

HOUSE OF REPRESENTATIVES
COMMITTEE TO INVESTIGATE THE ADMINISTRATION OF JUSTICE
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

MEMORANDUM

By Dale S. Thompson

Date April 5, 1974

FILE: Governor's Justice Commission

After being referred by the Auditor General's Office to Mr. C. PAUL BRUBAKER, JR., I interviewed him in his office, Room 234 Finance Building, Telephone No. 7-2150, on April 2, 1974. He furnished the following information.

Mr. ROBERT P. CASEY, a Democrat and attorney by profession from Scranton, was elected in 1969 to be Auditor General of Pennsylvania. Mr. Casey has taken a strong interest in improving the quality of work performed by the Auditor General's Office which prior to that time had been considered highly political and really had not turned out professional work.

Mr. Brubaker, who is Deputy Attorney General and Director of the Bureau of Audits, advised that he has been in his position about four years, having been recommended by the State Certified Public Accountants Association.

Recruiting began in 1972, and subsequently thereto the office really began to be effective and did a much more thorough and deeper analysis of financial transactions within the State. The office includes some 600 employees, 18 being CPAs, and over 100 young college graduates in accounting.

The office is responsible for the audit of all departments within State Government.

The LEAA program had not previously been audited because of the foregoing described situation. The office participated with LEAA auditors in the LEAA audit, dated April 1973. Really, the office performed minimal work and was just along to assist in making contacts and being helpful wherever they could.

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April 5, 1974

The office has conducted some audits of the Justice Department, including the Pennsylvania Crime Commission and grants of the Governor's Justice Commission which were made available by Mr. Brubaker.

There are a number of Bureaus under Mr. Brubaker, such as the Bureau of School Audits, the Bureau of Departmental Internal Audits, Bureau of State-Owned Institution Audits, and the Bureau of Audits. The last bureau has 28 very highly professionals in it, which is under the direct supervision of Mr. Brubaker. This Bureau of Audits has initiated an audit of the Governor's Justice Commission and RICHARD KEISER is the staff person in charge of the audit.

The Auditor General can, in accordance with law, examine the books and records of subgrantees and companies which receive State monies. This includes both in- and out-of-state companies.

The Auditor General's Office has made an arrangement with LEAA so that, for a token amount of \$16,000 provided by LEAA, the Auditor General will conduct an audit of the Governor's Justice Commission from April 1973 to December 31, 1973.

The Auditor General's Office has six members of its staff located in Philadelphia and five members located in Pittsburgh.

The Auditor General's Office did get into the Dean V. Sheaffer case and it is reported upon in one of the audit reports.

HOUSE OF REPRESENTATIVES
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MEMORANDUM

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Date April 5, 1974

FILE: Governor's Justice Commission

Department of Public Welfare
Audit of Subgrants DA-004-70 and DA-176-71

A review of the audit report (copy attached) issued on June 27, 1973 by the Pennsylvania Auditor General reveals:

1. The audit period is for two years - July 1, 1970 to June 30, 1972. Grant DA-004-70 is for the 18-month period, July 1, 1970 to September 30, 1971, and grant DA-176-71 was for the remaining nine months.
2. The primary objective of the programs was to establish a residential reception and planning center of 56 beds to be housed in the Protective Care Building of the Cornwells Heights Youth Development Center. This was to be a pilot project developed for Philadelphia County to serve boys adjudicated delinquent by the Philadelphia Juvenile Court. Each youth staying at the Center would undergo thorough diagnostic study, partly to determine whether or not institutionalization was required, and choose the institution best equipped to meet his needs. An additional aim was to develop a detailed dynamic statement of each boy's problems and their etiology along with concrete plans and recommendations regarding treatment goals and suggested methods of achieving these goals.
3. The proposed funding was to be:

	<u>DA-004-70</u>	<u>DA-176-71</u>	<u>Total</u>
State	\$521,526	\$508,008	\$1,029,534
Federal	<u>227,698</u>	<u>153,956</u>	<u>381,654</u>
	<u>\$749,224</u>	<u>\$661,964</u>	<u>\$1,411,188</u>

Governor's Justice Commission - 2
April 5, 1974

4. In these grants, the State share was to be 73% of total costs and the Federal share only 27%. The proposed budget for the two grants was:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Personnel	\$381,271	\$ 443,644	\$ 824,915
Other	<u>383</u>	<u>585,890</u>	<u>586,273</u>
	<u>\$381,654</u>	<u>\$1,029,544</u>	<u>\$1,411,188</u>

5. The 13 audit findings, twelve of which related to fiscal matters, were:

- A. Improper segregation of funds. The Youth Development Center did not isolate costs that were specifically attributable to the Diagnostic Center. Expenses for the Center represented primarily an allocation of total expenditures incurred in the operation of the entire Youth Development Center. The percentage of individual expenditure categories applied to the grants varied from 20% to 50%. The two grants spanned two full fiscal years although actual operations of the Diagnostic Center did not begin until the middle of the first year; nevertheless, expenses for the entire first year were prorated against the grant.

LEAA cost guidelines were not met in regard to allocation of actual costs. However, it should be noted that the Governor's Justice Commission had been apprised in the application of the proposed 20% allocation of costs based upon the number of beds in the Diagnostic Center as compared to the total number of beds at the Youth Development Center.

- B. Disallowance of personnel expenditures. The audit report disallowed \$290,278 salaries, plus \$37,736 related fringe benefits, because of a clerical error and unauthorized positions.

The report noted that while these disallowances significantly affected the grant expenditures, LEAA's minimum requirement to contribute at least 25% of the grant funds was met.

