days; earn 3 days personal leave; and, depending on years of service, earn from 5 to 20 vacation days a year.

The School District used a factor of 15 leave days in the substitute service cost computation for all Center personnel except social workers in the 1976 budget. Since the 1976 budget is for an 8-month period, the annualized leave is 22-1/2 days which represents a decrease from the 1975 leave day factor. We believe the number of leave days used in the 1975 and 1976 budgets for substitute service is unrealistic.

We question the justification for reducing the 1976 budget to an annual leave day factor of 22-1/2 days since regular employees were absent an average of 53 days when

Get Set centers were open in 1975. For fiscal year 1977, the School District used leave factors ranging from 15 to 30 days for various center personnel. The leave factor used for fiscal years 1975 to 1977 are low compared to the average leave taken in 1975 by Get Set employees. Sick leave accounted for 43 percent of the average leave taken by Get Set employees in that year. Such leave was not adequately considered in the factor used in the substitute service cost computation.

In view of the extended use of per diem substitutes for all center employees, substitute service costs, if not properly analyzed and monitored, can greatly affect program funding. The School District leave records should be used to compute a realistic factor, including sick leave, for preparing budgets and determining and justifying variances. Moreover, DPW should review leave usage of Get Set personnel and the leave factors used in the budget.

Our analysis of the 23 days average sick leave taken by Get Set employees in 1975 follows.

Sick leave taken

Sick leave taken by Get Set employees is high compared to other School District personnel.

Average sick leave usage for the 12-month period ending August 31, 1975, is as follows.

Get Set employees	23 days
School District employees, other than Get Set	12 days

The information was obtained from our analysis of the School District's master leave file. We recognize this comparison would contain certain variances because Get Set centers are open 12 months, while the schools are closed for 2 months during the summer. Get Set employees are required to take vacations during these months, which should favorably affect sick leave usage. However, the difference of 11 days is considerable by comparison, and good management practices require adequate evaluation of controls and sick leave usage. It should be noted that the excessive sick leave is not restricted to less critical personnel, as assistant teachers and aides. Lead teachers and teachers averaged 23 and 20 days, respectively, for absences due to personal illnesses in 1975. Lead teachers have overall center responsibility, including implementation of curriculum, classroom responsibilities, and other duties. The delivery of service can be seriously affected if key personnel are continually absent.

School District employees accrue 10 days sick leave annually. After a participating employee's accumulated sick days are used, the School District's health insurance program pays 75 percent of the employee's salary up to 1 year. The Get Set program is charged a portion of these health insurance premiums (included in the fringe benefit rate) in addition to the substitute service costs.

IMPROVEMENTS NEEDED IN ACCOUNTING
CONTROLS OVER GET SET COSTS

The School District needs to improve its budget and accounting controls over Get Set costs. It must take steps to insure that the Get Set Office effectively accounts for and validates all costs charged to the program.

The Get Set Office has various financial functions, such as (1) assisting in preparing program budgets, (2) initiating obligations of funds, (3) verifying delivery of goods and services, and (4) authorizing payments. It applies predetermined fringe benefit rates and overhead rates to incurred costs and includes these charges in the monthly billings to DPW.

Our review revealed the following weaknesses:

- Unsupported adjustments made to cost overruns.
- Encumbrances improperly used.
- Invalid fringe benefit costs billed.

Unsupported adjustments
made to cost overruns

We have taken exception to some \$197,000 in unsupported adjustments made to avoid cost overruns.

Get Set's reconciliation to the School District's statement of operations required over 30 adjustments to the Get Set records. We found that six adjustments at year-end were for unbilled cost overruns. The excess costs which amounted to approximately \$91,000 were transferred to other line items with unexpended balances. These costs

were reclassified to conform with budget line items and limitations, thus avoiding the need to obtain DPW's approval for the overruns. DPW was billed and paid the \$91,000 without knowledge of the reclassifications.

The various unauthorized adjustments were processed without the need to explain major budget variances to a higher School District management level and to justify the remedial action taken.

Get Set personnel were unable to explain or provide documentation for the adjustments. The responsible personnel stated the adjustments were based on their personal knowledge. This practice demonstrates the lack of accountability over program costs and adherence to the budget.

