

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

MEMORANDUM

By Truman Burke

Date February 22, 1974

FILE: Governor's Justice Commission

The following is a summation of the investigation conducted of the Governor's Justice Commission regarding the financial aspects which may be used as a guideline in order to set up a hearing for Mr. BERARD, as well as others in the Governor's Justice Commission program.

It is suggested that Mr. Rice thoroughly review the attached data, namely the Federal LEAA audit report, as well as the work papers which were taken from the office of the Secretary-Treasurer on January 23, 1974, which will show a more current accountability of the LEAA funds.

This report will deal with two main topics: The federal audit report and the work papers regarding the current LEAA accountabilities in Pennsylvania.

FEDERAL AUDIT REPORT

When considering the following summary regarding the federal audit report (fiscal years 1969 through March 31, 1972), much time has elapsed which would have given the Governor's Justice Commission an opportunity to correct or rectify a lot of the criticisms which the federal examiners pointed out in their report. By the same token, the federal auditors held a rough draft report conference with members of the Governor's Justice Commission (see Pages 2 and 3). At that time, the Governor's Justice Commission took certain positions in an effort to explain some of the deficiencies; however, the federal auditors did not accept these positions and, in most every case, recommended that the regional LEAA office recall funds or get involved in a follow-up program to rectify some of the deficiencies discovered by the auditors.

The audit period covers awards totalling \$37.6 million. They are broken down as follows:

Governor's Justice Commission - 2
February 22, 1974

Planning Funds.....	\$3,157,650
Action Funds.....	\$31,550,235
Discretionary Funds	\$2,973,664

Of these monies, the audit report reveals that \$1,589,430 is either questionable or unallowable expenses which can seriously affect or jeopardize the overall programs in the Commonwealth unless the Governor's Justice Commission - - meaning the administrative and financial management guidelines - - are in accordance with LEAA guidelines.

Some of the irregularities or misuse of funds is an indication that there is a lack of good administrative and financial programs necessary for fulfilling the LEAA guidelines, as well as State law. Some of these violations are as follows:

1. Elapsed Funds
(SPA allowing subgrantees to exceed grant period)
2. SPA allowing improper documentation for expenditures.
3. SPA allowing subgrantees to get funds without matching contribution.
4. SPA allowing subgrantees to have improper charges on the funds.
5. SPA allowing subgrantees to have inadequate inventory controls over equipment and furniture.
6. SPA allowing subgrantees to have inadequate time and attendance records.
7. Failure of SPA to insure subgrantee submits quarterly programmatic progress report.
8. SPA allowing subgrantees to deviate from the budget and grant.
9. SPA's failure to insure subgrantees maintaining accountability for grant equipment purchases and/or services.
10. Failure of SPA to secure competitive bids or proposals on contracts as is required by state law.

Governor's Justice Commission - 3
February 22, 1974

The audit report did not cover an audit of all of the grants. If so many irregularities are allowed to exist in those that were audited, then a complete audit should be made of all of the grants without delay to insure that the Governor's Justice Commission and the regional and local governmental agencies are instructed and guided thoroughly as to what, when and how the funds are to be used. It is obvious that certain people on the local level were not told or instructed on the proper handling and reporting of LEAA monies. This again falls back on the Governor's Justice Commission for not having proper programs and follow-up which are required by LEAA.

Some of the grant monies were spent without proper record-keeping as is evident on Page 76 (Exhibit No. 2) of the audit report. There is a long list of "horrible examples" of expenditures from Planning Grant Funds (1969). According to the report, some of the "horrible" expenditures are consultant fees, secretarial services, Council dinners, laying and adjusting carpets, Harrisburg meeting, breathalyzer training school, restaurant charges, subscription to Pittsburgh Chamber of Commerce, subscriptions to newspapers and Sports Illustrated, flowers, etc.

On Pages 21 and 22 of the report, it is pointed out that the Supervisory Board has inadequacies. After reviewing minutes for 18 Supervisory Board meetings, it was found that (1) there is an inadequacy in attendance of some Board members and (2) business was conducted at some of the meetings without a quorum which, under the rules of parliamentary procedures, prohibits business from being transacted legally. The auditors point out that business conducted at these meetings could be invalid. (3) There is a lack of a policy for the dismissal of Board members who do not regularly attend the meetings and (4) lack of a policy covering proxy voting for regular members.

The above must reflect on the Supervisory Board members, particularly the Chairman. Apparently LEAA guidelines have not been studied or they have been ignored.

One of the most "horrible examples" of grant funding is the one to the Court of Common Pleas, City of Philadelphia, for the Defenders Association (Pages 53 and 54). These pages cover the awarding of \$286,592 to the Defenders Association for the purpose of increasing its staff by the addition of seventeen attorneys, three investigators and six clerical workers. According to the auditors, a review of the records for the current period at the

Governor's Justice Commission - 4
February 22, 1974

Defenders Association shows that only two such employees were hired. Apparently the 24 employees already on the Defenders Association staff consumed the current monies. According to the auditor's report, these 24 employees, hired prior to the effective date of the grant, cannot be considered new personnel to fulfill the purpose of the grant award. It is, therefore, recommended that refund of the entire grant be made to LEAA.