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- C. Purchase of Fire Doors. Two fire doors were purchased at a cost of \$16,304 for the renovation of two buildings. Plans were changed and the doors were put in storage and never used.
- D. Disallowance for Furniture and Furnishings Expense. The allocation of costs for these expenses was not in accordance with LEAA guidelines and, as of June 30, 1971, \$4,465 of the equipment was not being used in the program and was held in storage.
- E. Expenditures Disallowed by LEAA Guidelines. A total of \$6,542 were improper costs or not properly encumbered or liquidated. Included were payments totalling \$400 to various volunteer organizations.
- F. Inaccurate and inconsistently applied expenses reported on fiscal reports. Expenditures reported on fiscal reports submitted to the Governor's Justice Commission were not in agreement with agency records.
- G. Elementary and Secondary Education Act, Title I funds disbursed. Federal funds obtained by the Center for ESEA Title I projects, in the amount of \$1,714, were spent on these LEAA projects.
- H. Unusual hiring and firing practice. The employment of a woman applicant, because of education and work experience, was questionable. Even though such information was learned 12 days after employment, the employee was retained for another 4-1/2 months until she abandoned her job.
- I. Improper procurement procedures. RCA had two contracts, totalling \$509,000, for the development, equipping, implementing and operating an educational system at the Youth Development Center, including the Diagnostic Center. Procurement of material and equipment, in the amount of \$80,734, without competitive bidding was improper.

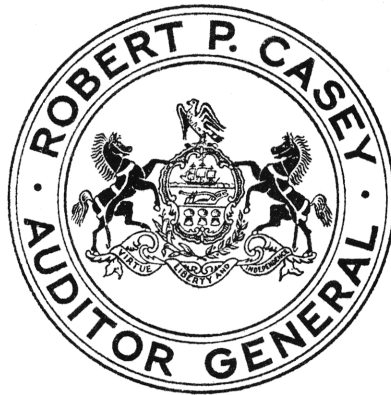
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April 5, 1974

- J. Questionable evaluation report. Pursuant to the RCA contract, \$15,000 was allocated for an independent evaluation of the RCA educational program at the Youth Development Center. \$5,000 of this total was charged to the Diagnostic Center. The audit report questioned the advisability of permitting RCA to hire an evaluator to evaluate its own performance. Furthermore, the audit report pointed out that while Rutgers was hired to conduct an evaluation of the Youth Development Center school program, its report indicated that YDC lacked any strategy in evaluating the success of the school and such an evaluation program should be instituted.
- K. Reports not timely. One fiscal report to the Governor's Justice Commission was not submitted on a quarterly basis and, hence, the \$60,000 quarterly payment due the Center was delayed until the submission of the next quarterly report.
- L. Propriety of billings by the Southeastern Pennsylvania Institutional Area Service Unit. Charges to the Youth Development Center by the SPIASU, a bureau within the Department of Public Welfare, for such services as security, maintenance, etc. were not clear and could not be explained to the auditor's satisfaction.
- M. Student attendance not to capacity. The RCA school at the Diagnostic Center operated in fiscal year 1971-72 at only 71% of capacity - 20% being absent without leave.

DEPARTMENT OF PUBLIC WELFARE

LEAA SUBGRANTS DA-004-70 AND DA-176-71

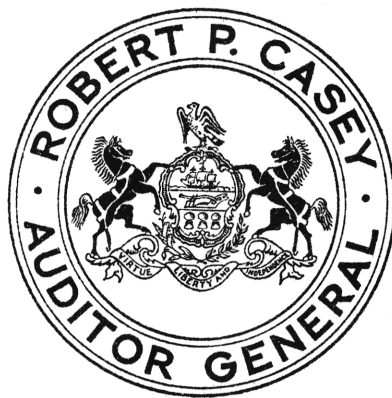
FOR THE PERIOD JULY 1, 1970 TO JUNE 30, 1972



COMMONWEALTH OF PENNSYLVANIA

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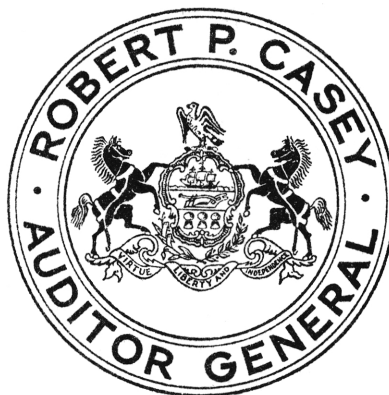
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COMMONWEALTH OF PENNSYLVANIA



ROBERT P. CASEY
AUDITOR GENERAL


Commonwealth of Pennsylvania
Office of the Auditor General
Harrisburg 17120

Honorable Helene Wohlgemuth
Secretary of Public Welfare
Harrisburg, Pennsylvania

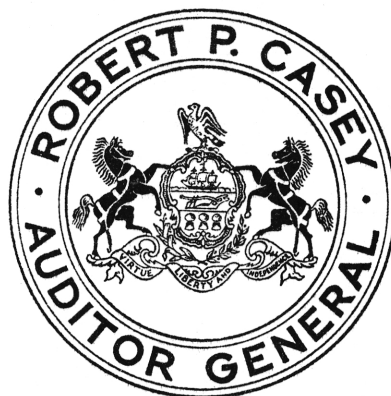
We have examined the available records of Subgrant DA-004-70 and DA-176-71 between the Governor's Justice Commission and the Department of Public Welfare - Office of Family Services - Bureau of Childrens Institutions, for the period July 1, 1970 to June 30, 1972, and have prepared from those records a Statement of Revenues and Expenditures for the periods then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances except as stated in the following paragraph.

We were unable to satisfy ourselves as to the accuracy of the state matching funds charged to this grant. This is due to the fact that no separate records were maintained to segregate costs for this grant from other institution costs and it was not otherwise possible to establish adequate accountability for expenditures.

Due to the materiality of the items previously mentioned it is not possible for us to express an opinion as to the fairness of the financial statement.