In addition to unsubstantiated year-end adjustments, Get Set improperly billed cleaning supply costs during the year. After DPW disallowed some \$26,000 of cleaning supply costs for not being authorized in the budget, Get Set rebilled the \$26,000 and some \$80,000 in other cleaning supply costs incurred during the year as food costs. DPW reimbursed the \$106,000 without the knowledge that the amount was for cleaning supplies billed as food costs.

Such contract violations would not be detected, since DPW does not require supporting documentation to be submitted with the monthly invoices. Consequently, unless the invoices contain mathematical errors or show excess

costs, DPW would reimburse the School District for the Federal and State share of the invoiced costs.

Encumbrances improperly used

DPW was billed \$80,000 for encumbrances that were established in fiscal year 1976 but were charged to fiscal year 1975 program funds. Also, the Get Set Office charged \$35,000 for encumbrances that were outstanding for nearly 2 years that were later canceled but never paid.

The central accounting department establishes encumbrances to commit funds for contracted goods or services requiring several months for full delivery. Get Set charges DPW monthly for all payments made under purchase orders or contracts. The central accounting department prepares a monthly list of all outstanding encumbrances and unpaid contracts. Because the Get Set Office verifies the delivery of goods and services and authorizes vendor payments, it is responsible to review each unpaid item on the list and determine whether each commitment is still valid or should be canceled.

The Get Set Office did not review the list and validate the open commitments. At the end of the fiscal year, they charged the unpaid balances to the Get Set program and included this amount in the final invoices.

Over \$39,000 in encumbrances and purchase orders, established in fiscal years 1972 to 1974, were still outstanding as of June 30, 1975. Subsequently, Get Set canceled

\$38,000 because the commitments made in 1974 were no longer valid. We found that at least \$35,000 had been previously billed to DPW. We could not determine from the Get Set Office's billing files whether or not the remaining invalid encumbrances for fiscal years 1972 and 1973 were billed.

The use of encumbrances to reserve program funds for previous years is questionable. For example, a blanket encumbrance was established by the School District's Land Acquisition Department on July 16, 1975, (fiscal year 1976) to commit \$44,000 of unexpended program funds at June 30, 1975. Five separate contracts for electrical, plumbing, and painting repairs to Get Set centers were awarded in December 1975 and January 1976. In addition, six encumbrances totaling \$36,000 were established by the Budget Division in September and October 1975, and charged to fiscal year 1975 funds. The contracts were approved by the Board of Education in September.

The \$80,000 for these encumbrances were included in the June 1975 billing, which was submitted in January 1976.

Invalid fringe benefit costs billed

The School District has invalidity billed fringe benefit and related overhead costs of \$2.1 million for fiscal years 1975 through 1977. It was reimbursed a total of \$1.6 million for these invalid charges; the balance of \$.5 million was credited as the local share contribution.

The School District has followed a practice of including the State's contributions to the school employees retirement fund in its fringe benefit rate, which has been included in Get Set budget each year. Although the School District does not pay the State's share, it bills DPW for these costs and receives reimbursement. The State pays its share directly to the employees pension fund.

Get Set services are provided by the School District under a cost reimbursable contract with DPW. Under such a contract, only actual costs incurred and paid may be billed for reimbursement.

School District officials maintain the billing of the State's contributions was permitted by DPW because the contributions were included in budgets that were approved by DPW.

The Deputy Secretary of the Southeast Region and the DPW Controller were unable to justify the inclusion of the State's contribution in the Get Set budgets, although both are involved in budget approval. They agreed, however, that the State's contributions are not incurred costs to the Get Set program and should not be billed by the School District.

Invalid fringe benefit and related overhead costs billed in fiscal years 1975-1977, and the amounts reimbursed the School District are shown below.