The Easton project occurred after the audit period and, therefore, is not contained in this audit report.

For some unexplained reason, it appears that the Pittsburgh area (Thornburgh's area) was more criticized. It is not known if this is justly or unjustly done. There appeared to be much inadequacy in the Pittsburgh area.

WORK PAPERS
COVERING
CURRENT ACCOUNTABILITY OF LEAA FUNDS

As previously mentioned, the attached are six accounting work pages taken on January 23, 1974 from the Secretary-Treasurer's office ledger sheets for receipts and disbursements from the Federal Law Enforcement Assistance Act grants. The work papers cover the period of December 22, 1972 through January 21, 1974 and show a running account of the receipts and disbursements of LEAA funds handled by the Governor's Justice Commission.

Upon reviewing the work papers, it should be noted that the "Amount" column represents the dollar amount which was involved on that particular day. Under the "Code" column, the characteristic of "RC" represents the amount to have come from a refund from a grantee. The Code characteristic of "CR" represents a credit to an appropriation or a Federal Government check being received and going into the LEAA account.

In addition, I have "red-checked" all of the refund expenditures (RC). For the period of December 22, 1972 through the end of the fiscal period (June 27, 1973), there were 19 refund expenditures coming back from the grantees, totalling \$730,784.31. As indicated by the work papers, the refund expenditures are added to the current balance in the LEAA account. For example: On June 27, 1973,

Governor's Justice Commission - 5
February 22, 1974

there is a balance in the LEAA account of \$2,771,712.57, of which \$730,784.31 consists of refunds on the grants.

When reviewing the work papers for the more current period, July 2, 1973 through January 21, 1974, it should be noted that there were 15 refund amounts totalling \$524,592.10. This refund amount is included in the balance available for disbursement on the LEAA account.

When comparing the balance figure in the account, the Commission appears to continue to have an excess in the balance on hand. This was criticized by the federal auditors in that they felt that only two weeks supply of cash on hand is needed. This position remains until January 21, 1974 when the balance consists only of \$581,313.02. Of that amount, \$524,592.10 represents refunds from grantees.

From the work papers and the records reviewed to date, it cannot be ascertained if the Governor's Justice Commission has been returning the refund monies to the Federal Government as is required of them under the LEAA guidelines. The work papers show the disbursement of funds (under the "Code" column, they are listed as "061"), however, this record does not show to whom these disbursements were paid. It is for this reason that Mr. Berard be interviewed with records. Only he is in a position to know of the disposition of the refund monies.

In my efforts to trace a refund check through the office of the Secretary-Treasurer, I found it to be involved and voluminous, however, I was successful in discovering that the City of Philadelphia's refund check No. 543530, in the amount of \$26,154.29, was part of a deposit to the account on February 7, 1972. This item is circled and marked on the work papers. It should be noted that the deposit was \$28,587.29. When reviewing the "Reference Number" slip (41125), there was an additional refund check from the City of Philadelphia in the amount of \$2,433.00. 1973

It should be pointed out that at the end of the fiscal period for 1973, namely June 27, 1973, the balance of \$2,771,712.57 (which includes total refunds) was closed out on the books. On July 2, 1973, this amount was plowed back into the balance of funds on hand. Since that time, they have continued to draw on this fund which includes the prior year's refunds.

Governor's Justice Commission - 6
February 22, 1974

Again, it should be noted that the Secretary-Treasurer's records are too voluminous to try to account for the disbursements from the LEAA funds. It is strongly recommended that Mr. Berard be subpoenaed for the following records so that this matter can be accounted for. Mr. Berard's subpoena should be for him to appear with all records of receipts of funds from both the State and Federal Governments and to include the reference number slips (which, of course, we can give him if he so desires); reference number slips showing the receipt of all refunds of grants; and reference number slips supporting the disbursement of monies from the Federal Law Enforcement Assistance Act. The period of time should be for December 22, 1972 through January 21, 1974.

The reference number slips are needed because they serve the purpose of deposit or withdrawal ticket and show the date, amount, and itemized as to who is receiving the money or to whom the money is given.

Of course, Mr. Berard, and only Berard, is in a position to know the exact accountability of the refund amounts because our information indicates that this fund is used to handle political and other favors for governmental people when there have been no budgeted or appropriated monies for the purpose.