Robert P. Casey
Auditor General

July 27, 1973



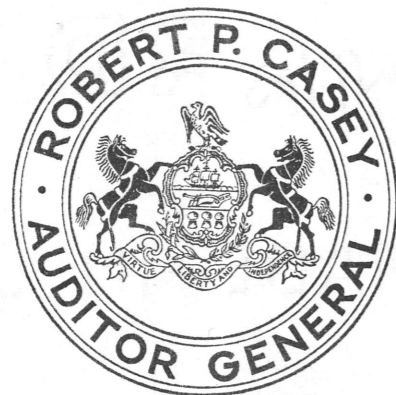
COMMONWEALTH OF PENNSYLVANIA

SCHEDULE "1"
 DEPARTMENT OF PUBLIC WELFARE
 LEAA SUBGRANTS DA-004-70 AND DA-176-71
 OPERATING EXPENSES
 JULY 1, 1970 TO JUNE 30, 1972

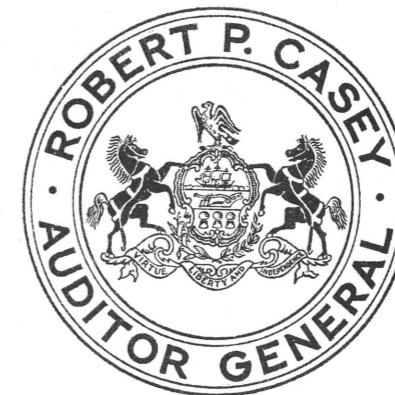
	DA-004-70		DA-176-71	
	Budget State	Federal	Actual State	Federal
Civil Service Commission		\$ 1,119.38		\$ 624.75
Special Services		8,748.20		4,221.00
Printing	\$ 6.00	2.56	\$ 3.00	22.40
Advertising		302.55		166.15
Postage and Freight	766.00	383.30	295.00	564.77
Telephone and Telegraph	4,973.00	5,187.31	2,567.00	4,964.20
Electricity	14,346.00	23,389.97	18,420.00	18,540.32
Subscriptions		610.62		104.75
Contracted Maintenance Service		12,135.93	72,671.00	7,396.58
Equipment Rental	324.00	2,519.79	975.00	1,256.99
Drugs		181.36		257.18
Medical Supplies		905.85		119.01
Wearing Apparel	5,000.00	6,826.68	3,843.00	2,918.22
Housekeeping Supplies	412.00	736.62		2,879.83
Office Supplies		2,018.25	1,484.00	1,222.22
Educational Supplies		895.97	551.00	683.48
Maintenance Service	103,923.00	112,524.90	4,047.00	77,928.50
Agriculture		14.40		
Recreational Supplies		3,005.90		1,945.52
Maintenance Materials and Supplies	4,271.00	856.02		701.18
Other Services and Supplies		68.05		275.19
Insurance	354.00	24.48		244.92
Motorized Equipment Service and Repairs	29.00	4.69		
Data Processing Service				53.39
Contributions		400.00		
Total Operating Expenses	\$134,404.00	-0-	\$182,862.78	-0-

	DA-004-70		DA-176-71	
	Budget State	Federal	Actual State	Federal
Civil Service Commission		\$ 1,119.38		\$ 624.75
Special Services		8,748.20		4,221.00
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See notes to financial statement.



COMMONWEALTH OF PENNSYLVANIA



COMMONWEALTH OF PENNSYLVANIA

DEPARTMENT OF PUBLIC WELFARE
LEAA SUBGRANTS DA-004-70 AND DA-176-71
STATEMENT OF INCOME AND EXPENDITURES
JULY 1, 1970 TO JUNE 30, 1972 (NOTE 1)

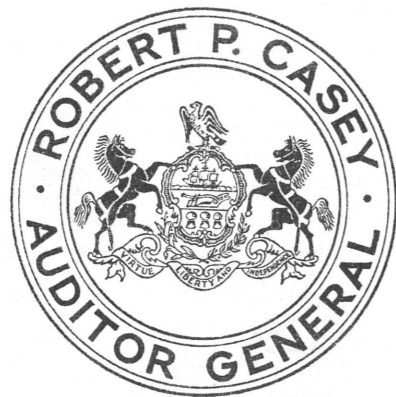
	DA-004-70			
	Budget (Note 2)		Actual	
	State	Federal	State	Federal
<u>Income</u>				
Federal Share of Grant		\$227,698.00		\$227,698.00
State "In-Kind" Contribution (Note 3)	\$521,526.00		\$526,700.55	
<u>Total Income</u>	<u>\$521,526.00</u>	<u>\$227,698.00</u>	<u>\$526,700.55</u>	<u>\$227,698.00</u>
<u>Expenditures (Note 4)</u>				
Personnel	\$248,206.00	\$227,593.00	\$229,938.81	\$205,948.80
Contracted Consultants	127,920.00		100,694.00	
Travel	796.00	105.00	2,094.96	276.25
Furniture and Furnishings (Note 5)	10,200.00		11,110.00	
Operating Expenses (Schedule "1")	134,404.00		182,862.78	
Capital Improvements				
<u>Total Expenditures</u>	<u>\$521,526.00</u>	<u>\$227,698.00</u>	<u>\$526,700.55</u>	<u>\$206,225.05</u>
<u>Excess of Income Over Expenditures</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 21,472.95</u>

	DA-176-71			
	Budget (Note 2)		Actual	
	State	Federal	State	Federal
Federal Share of Grant		\$153,956.00		\$153,956.00
State "In-Kind" Contribution (Note 3)	\$508,008.00		\$572,381.82	
<u>Total Income</u>	<u>\$508,008.00</u>	<u>\$153,956.00</u>	<u>\$572,381.82</u>	<u>\$153,956.00</u>
<u>Expenditures (Note 4)</u>				
Personnel	\$195,438.00	\$153,678.00	\$243,186.85	\$193,778.58
Contracted Consultants	106,451.00		110,201.00	
Travel	1,215.00	278.00	2,597.29	594.27
Furniture and Furnishings (Note 5)	14,468.00		11,506.13	
Operating Expenses (Schedule "1")	104,856.00		127,090.55	
Capital Improvements	85,580.00		77,800.00	
<u>Total Expenditures</u>	<u>\$508,008.00</u>	<u>\$153,956.00</u>	<u>\$572,381.82</u>	<u>\$194,372.85</u>
<u>Excess of Income Over Expenditures</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>(\$ 40,416.85)</u>