<u>Year</u>	<u>State retirement contribution</u>	<u>Related overhead costs</u>	<u>Total invalid billings</u>	<u>Amount reimbursed to School District</u>
1975	\$ 592,279	\$ 82,149	\$ 674,428	\$ 525,415
1976	657,926	66,931	724,857	557,782
1977	<u>666,463</u>	<u>65,860</u>	<u>732,323</u>	<u>549,242</u>
	<u>\$1,916,668</u>	<u>\$214,940</u>	<u>\$2,131,608</u>	<u>\$1,632,439</u>

Billings of \$2.1 million are invalid and should be disallowed as Get Set costs. These costs were paid with \$1.3 million in Federal and \$.3 million in State funds. DPW must recover the \$1.6 million from the School District and reimburse HEW for the Federal share. Furthermore, DPW should take steps to prevent or disallow similar reimbursements under the fiscal year 1978 contract.

NEED TO IMPLEMENT MORE EFFECTIVE
CONTROL OVER PAYROLL OPERATIONS

Internal controls over payroll operations were ineffective. We found deficiencies in the system for recording and reporting time and attendance, and in controlling leave. Key personnel documents needed to validate employees pay status were not in the personnel folders and could not be furnished for our review.

The system lacks the degree of cohesiveness between Get Set and the central payroll office that is essential for accurate accounting of payroll costs and efficient use of personnel through better analysis and control over employee absences.

Time and attendance reporting
needs to be strengthened

Our review of eight centers and our test of payroll transactions for statistically selected employees revealed lead teachers did not effectively monitor time reporting at the centers. Daily time registers were not properly maintained and controlled.. We noted that (1) certain employee time reporting practices adversely affected the accuracy and validity of time and leave charged and (2) leave and other absences shown on time registers were incorrectly posted to time and attendance reports and were processed for payment without supervisory review and approval.

Employees are required to sign in and out on daily time registers maintained at each center. Lead teachers at each of the centers are designated heads of the centers. They serve in an administrative capacity to make sure that the time registers are completed daily and are signed by each employee at the end of the pay period. The lead teachers sign the registers and forward them to the 14 area supervisors for approval. All latenesses, leave, and other absences taken by employees must be approved by these supervisors.

Because of ineffective monitoring, center employees exercise much discretion on how and when they record their time and leave.

Time reporting practices

Our observations of employees daily time reporting and our examination of center time registers revealed the following practices adversely affecting the validity of time reported.

- Employees signed in and out at the same time or failed to sign in for 1 or more days during the pay period.
- Absences were not noted on the time registers.
- Time registers were changed or altered.

Our unannounced head count at 15 additional centers on April 29, 1976, revealed the same weaknesses. The results of the head count are summarized below.

- 65 of 167 employees present at the centers had not signed in during the day.
- 10 employees signed in and out at the same time.
- 3 employees inaccurately reported their times of arrival and departure.
- 12 employees were absent but the daily registers were not marked to record the absences and the reason for each absence. Lead teachers identified the type of leave taken by nine employees, but they could not account for three of them.

We also noted that 34 employees, including lead teachers, had not signed in or out for as many as 4 days before the head count.

Weaknesses in posting to time and attendance reports

We found that leave and other absences shown on the time registers were incorrectly posted to time and attendance reports and without required supervisory approval for such absences.

Postings to time and attendance reports are done by the area supervisors' secretaries under the supervision of personnel from the Director's staff. This function was not carried out to insure that all daily registers were completed as to time worked, and that absences and leave are properly validated by the supervisors.

Of the 137 daily time registers we examined for employees in our sample, 79 (over 50 percent) were processed and paid without supervisory approval; 56 were not signed by the lead teachers; and 38 registers lacked both signatures.

In several instances, leave shown on these registers was either incorrectly posted or not posted at all to the time and attendance reports. The School District records leave in half days and full days. Absences of less than 4 hours were not charged to employees. For example, in 52 instances, 34 employees in our sample recorded absences totaling 86 hours on their daily registers. These nonwork periods were not questioned despite the fact that these absences were not approved by the supervisors as required.

This practice results in employees improperly accumulating and being compensated for leave to which they are not entitled.

Leave recordkeeping fragmented

Leave records maintained by three separate levels, (1) central payroll department, (2) Get Set personnel office, and (3) area supervisors' offices, were incomplete and could not be used to effectively control leave and other absences.

Except for compensatory leave, the central payroll department records leave shown on the time and attendance reports to its master leave files. It generates listings by pay periods to show sick leave, personal leave, and vacation days taken by each employee. However, accumulated balances were maintained for only sick and personal leave days.