Our sources have stated that Berard keeps his own personal accountability of this fund. While all refund monies are supposed to be returned to the Federal Government, Mr. Berard in some unknown way gets around this and maintains a large "slush fund" to use at his own discretion. Efforts to interview Berard in order to discuss this matter have met with negative results, and it is felt that only a subpoena will obtain the desired results. While the subpoena calls for a lot of records regarding receipts and disbursements, the records should cover only two items: (1) Who is returning the refunds and (2) What disposition does he make of the refund monies? Does he return the money to the Federal Government, which should be shown in the disbursement section under Code 061, or does he obtain some type of approval from LEAA to keep the money? If so, is he required to show the purpose or use of the funds to LEAA?

I believe that LEAA will go along with most of these ^{*}agencies if the request is half-way valid. Because of the lack of records, we do not know at this time exactly what is going on.

*State Planning Commissions

SUMMARY OF RECOMMENDATIONS
LEAA Audit Report - April 25, 1973

Recommend. Number	Description	Audit Page Number	Refund Requested
1.	Failure to attend Supervisory Board meetings.	3	\$
2.	Failure to obtain non-supplanting certifications.	3	
3.	Failure to obtain regional council budgets, etc.	4	
4.	Discontinue use of grants for obtaining professional services and follow State procedures relating to such contracting.	5	
5.	Obtain LEAA approval for professional services contracts in the future.	5	
6.	Obtain LEAA post-approval for expenditures made for professional services in violation of LEAA guidelines.	5	
7.	Request Federal funds only as immediately required.	5	
	<u>Failure to expend SPA funds within allowable period:</u>		
8.	Block planning grant funds - FY 69, 70 and 71	6	84,836
9.	Block action grant funds - FY 69	6	33,058
10.	Future block planning and action grants	6	
	<u>Allegheny Regional Planning Council</u>		
11.	Failure to expend FY 71 planning grant funds timely	6	23,805
12.	Questionable and unallowable expenditure of planning grant funds for FY 69, 70 and 71	7	83,070
	<u>Northeast Regional Planning Council</u>		
13.	Failure to timely obligate FY 70 planning grant	7	1,020
14.	Questionable salaries, professional planners funds	8	7,552
	<u>Philadelphia Regional Planning Council</u>		
15.	Failure to timely obligate FY 70 planning grant funds	8	3,908
16.	Expenditures non-related to FY 70 planning grant funds	8	6,058

<u>Recommend. Number</u>	<u>Description</u>	<u>Audit Page Number</u>	<u>Refund Requested</u>
	<u>Pennsylvania Bureau of Corrections</u>		\$
17.	Matching contributions unrelated to grant - \$156,669	9	*
18.	Inadequate accounting procedures by subgrantee	9	
19.	Funds improperly charged to project	9	13,938
20.	Inadequate inventory contracts	10	
21.	Failure to submit programmatic progress reports	10	
	<u>Philadelphia Police Department</u>		
22.	Fine deficiencies - Subgrant No. PH-2-A-69	11	92,992
23.	Failure to timely obligate funds - Subgrant No. DF-70-444	12	21,270
	<u>Department of Public Welfare</u>		
24.	Unsupported matching funds, FY 70 block action grant	12	120,896
24.	Unsupported matching funds, FY 71 subgrant	12	47,597
25.	Expenditures not related to grant No. PH-010-A-70	13	286,592*
	<u>Pennsylvania Board of Probation and Parole</u>		
26.	Unallowable project costs on subgrant	12	96,504
	<u>Allegheny County</u>		
27.	Unsupported costs	14	15,297
28.	Failure to timely obligate funds	14	4,230
29.	Equipment not accounted for	14	279
30.	Failure to submit fiscal and programmatic reports	15	
	<u>Court of Common Pleas - Allegheny County</u>		
31.	Unsupported expenses - \$4,353	15	*
32.	Improper personal services contract - \$174,384	16	*
33.	Inadequate documentation for matching funds - \$104,201	16	*
34.	Failure to prepare fiscal reports	17	
35.	Deviation from budget	17	11,743
36.	Expenditures prior to subgrant award - \$17,219	17	*
37.	Unsupported equipment costs - \$1,208	18	*
	<u>City of Pittsburgh (Planning Subgrant)</u>		
38.	Deviation from budget - \$1,451	18	*
39.	Expenditures after subgrant period - \$959	18	*
40.	Failure to submit programmatic or fiscal reports	19	

* - This is *Defenders Association of Philadelphia*

<u>Recommend. Number</u>	<u>Description</u>	<u>Audit Page Number</u>	<u>Refund Requested</u>
	<u>Pittsburgh Police Department</u>		
41.	Improper contracting for personal services - \$106,477	19	\$ *
42.	Contractor improperly spent funds - \$15,937	19	*
43.	Unexpended lapsed funds and unallowable costs	20	37,088
44.	Deviation from budget - \$2,934	20	*
			<u>37,088</u>
			<u>\$991,733</u>

All but two recommendations (1 and 21) pertain to fiscal inadequacies. LEAA recommended a refund of \$991,733 to LEAA and also the applicable Federal share on expenditures totaling \$585,792 (marked *).