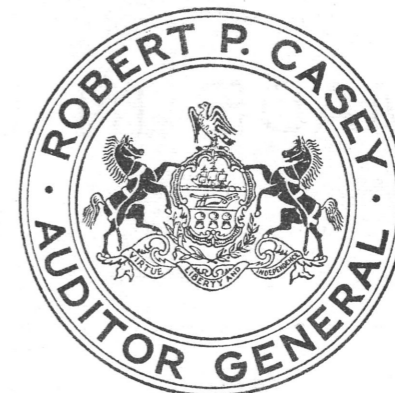
Personnel

State	229,939.
"	243,187
Fed	205,949
"	193,778
	<u>872,854</u>

See notes to financial statement.



COMMONWEALTH OF PENNSYLVANIA



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DEPARTMENT OF PUBLIC WELFARE
LEAA SUBGRANTS DA-004-70 AND DA-176-71
NOTES TO FINANCIAL STATEMENTS

NOTE 1

The period for both grants covered two years, however, grant DA-004-70 was for the fifteen month period ended September 30, 1971 and grant DA-176-71 was for the nine month period ended June 30, 1972.

NOTE 2

The budgeted amount is taken from the Application for Subgrant as approved by the Pennsylvania Criminal Justice Planning Board (PCJPB) and is broken down into six major expense categories. These major categories are further divided into line items on which are the basis for any exceptions. Accordingly, our report is divided into similar major categories in order to identify report and budget variations.

NOTE 3

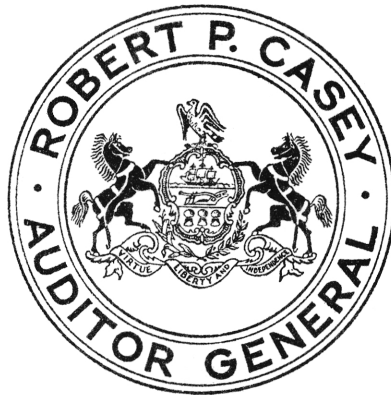
State In-Kind contributions represent that portion of funds, material and supplies, and services that the sub-grantee has furnished in order to comply with grant conditions.

NOTE 4

Indicated expenditures represent an allocation of total expenditures made by Cornwells Heights Youth Development Center (YDC) as a whole, to conform with the approved budget application.

NOTE 5

Furniture and furnishings represents that equipment necessary to house and operate the Diagnostic Center. This equipment was to be either purchased or supplied by other Welfare Agencies. The budgeted amount of DA-004-70 was to represent second hand equipment supplied by Eastern State School and Hospital at 50% of cost. For grant DA-176-71, budgeted equipment represented an allocation of 1/5 of all equipment purchased by the Youth Development Center.



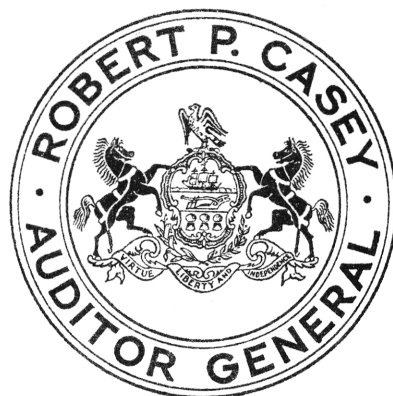
COMMONWEALTH OF PENNSYLVANIA

DEPARTMENT OF PUBLIC WELFARE
LEAA SUBGRANTS DA-004-70 AND DA-176-71
BACKGROUND

In accordance with the provisions of the Omnibus Crime Control and Safe Streets Act of 1968, the purpose of which was to "Assist State and local governments in reducing the incidence of Crime, to increase the effectiveness, fairness, and coordination of law enforcement and criminal justice systems at all levels of government, and for other purposes", we undertook the examination of Subgrants DA-004070 and DA-176-71.

The primary objective of the programs was to establish a residential reception and planning center of 56 beds to be housed in the Protective Care Building of the Cornwells Heights Youth Development Center. This was to be a pilot project developed for Philadelphia County to serve boys adjudicated delinquent by the Philadelphia Juvenile Court. Each youth staying at the Center would undergo thorough diagnostic study, partly to determine whether or not institutionalization was required, and choose the institution best equipped to meet his needs. An additional aim was to develop a detailed dynamic statement of each boy's problems and their etiology along with concrete plans and recommendations regarding treatment goals and suggested methods of achieving these goals.

*And General does
not look at
Supplementation of funds.*



COMMONWEALTH OF PENNSYLVANIA

DEPARTMENT OF PUBLIC WELFARE
LEAA SUBGRANTS DA-004-70 AND DA-176-71
FINDINGS AND RECOMMENDATIONS

Finding No. 1 - Improper Segregation of Funds

Our review of the records of the Youth Development Center at Cornwells Heights, Pennsylvania and the Pennsylvania Department of Public Welfare, as they pertain to the operation of a Diagnostic Center, funded in part by the Law Enforcement Assistance Agency (LEAA) through the PCJPB Grants DA-004-70 and DA-176-71, has disclosed that the Youth Development Center did not adequately segregate expenses to meet the minimum financial requirements of LEAA. The Financial Guide for Administration of Planning and Action Grants Section II, Subsection B, paragraph (i) states "Accounting records should provide the information needed to adequately identify the expenditure of funds for each grant, for each action program covered by a State's grant and for each subgrant awarded by the State". The YDC, did not isolate costs that were specifically attributable to the Diagnostic Center. Expenses for the Diagnostic Center represented primarily an allocation of total expenditures incurred in the operation of the entire YDC. The percentage of individual expenditure categories applied to the grants varied from 20% to 50%. We were unable to obtain satisfactory documentation to support the allocation.