Automated controls to detect the overuse of sick and personal leave were built into the system. But such automated controls were not in effect for vacation leave at the time of our review. However, system changes could be made to effectively control all leave.

The Get Set personnel office leave records were manually posted and incompletely maintained. Leave data was posted from the centers' daily time registers. We noted that these leave records did not show accumulated balances, postings were incomplete and leave taken was not totaled. These records could not be used to effectively control leave.

Although area supervisors are primarily responsible for the approval and control of all leave, including compensatory leave, and absences of center employees, they do not keep adequate records to be effective. We noted that leave records were only sporadically maintained and many were incomplete. A valid determination of an employee's leave status could not be made from these records.

Furthermore, controls over compensatory leave were lacking. These records did not show the number of compensatory days credited and used by each employee.

The amount of compensatory leave is extensive because employees are granted such leave for any and all of the 16 school holidays worked and for overtime worked.

The School District has the capability to make system changes to account for and control all leave usage and leave balances. Its current listings of sick, personal, and vacation leave could be expanded to include accumulated balances and leave used for all leave categories. This listing could be used by Get Set as an updated record for approving and monitoring leave of center employees. Duplication of recordkeeping would be eliminated.

The effectiveness of a centralized system depends on the accuracy of leave information reported on source documents. Therefore, it is imperative that the School District improve its controls over the recording of time and attendance at the centers. The master leave files are an excellent source to analyze leave usage and should be used by the School District in evaluating program costs and in preparing Get Set budgets.

Essential payroll information missing

Employees' rates of pay are based on their length of service, academic achievements, State certifications, and other acceptable training and experience. Because

time records and other essential payroll documents, such as appointment papers and educational qualifications, were missing and could not be furnished for our review, we were unable to substantiate the rate of pay for 45 of 150 statistically selected employee payments made during fiscal year 1975.

We also examined 116 statistically selected employee personnel folders separately maintained by the central personnel department and the Get Set Office. Our test disclosed 66 (57 percent) folders were missing essential payroll documents needed to support an employee's rate of pay.

AUDITS NEEDED

A financial audit of the Get Set program is not required by DPW, nor has one been made by the School District's Internal Controller.

Because the School District is a public agency, it is not required by the DPW contract to obtain an independent audit of the day care programs it administers, while other day care providers, in the absence of an audit by the Auditor General, must secure the services of a certified public accounting firm.

Consequently, costs are submitted to DPW for reimbursement without either an internal or independent audit of the financial administration of the program.

The city of Philadelphia Controller's Office, under the authority of the Education Supplement to the Philadelphia

Home Rule Charter, makes annual audits of various School District funds. These examinations are made to express an opinion on the School District financial statements. They do not cover compliance or programmatic aspects of specific programs. The City Controller's audit reports cited various financial and management deficiencies. For fiscal years 1971 to 1975--three adverse, one disclaimer, and one qualified opinion were rendered on the financial statements which included the Get Set program.

DPW created a Division of Internal Audit in September 1976. This division, which functions under the Bureau of Fiscal Management, should audit the Get Set program. The audit should not be limited to a financial examination but should encompass a systems review of Get Set operations.

The School District's Internal Controller must also make program audits.

Audits of a financial, programmatic, and systems nature are needed to assist management in attaining its goals, strengthening controls, and promoting much needed communications within the School District.

Audits will also help insure that costs submitted to DPW for reimbursement are proper and adhere to the approved budget.

CONCLUSIONS

The Get Set budget submitted by the School District and approved by DPW was not prepared and analyzed on the

basis of prior operating costs of the program. The School District's financial system does not maintain effective control over program costs to insure the justification of billings to DPW. Other pertinent information generated by the School District is not used in the budget preparation process.

Lack of adequate policies, procedures, and internal controls greatly increase program costs, as demonstrated by the many deficiencies and questioned costs identified in this chapter. DPW compounds the problems by not effectively reviewing the budget and costs submitted for reimbursement. Furthermore, DPW did not require the School District to justify major variances between budget and actual costs.

It is imperative that the School District improve its operations and strengthen its controls to adequately protect and report the expenditure of Federal and State funds.

