

**PENNSYLVANIA STIMULUS OVERSIGHT COMMISSION**

**JUNE 11, 2009 MEETING**

*Summary Report*

Ron Naples, Chairman, convened the meeting of the Commission at 11:00 a.m. in Conference Room 1 of the Forum Place Building, Harrisburg. Members in attendance included Sec. Creedon, Gene Barr, Tony Ross, Rep. Mann, Rep. Ellis, Sen. Waugh, Terry Kostoff (representing Sen. Casey), and Charlie Battalia (representing Sen. Specter).

*Meeting Agenda*

1. Welcoming Remarks – Ronald Naples
2. Stimulus Spending Status Report – James Creedon, Secretary Department of General Services
3. Briefing on Pennsylvania Processes to Prevent and Detect Fraud and Abuse – Mary Soderberg, Secretary of the Budget

*Stimulus Spending Status Report*

As of June 5, 2009, Pennsylvania has received slightly more than \$840 million in ARRA funds and expended just less than \$1 billion in ARRA funds. The difference represents funds for which invoices have been submitted to the federal government but for which reimbursement has not yet been received.

**Funds Received**

*Labor and Industry*

Unemployment Compensation	\$ 166,201,813
Workforce Investment	273,824
Employment Security	66,000
Vocational Rehabilitation	218,880

*DPW*

FMAP	672,139,149
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*PENNDOT*

Transportation/Infrastructure	1,405,068
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***TOTAL FUNDS RECEIVED*** **\$840,304,734**

**Funds Expended**

*Labor and Industry*

Unemployment Compensation	166,201,813
Workforce Investment	371,369
Employment Security	197,481
Vocational Rehabilitation	218,880

*DPW*

Child Support Enforcement	710,073
FMAP	828,276,090

*PENNDOT*

Transportation/Infrastructure	4,002,865
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<i>Total Funds Expended</i>	<u>\$999,978,571</u>
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**Progress by Program**

*PENNDOT*

To date, 171 projects have been advertised, bids have been opened for 123 projects, 102 projects representing \$192 million have been awarded, and 64 projects have been started. Approximately 30 projects are advertised for bid at all times and Pennsylvania is currently ranked 4<sup>th</sup>-5<sup>th</sup> nationally in terms of progress.

*Energy*

The Weatherization plan was submitted to the Department of Energy on May 12, 2009, but has not yet been approved. Mr. Craig Heim has been selected to serve as Director for the program.

The state plan for Energy Efficiency and Conservation and Block Grants was submitted to the Department of Energy on May 12, 2009. The deadline for direct recipient applications is June 25, 2009. Sec. Hanger provided the Commission with a listing of 14 projects that DEP has identified that both meet the requirements of the ARRA Act and the Green Energy Works' goals.

The public comment period for PA Conservation Works! was extended to and closed on May 29, 2009. The state plan is to be submitted by June 25, 2009.

Clean Water and Wastewater

On April 20, 2009, PENNVEST approved 9 clean water and 24 wastewater projects for funding with ARRA funds totaling \$114 million. Projects in the amount of \$58.8 million (52%) are scheduled to begin by July 16, 2009, with the remainder to start by October 1, 2009. The remaining \$106 million in ARRA funds are to be awarded at the PENNVEST July 21, 2009 meeting.

Department of Community and Economic Development

Neighborhood Stabilization Program: \$1.93 billion in funding is available to state and local governments and non-profits through a competitive process. Permitted uses for these funds include financing for and purchase and rehabilitation of foreclosed, vacant or blighted properties. The deadline for application is July 17, 2009.

Department of Aging

Senior Community Services Employment Program: \$1.2 million is to be awarded and allocated by formula to Area Agencies on Aging (AAA). The AAA's will use the funds to train and provide placement and subsidize employment for Pennsylvania residents aged 55 and older.

**Upcoming Program Opportunities**

Transportation and Infrastructure

Intercity Passenger Rail: \$8 billion in funding is available nationally by competitive grant for rail projects. Guidance on the application process and project criteria is expected to be released to the states by June 17, 2009. Additional information will be provided at the July 16, 2009 Commission meeting.

Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grants: \$1.5 billion in funding is available nationally by competitive grant for capital investments in surface transportation infrastructure. A Letter of Intent is due August 4, 2009 with applications due September 15, 2009. Additional information will be provided at the July 16, 2009 Commission meeting.

Department of Aging

Senior Nutrition Program: \$4.48 million is available to Pennsylvania for formula allocation and competitive grants to Area Agencies on Aging (AAA's). The funds are to be used for congregate nutrition services provided at senior centers. Additional information will be provided at the July 16, 2009 Commission meeting.

### Broadband

Department of Agriculture Rural Utilities Service (RUS): \$2.5 billion in loans, grants and loan guarantees is available nationally. These funds are to be used for distance learning, telemedicine and broadband. Additional information will be provided at the July 16, 2009 Commission meeting.

Department of Commerce, National Telecommunications and Information Administration (NTIA): \$4.7 billion in funding is available nationally in competitive grants. The funds are to be used for mapping, providing broadband to un-served and underserved areas, and funding broadband projects supporting education, public safety and job creation. Limited guidance has been provided to date on the application or criteria process but this is expected to occur by late June or early July. If additional information is available, it will be provided at the July 16, 2009 Commission meeting.