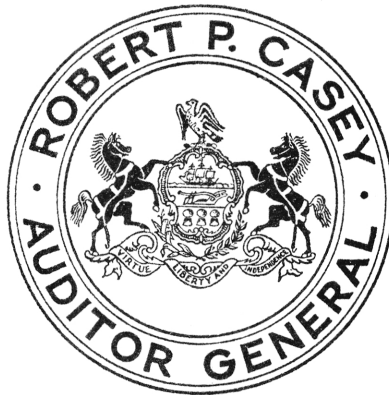
The grant conditions required the following contributions:

	<u>Federal Funds</u>	<u>Applicant</u>	<u>Total</u>
DA-004-70	\$227,698.00	\$ 521,526.00	\$ 749,224.00
DA-176-71	<u>153,956.00</u>	<u>508,008.00</u>	<u>661,964.00</u>
	<u>\$381,654.00</u>	<u>\$1,029,534.00</u>	<u>\$1,411,188.00</u>

The PCJPB has approved the allocation of 20% to operational expenses. This was not in accordance with LEAA requirements for determining relevant expenditures. The Federal grants spanned two full fiscal years although actual operations of the Diagnostic Center did not begin until the middle of the first year. Nevertheless, expenses for the entire year were applied against the grant.

RECOMMENDATION

Due to the inability of the YDC and the Department of Public Welfare to determine the actual costs of the grants, we do not believe that LEAA guidelines have been met. It is on this basis and certain other



COMMONWEALTH OF PENNSYLVANIA

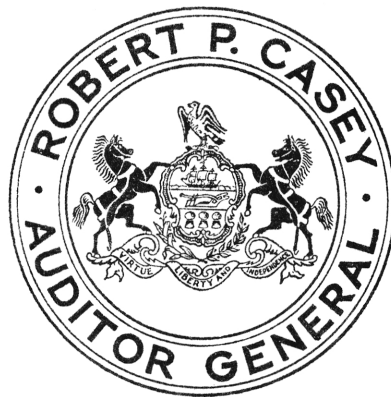
DEPARTMENT OF PUBLIC WELFARE
LEAA SUBGRANTS DA-004-70 AND DA-176-71
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 1 - Improper Segregation of Funds (Continued)

RECOMMENDATION (Continued)

problems commented on later that we take exception. We were unable to satisfy ourselves as to the financial fairness of the reports. Further, we suggest that LEAA restate the requirements of detailed records and separate accounting for all grants.

We recommend that LEAA and/or PCJPB should make a stronger effort to impress on grantees the necessity for adherence to the requirements for strict accountability of all funds.



COMMONWEALTH OF PENNSYLVANIA

DEPARTMENT OF PUBLIC WELFARE
LEAA SUBGRANTS DA-004-70 AND DA-176-71
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 2 - Disallowance of Personnel Expenditures

As a result of our review of personnel expenditures made in connection with these grants, we noted certain discrepancies. Our review included comparison of personnel authorized in the budget with personnel actually charged to the grants. This indicated certain discrepancies between the approvals and charges to personnel costs.

The YDC, maintains, as a supporting document, a payroll summary which lists the names and positions of individuals charged to the operation of the Diagnostic Center. The amounts per this ledger together with our adjustments are summarized as follows:

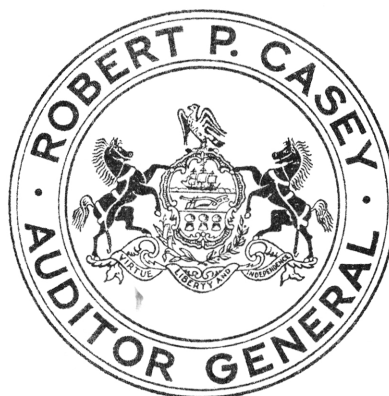
	<u>DA-004-70</u>	<u>DA-176-71</u>	<u>TOTAL</u>
Per Payroll Summary	\$385,740.81	\$379,560.91	\$765,301.72
Adjustments:			
Clerical Error	-0-	7,134.16	7,134.16
Unauthorized Positions	(125,436.73)	(171,975.87)	(297,412.60)
	260,304.08	214,719.20	475,023.28
Fringe @ 13%	<u>33,839.53</u>	<u>27,913.50</u>	<u>61,753.03</u>
Adjusted Personnel	<u>\$294,143.61</u>	<u>\$242,632.70</u>	<u>\$536,776.31</u>

Does not include approx 13% employee here fits

Unauthorized positions represent those charged to the operation of the Diagnostic Center, which were either not authorized in the budget or the number of which exceeded that authorized.

When it became apparent to the YDC administrative officers that they would be unable to fill approved positions, they should have requested a budget revision during the initial grant period. Therefore, the application for the second grant should not have, under any circumstances, included those personnel positions for which past experience had indicated an inability to obtain qualified personnel. The second application should have included only those positions which could be filled with qualified personnel.

Also included in our exception of unauthorized positions are charges representing 20% of the salaries of certain administrative employees of the YDC such as the Director and Business Manager. Justification for these charges was based on the fact that these employees, devoted



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LEAA SUBGRANTS DA-004-70 AND DA-176-71
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 2 - Disallowance of Personnel Expenditures (Continued)

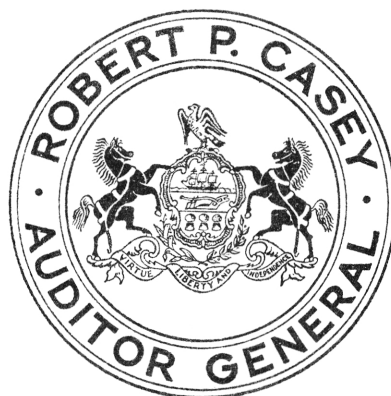
1/5 of their time to duties in connection with the Diagnostic Center. According to LEAA Guidelines, Attachment B, Circular A-87, Section B, paragraph 10 (b), when the wages and salaries of employees are chargeable to more than one cost objective, there is a requirement for appropriate time distribution records. We were not furnished with any documentation detailing or supporting the allocation of 20%.