RECOMMENDATIONS TO THE ACTING
REGIONAL ADMINISTRATOR, OFFICE
OF HUMAN DEVELOPMENT SERVICES

We recommend that the Acting Regional Administrator, Office of Human Development Services, instruct his staff to:

- Require DPW to furnish a plan of action with specific milestones for the implementation of each of the recommendations presented below.
- Monitor DPW's progress in implementing its plan of action and provide the needed technical assistance to insure that milestones are met.
- Make periodic reviews of DPW's reported expenditures to insure compliance with Federal regulations.
- Recover from DPW the Federal share of payments made for questioned costs identified in this chapter.

RECOMMENDATIONS TO THE SECRETARY OF DPW

We also recommend that the Secretary of DPW:

- Develop formal policies, procedures and guidelines on financial administration of day care programs, including preparation and review of budgets and establishment of adequate accounting and reporting requirements.
- Require the Department's Division of Internal Audit to make periodic audits of the program, and insure the timely correction of deficiencies and system weaknesses.
- Investigate the deficiencies noted in this chapter and recover from the School District the Federal and State share of the exceptions of \$2.7 million.
- Require the School District to provide greater accountability over program costs and improve payroll procedures, including control over employee absences.

RECOMMENDATIONS TO THE SUPERINTENDENT OF THE PHILADELPHIA SCHOOL DISTRICT

We recommend that the Superintendent of the Philadelphia School District:

- Review the organization and management of the Get Set program as it relates to financial operations to establish an adequate system of internal controls, promote better communication between the School District and Get Set Office, and evaluate the propriety and effectiveness of prescribed policies and practices in an attempt to lower costs and increase efficiency.
- Use the accounting records and other pertinent information in the budget preparation process, obtain approval from DPW for anticipated cost overruns, and require that adjustments to Get Set records be approved by a higher level School District official.
- Take immediate remedial measures to better control employee time and attendance reporting, absences and leaves, and the accounting and billing for expenditures and encumbrances.

- Require the School District Internal Controller to periodically review the operations of the Get Set program to assist management in strengthening financial controls.

AGENCIES' COMMENTS
AND OUR EVALUATION

DPW

The Secretary agreed with the findings in this chapter.

He said:

- The results of the audit are conclusive regarding the lack of appropriate internal control by the School District to effectively control Get Set expenditures.
- The Southeast Region has questioned the payroll practice in existence; the excessive fringe benefits, including the State contribution to the employee retirement fund; and the reporting of encumbrances as reimbursable expenditures although not all of these encumbrances resulted in the delivery of goods or services.
- These weaknesses were confirmed by the Region's initial review of Get Set accounting practices in November 1975.
- The Region and the DPW Controller have for over a year reviewed and attempted to analyze the administrative overhead charged to Get Set.

Both the Secretary and the Superintendent requested additional information and clarification of our finding on major cost variances from the approved budget for fiscal year 1975 and on other matters discussed in the chapter.

In our subsequent meetings with officials from both agencies, we provided the requested information on cost variances, unauthorized positions, and positions not filled.

Several issues raised in their written responses were resolved. We made revisions to certain findings to clarify our position.

SCHOOL DISTRICT

These officials reiterated the positions stated in the Secretary's written comments concerning billing of encumbrances and fringe benefit costs. They said:

--The time necessary to obtain bids and award contracts often makes it necessary to encumber funds in 1 fund year and have the work done in a subsequent year.

We questioned this practice on the basis that Get Set is funded under a 1-year contract with a specific termination date. Funds cannot be reserved for goods or services to be delivered after the termination period unless a valid purchase agreement or contract has been executed within the period of the Get Set contract. Furthermore, such services should be delivered within a reasonable time after the end of the program (fund) year.

--Contracts with DPW have been based on 75 percent reimbursement of gross program costs to the School District; the remaining 25 percent represented the State and School District's local share contribution. On this basis, the State's contribution to the retirement fund for Get Set employees is appropriately included in gross program costs and is indicated in the Get Set budget as part of the 25 percent local share.