### Fire Station Construction

Department of Homeland Security/FEMA: \$210 million in funding is available nationally as competitive grants to local and merged fire companies to build new or modify existing stations to enhance response and protection capabilities. Guidance on this process was released on May 29, 2009 and applications are due July 10, 2009.

### ***Processes to Prevent and Detect Fraud and Abuse***

Mary Soderberg, Secretary of the Budget, made a presentation about the processes that are in place to prevent and detect fraud and abuse in the utilization of American Recovery and Reinvestment Act (ARRA) funds. The ARRA Act has five major accountability objectives, one of which is that recovery funds are used for authorized purposes and that action is taken at every step to prevent fraud, waste, error and abuse.

The Secretary stressed that use of ARRA funds by the Commonwealth is governed by federal or state law and, with limited exceptions, ARRA funds are required to be appropriated like all other federal funds that flow through state agencies. Act 117 of 1976 provides for some exceptions for special funds such as federal highway and bridge funding in the Motor License Fund.

Stimulus funds will be distributed as grants or contracts and most of the funds will be administered in accordance with well developed procedures already in place for existing programs. Therefore, it is not necessary to establish new systems of control. Existing preventive controls include:

- *SAP Accounting System Controls* – provide for the segregation of duties to reduce the risk of fraud and ensure the Commonwealth pays for no more than what was ordered at no more than the approved rate. SAP allows tracking of funds by appropriation and by grant or project. Role authorizations control the ability of employees to view and/or input data into

SAP. Work approval activities, such as bidding and purchase order invoicing, flow electronically through SAP on a pre-determined route for review and approval. SAP automatically checks the Contractor Responsibility Program to ensure that recipients of payments do not owe the Commonwealth money and no payment can be processed until clearance is obtained. Unique account codes are assigned for ARRA funds.

- *Agency Quality Control functions* – mitigate the risk of fraud, waste and abuse. Examples of these measures include competitive bids, reporting requirements and site visits. While all agencies have programs currently in place, the following provides an indication of control operations within the Department of Education and the Department of Public Welfare.

Education funding is distributed through the Department of Education's Financial Accounting Information (FAI) system. As funding is awarded, project agreements are entered into between the Department and the Local Education Agencies. These agreement documents are reviewed and approved by PDE, PDE's Office of Chief Counsel, the Attorney General (if over \$1 million), and Comptroller Operations before funds are committed. After a project agreement is fully executed, it is input entered the FAI system. FAI calculates payments based on the project period, then creates and sends payment requests. Comptroller operations reviews and approves payments to ensure the existence of adequate supporting documentation. The PA Treasury reviews payments to ensure the existence of adequate supporting documentation prior to initiating payment.

Medical Assistance funding is distributed by the Department of Public Welfare (DPW) and controlled by the Department's PROMISE claims management system. The PROMISE system verifies, calculates and creates payment requests, which total more than \$16 billion annually. There is no need to change this system for ARRA funding since the program or funding is not expanding. The only difference related to ARRA funding is that the federal share of the \$16 billion is increasing. Currently, DPW verifies the following applicant information for every individual applying for medical assistance: US citizenship and identity; wages; income in other states; public benefits in other states; supplemental security income (SSI); social security disability and other benefits; unemployment compensation; unearned income reported to the IRS; verification of Medicare buy-in benefits; crosscheck with the federal deceased persons database; criminal justice databases; and PA lottery winnings. After the applicant's information is verified, it is entered into DPW's Client Information System (CIS) to determine the type of health care benefit for which an individual is eligible.

The PROMISE claim processing system integrates with both SAP and CIS to process the Medicaid payments. For each claim, PROMISE integrates with CIS to verify MA eligibility and health care benefits--no provider can be reimbursed for claims before they are pre-qualified by DPW and registered in PROMISE. PROMISE reviews each claim submitted for appropriateness of payment--no claim can be processed that exceeds the approved fee schedule; prior to approval of a claim, PROMISE reviews the claim history for duplicate payments and reviews the claim history for period-of-service eligibility. After claims are reviewed and processed by PROMISE, a payment request is created and sent to Comptroller

Operations for review and approval. After review and approval by Comptroller Operations, the PA Treasury pre-audits the payment documentation and initiates payment. Based on a series of risk factors, the Comptroller Operations' Bureau of Quality Assurance also completes a post-audit review of payments using a sample of claims.

Further, the Department of Public Welfare uses the Fraud and Abuse Detection System (FADS) to detect fraud through data mining. All claims for services to recipients are reviewed. Key reports on recipient utilization patterns flag recipients with multiple pharmacies, controlled substances filled the same day at different pharmacies or by different doctors, recipients with multiple emergency room visits, and other pertinent factors. DPW analyzes FADS results and can place restrictions on at-risk individuals or remove problem providers from the Medical Assistance program.

- *Comptroller Operations pre-audit* – ensures that proper supporting documentation, including fully executed contracts and grant agreements, exists before payment is initiated.
- *PA Treasury pre-audit* – ensures that the proper supporting documentation, including fully executed contracts and grant agreements, exists before payments are processed.
- *Agency Internal Audit Investigations* – ensure compliance with laws and regulations and make recommendations regarding internal controls.
- *Comptroller Operations Bureau of Audits* – performs program-specific audits to ensure internal controls are functioning and agencies are complying with specified laws and regulations.
- *Pennsylvania Office of Inspector General (OIG)* – investigates fraud, waste and abuse in Commonwealth's programs, operations and contracts from a legal perspective.