RECOMMENDATION

While the adjustments significantly affect grant expenditures, the YDC still meets the minimum LEAA requirement for the applicant to contribute at least 25% of the grant funds.

Based on our review of this grant, we have noted apparent deficiencies in the reporting system. We therefore recommend the following procedures be adopted:

1. The development and implementation of a consistent and systematic method of grant accounting.
2. A careful review of the accuracy and support for grant expenditures on which any reports are based.
3. Periodic budget review of grant expenditures to determine necessary changes or formal requests to the funding agencies.



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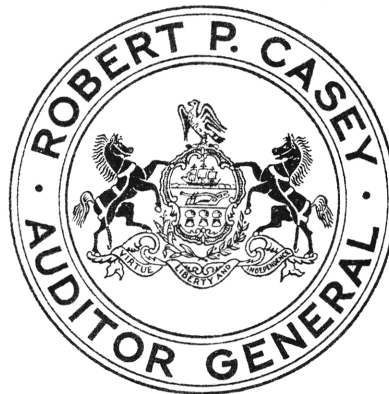
DEPARTMENT OF PUBLIC WELFARE
LEAA SUBGRANTS DA-004-70 AND DA-176-71
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 3 - Purchase of Fire Doors

To renovate two buildings for use by the Diagnostic Center and security division (Southeastern Pennsylvania Institutional Areawide Service Unit), a \$16,304.00 purchase was made by the Youth Development Center of fire doors to specifically fit the existing doorways in two buildings on the grounds of the Philadelphia State Hospital where a branch of the Diagnostic Center was planned. Plans for the Diagnostic Center at the Philadelphia State Hospital were subsequently cancelled, but the fire doors had been delivered, specifically designed for easy installation at the Philadelphia State Hospital. The fire doors are presently in storage at the Philadelphia State Hospital. The YDC's Business Manager, stated however, that to prevent vandalizing the gymnasium and canteen at night, an effort will be made to modify some of the fire doors for replacement of existing doors at the YDC.

RECOMMENDATION

Under the Financial Guide for Administration of Planning and Action Grants, guidelines for capital improvements (Attachment B, Section c, subsection 3, page 92), the Diagnostic Center's cost allocation for the fire doors of \$8,152.00 should be disallowed as an applicant's matching contribution. Information concerning the stored fire doors should be distributed to the Department of Property and Supplies for possible use at another location.



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FINDINGS AND RECOMMENDATIONS (Continued)

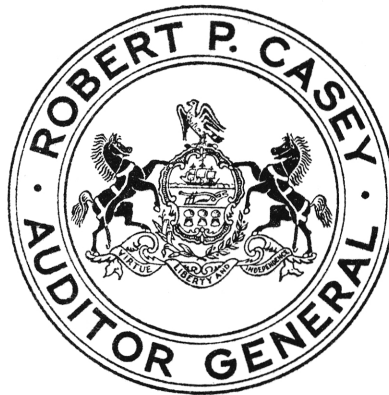
Finding No. 4 - Disallowance of Furniture and Furnishings Expense

LEAA guidelines permit grantees to contribute owned equipment items as allowable in-kind contributions of matching funds. The guidelines specify certain limitations in connection with the valuation to be placed upon such contributed items as indicated in the Financial Guide for Administration of Planning and Action Grants, Appendix B, paragraph 11 (d), page 88; "In lieu of depreciation ... the use allowance for equipment ... will be computed at an annual rate not exceeding $6 \frac{2}{3}\%$ of acquisition cost of usable equipment".

Our examination indicated that \$10,200 was furnished as an "in-kind" contribution, which represented 50% of the original acquisition cost of such items. As of June 30, 1971, \$4,465.00 of this equipment was not being used in the program and was held in storage. Furthermore, items were furnished by the Eastern Diagnostic and Evaluation Center in violation of LEAA guidelines. In addition to the above contribution, $\frac{1}{5}$ of all other furniture and furnishings acquired by the YDC during the initial grant period was allocated to program expenditures.

RECOMMENDATION

We recommend that a proper cost allocation system for furniture and fixture be instituted to conform to LEAA guidelines. We further recommend that \$10,200 be disallowed as an allowable matching fund contribution and in addition the amount of \$920.00 representing a $\frac{1}{5}$ of other expenditures made in connection with the acquisition of furniture and furnishings during the initial grant period also be disallowable.



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FINDINGS AND RECOMMENDATIONS (Continued)

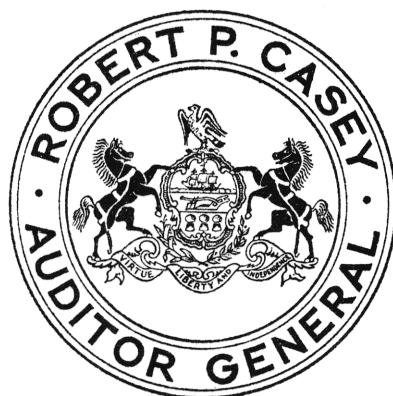
Finding No. 5 - Expenditures Disallowed by LEAA Guidelines

As a result of our review of the records of the YDC we noted certain expenditures that are disallowed by either LEAA or PCJPB as follows:

- a) Contributions - YDC paid \$400.00 to various volunteer organizations from grant DA-004-70 funds. Contributions are specifically disallowed. *
400
- b) Our review of YDC records indicated that encumbrance in the amount of \$6,153.61 (DA-004-70 - \$1,091.56, DA-176-71 - \$5,062.05) were not liquidated within the 90 day limit specified by LEAA. 5,062
- c) Included in the expenses allocated to the LEAA grant DA-004-70 was \$1,080.00 for clothing encumbered in September, 1971 for use during the subsequent grant period. 1,080
96,542

RECOMMENDATION

We recommend these items be disallowed as allowable grant expenditures and that the YDC strictly adhere to LEAA and PCJPB prescribed guidelines.