This position is contrary to the Secretary's previous statement that the Region has questioned this practice. By letter dated January 18, 1978, the Deputy Secretary of the Region advised us that he (1) has determined that the State's contributions to the retirement fund are not incurred costs to the School District and should not be included in Get Set costs and (2) will be meeting with the School Board to resolve this matter.

CORRECTIVE ACTIONS

HEW

The Acting Regional Administrator included the deficiencies and our recommendations in HEW's corrective action plan. He said HEW will require DPW to establish a monitoring system to insure that the deficiencies in this chapter will not reoccur. HEW will monitor DPW's progress in implementing the system.

DPW

The Secretary did not state what actions DPW plans to initiate to:

- Improve the financial accountability of the Get Set program.
- Recover the Federal and State shares of invalid reimbursements made to the School District.
- Require its Division of Internal Audit to make periodic reviews of the Get Set program.

School District

The Superintendent cited the following actions:

- Established the Office of Categorical Finance which has the prime responsibility for the financial management of all categorical programs, including Get Set.
- Recently installed automated accounting and budget systems to assure timely reporting, budget monitoring, and improved fiscal control in Get Set.
- Initiated steps to improve internal control over payroll expenditures through biweekly reviews of time and attendance records and leave records by supervisory Get Set personnel.

The Superintendent did not advise whether the School District's Internal Controller would audit Get Set costs.

CHAPTER 8

SCOPE OF REVIEW

Our review was directed primarily toward evaluating the administration of the Get Set day care program in Philadelphia, Pennsylvania. We made this review in accordance with standards established by GAO in 1972--"Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

We examined the Philadelphia School District's policies and procedures for administering the program and held discussions with School District officials. We also reviewed the system of internal controls, pertinent financial records, reports, and correspondence. We reviewed the records and operations of 8 centers and made limited tests in 15 additional centers, and interviewed center personnel.

At Pennsylvania's Department of Public Welfare headquarters in Harrisburg and at its regional office in Philadelphia, we held discussions with key officials, and reviewed the State plan, contracts for the delivery of day care services, monitoring reports, and pertinent correspondence and available information relating to program operations.

We interviewed, on a random sample basis, 67 participants and 46 DPW caseworkers to measure program results.

We held discussions with HEW-Region III officials of the Social and Rehabilitative Services, and the Office

of Human Development, and reviewed pertinent records and evaluations made by these agencies relating to the attainment of the stated objectives of the program.

The Get Set program was selected for review because it is the largest single day care program in Pennsylvania, enrolling about 4,700 children in 95 centers.

HANDLING AGENCIES' WRITTENCOMMENTS ON THE DRAFT REPORT

In October 1977, we sent copies of our draft report to the Acting Regional Administrator, Office of Human Development Services, HEW-Region III; Secretary of DPW; Mayor of Philadelphia; and the Superintendent of the Philadelphia School District and requested their written comments.

We received written comments from the: Superintendent of the School District on November 18, 1977; Secretary of DPW on November 21, 1977; and Acting Regional Administrator on December 13, 1977. The Mayor of Philadelphia did not comment on the report.

The Secretary of DPW and the Superintendent of the School District each requested a meeting with the audit staff to discuss their initial comments and to obtain additional information and clarification on certain positions taken in the report.

On December 28 and 29, 1977, we met separately with officials of the School District and with officials of the DPW's Southeast Region. Several points raised in their initial comments were resolved. In addition, we made suggested word changes and revisions to the report, where necessary.

As a result of the meeting, the Superintendent provided additional comments on January 10, 1978, on the corrective actions taken by the School District on the findings in the report.

By letters dated January 10 and January 19, 1978, the DPW Deputy Secretary of the Southeast Region supplied additional comments on specific actions initiated and positions taken by DPW in its negotiation with the School District on the 1977-78 Get Set contract.

We have not included the letters and the supplemental written comments made by the three officials in the appendix to the report because (1) of the volume of pages in the responses, (2) of the varying methods used by the agencies in raising issues and in addressing specific findings in the report, and (3) many points discussed in the responses were resolved in subsequent meetings.

All pertinent agency comments relating to policies and management decisions have been included at the end of each chapter in the report under "Agencies' Comments." Our evaluation of these comments and the corrective actions taken by the agencies are discussed fully in the report.