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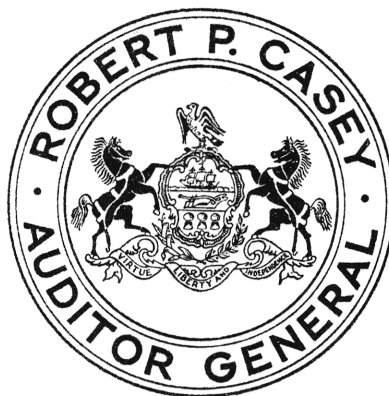
DEPARTMENT OF PUBLIC WELFARE
LEAA SUBGRANTS DA-004-70 AND DA-176-71
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 6 - Inaccurate and Inconsistently Applied Expenses
Reported on Fiscal Reports

We noted during our review of the fiscal records in support of the expenditures indicated on the Cumulative Action Grant Fiscal Reports for Grants DA-004-70 and DA-176-71, filed with the PCJPB, that the amounts listed were not in agreement with the agency records.

RECOMMENDATION

We recommend the PCJPB insist that all grantees file reports in accordance with the fiscal guidelines promulgated by the grantor agency.



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Finding No. 7 - LEAA Grant Expenditures Disbursed from ESEA Title I Funds

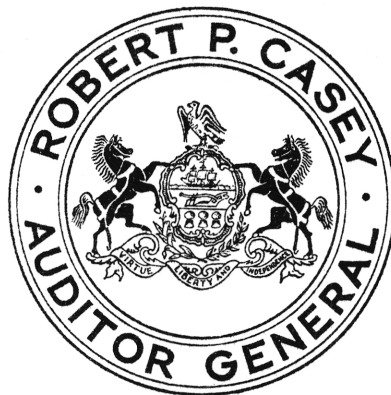
Our review of expenditures made by the YDC indicated that certain expenses were paid from funds allocated under the Elementary and Secondary Education Act, Title I funding program.

We noted that \$1,048.30 of expenditures incurred in connection with grant DA-004-70 and \$665.64 of expenditures incurred in connection with grant DA-176-71 were paid with ESEA Title I funds and charged to the operation of the Diagnostic Center. Funds received for a specific purpose should not be expended to satisfy any other project for which they were not intended.

RECOMMENDATION

We recommend that \$1,713.94 be reimbursed ESEA Title I projects at the YDC and be disallowed as an allowable project expenditure.

We further recommend that all grantee agencies be apprised that separate records be maintained for all state and/or federal grants thus avoiding the reoccurrence of the aforementioned situation.



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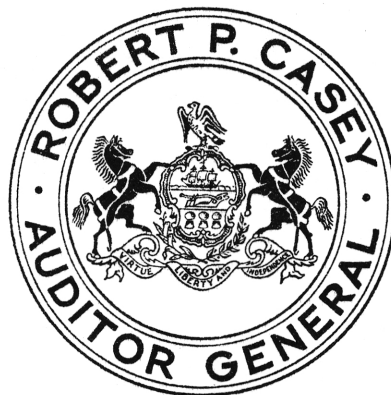
DEPARTMENT OF PUBLIC WELFARE
LEAA SUBGRANTS DA-004-70 AND DA-176-71
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 8 - Unusual Hiring and Firing Practice

A review of Personnel Files of the YDC revealed an instance of questionable hiring practices and of employee retention. The instance involved an employee who was hired to fill a vacated position in an emergency status. The employee lacked proper proof of education and work experience at the time of hiring on February 16, 1972. Within 12 days of employment, verification procedures by the YDC staff proved employee's education and work experience were falsified. The employee was allowed to continue working until July 13, 1972, when her services were terminated because of abandonment of position (not reporting for work for more than five consecutive days without notification of absence).

RECOMMENDATION

When an employee gives false information, termination should be mandatory and immediate unless satisfactory explanation is made, and then such information should become part of the employee's personnel file. Therefore, we recommend that the YDC review its hiring and firing procedures to insure that acceptable personnel procedures are employed.



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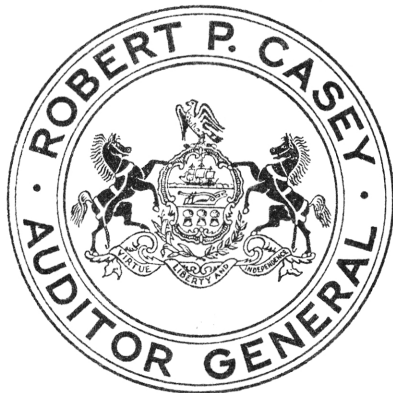
DEPARTMENT OF PUBLIC WELFARE
LEAA SUBGRANTS DA-004-70 AND DA-176-71
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 9 - RCA Contract

The Department of Public Welfare awarded contracts for two successive years to the RCA Corporation. The two contracts including all amendments and options totalled \$428,354.00 and \$481,009.00 respectively. The terms of the contracts provided for the developing, equipping, implementing and operating an educational system at the YDC. A Diagnostic Center, which is the basis for the two grants which we examined was included as part of the system. We have obtained legal opinion that although the basic contract may be considered a "temporary" contract for the employment of skilled labor and therefore not subject to competitive bidding, that one option, which was exercised, specifying \$80,734 for a specified list of material and equipment, is in violation of the Administrative Code. The aforementioned material and equipment was not specifically designated for the Diagnostic Center.

RECOMMENDATION

We recommend that the Department of Public Welfare review State requirements for obtaining bids.



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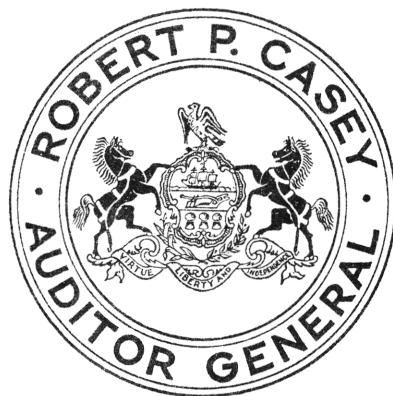
DEPARTMENT OF PUBLIC WELFARE
LEAA SUBGRANTS DA-004-70 AND DA-176-71
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 10 - Evaluation Report

Pursuant to the RCA contract, \$15,000 was allocated for a mutually acceptable, independent party to conduct an evaluation of the RCA educational program at the YDC. Rutgers University was chosen to perform the evaluation. Of the \$15,000 expenditure for the evaluation, \$5,000 was allocated to Grant DA-176-71. We are not clear as to the basis for this allocation. The majority of the report consisted of observations regarding the physical condition of the school facilities, characteristics of the students, and the various operational phases of the school. The Rutgers' committee recommended that since the YDC lacked any strategy in evaluating the success of the school, a "comparative evaluation strategy should be developed that will permit the more precise measurement of the total effectiveness of the school." The primary purpose of Rutgers study was to evaluate the YDC school program, not merely to recommend that the school administration should institute such an evaluation program.

RECOMMENDATION

For all future evaluation reports, the Department of Public Welfare and the YDC should assume the selection of an evaluating organization, instead of placing the primary responsibility on the contractor whose performance is being evaluated. Eliminating the contractor's responsibility for the reimbursement of the evaluating organization avoids the possibility of any undue influence being applied by the contractor regarding the content of the evaluation report. The YDC would also have greater control in the scope of the evaluation report, which would prove of greater benefit to its administration's efforts to evaluate the contractors and thus improve the effectiveness of its educational program.



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FINDINGS AND RECOMMENDATIONS (Continued)

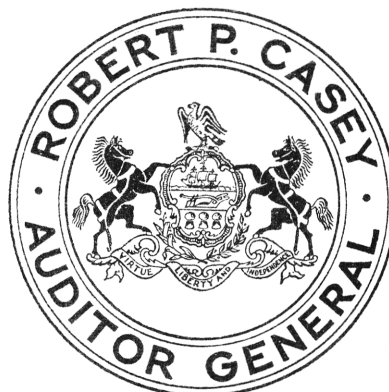
Finding No. 11 - Reports Not Submitted Timely

We have noted that during the term of Grant DA-176-71 the YDC received one payment of \$120,000.00 for the federal share of the grant. This was received rather than two \$60,000 quarterly payments. The PCJPB required the Cumulative Action Grant Fiscal Reports be filed quarterly and that these would serve as the basis for future drawdown of federal funds.

The YDC did not comply with these requirements. One report was not filed timely, delaying the remittance to the Department of Public Welfare of \$60,000.

RECOMMENDATION

We strongly urge the YDC to comply with the regulations to insure timely receipt of funds.



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LEAA SUBGRANTS DA-004-70 AND DA-176-71
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 12 - SPIASU Billings

We were unable to satisfy ourselves as to the propriety of the billings by Southeastern Pennsylvania Institutional Area Service Unit (SPIASU), a bureau within the Department of Public Welfare. SPIASU provides certain services, such as security, maintenance and dietary to other state institutions and periodically bills the serviced institution. The basis for such charges to the YDC is not clear nor could they be explained to our satisfaction.

RECOMMENDATION

It is apparent that to promote efficiency and responsiveness in SPIASU's operations, SPIASU should be held accountable to the institutions which it serves. A periodical report should be prepared and distributed to the various SPIASU serviced institutions. The report would contain the exact services SPIASU provided to each institution and the costs incurred in supplying the services. Armed with such information, the serviced institution would be in a better position to estimate its own costs.



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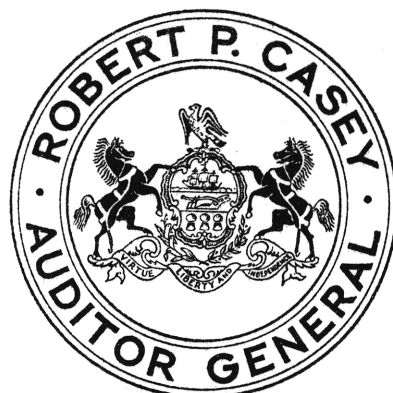
DEPARTMENT OF PUBLIC WELFARE
LEAA SUBGRANTS DA-004-70 AND DA-176-71
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 13 - Student Attendance

The YDC contracted with RCA to manage and conduct an educational program in conjunction with the operation of the YDC Diagnostic Center. The RCA educational program was to provide educational services for fifty-six students in eight-week periods. An examination of student attendance records revealed that daily attendance for fiscal year 1970-1971 averaged forty students and increased to approximately forty-six students per day in fiscal year 1971-1972. Hence, the RCA Diagnostic School only operated at seventy-one percent of capacity in fiscal year 1971-1972. A daily average of twenty percent of the RCA Diagnostic School's total enrollment was classified as absent without leave.

RECOMMENDATION

To increase the efficiency and the effectiveness of the potential educational impact of the RCA school's program, procedures should be instituted to increase student class attendance. Counselors and teachers should strive to coordinate their efforts to insure that their students are regularly attending school. Security measures should also be upgraded to reduce the widespread occurrences of students being absent without leave. Counselors should be held accountable for the presence of students in class and should immediately notify security of any student disappearance.



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