



GOVERNOR'S JUSTICE COMMISSION
DEPARTMENT OF JUSTICE
COMMONWEALTH OF PENNSYLVANIA

~~DS-333-73A~~
DS-423-73A
YC-6

Milton J. Shapp
Governor

March 6, 1974

XXXXXXXXXXXXXXXXXX
Executive Director
(717) 787-2040

Israel Packel
Attorney General

Mr. Mitch Rigel
P. O. Box 3512
Harrisburg, Pennsylvania 17105

RE: DS-423-73A
\$57,365

Dear Mr. Rigel:

As you are aware the above-mentioned grant, awarded to Alternatives, Inc. by the Governor's Justice Commission on November 13, 1973, was frozen on February 11, 1974 by my action and that of officials in the Department of Justice after a conference meeting.

Concurrent with the freezing of this project an immediate audit was undertaken by the Governor's Justice Commission with the help of several auditors from the Comptroller's Office, Department of Justice. Attached to this letter is a copy of a general overview of that audit.

As per our numerous meetings and discussions and my conference with you yesterday afternoon at your office site at Spangler's Mill, please allow this letter to confirm that the above-mentioned grant is officially terminated.

I regret this action is necessary. However, a thorough review of the grant and its operations, including accountability with the handling and expenditures of monies, revealed it is obviously far afield of the State and Federal Guidelines. It further revealed many more disallowances and/or gross exceptions that are not reflected in the summary. Administratively, management was very poor and four months after funding I could find no productive results.

In addition, gross financial deviations as regards compliancy with the Subgrant as funded, including the \$5,000 loan from the first \$28,000 Federal draw-down check, which is one of a series of unallowable transactions, have produced a risk factor in this method of operation negating any further funding or continuation of this Subgrant. Bookkeeping and record keeping in many instances

\$14440.26
expanded

X

can be classified from poor to none. Compliancy on project accounts was not adhered to as mandated in the Subgrant. Another germane high risk issue is that payrolls was made in net, but deposits were not made for the withholding nor were the contributory portions made by the employer, which clearly indicated that this project would shortly be in a serious Federal IRS tax deficiency.

Concurrent with this project being cancelled as of today, I agreed in the meeting with you yesterday, to pay the four employees retained within this project who were on a bi-weekly pay. Specifically, they are Gerald Shank, Lawrence Bienemann, Richard Marold and Marsha Tamke. Their previous pay period ended last Friday. However, I requested their services during the audit which would constitute another pay period commencing last Monday, March 5. With the closing of this project I have authorized they be paid for the pay period ending Friday, March 1, and for one more pay period from last Monday, March 5 through March 15. This constitutes termination pay for their services performed this week at the request of the Governor's Justice Commission.

Also, out of the balance of this project account, I have authorized a check in the amount of \$2,114.52 for FICA and FWT taxes as follows:

- \$ 78.48 Local Taxes
- 180.60 State Taxes
- 39.26 Federal Unemployment Taxes
- 78.52 Pennsylvania Unemployment Taxes
- 84.43 Phillips Office Equipment

A final check in the amount of \$9,241.74, payable to the Governor's Justice Commission, as refund against the first draw-down on this grant closes out this project.

Payroll on all the above-mentioned items amounts to a total of \$14,795.79. The first Federal draw-down check to this project was in the amount of \$28,682. Refunds back to the Governor's Justice Commission are as follows: A check closing out the project account, payable to the Commission, which is now in my possession totaling \$9,241.74, and a \$5,000 Cashier's Check, from you and your wife, dated March 5, #178, Commonwealth National Bank, as repayment on \$5,000 you personally borrowed from the project account on December 21, 1973.

//
Doesn't
balance

28,682.00
 9,241.74
 5,000.00
 14,241.74 - Returned
 14,442.26 - Expended

Mr. Mitch Rigel

-3-

March 6, 1974

This leaves a net expenditure of Federal Funds in the amount of \$14,440.26 of which there is no apparent match to constitute the legalization of these expenditures. The match deficiency, after expenditures and the closing audit, to be financially accepted, needs to be offset by a minimum match of \$4,813.00.

I hope to be able to resolve this last issue as regards the match this month of March in the best interest of all concerned parties and within my authority as Director of Administration and Financial Management under the LEAA Act.

On another subject, to confirm what I stated to you in our meeting, the Service Purchase Contract between the Bureau of Correction, who is a Subgrantee of the Governor's Justice Commission under Subgrant DS-338-72A, that Service Purchase Contract between the Bureau of Correction and Alternatives, Inc., by the Department of Justice and Governor's Justice Commission ruling, has also been cancelled. Due to the fact that the Bureau of Correction is the principle Subgrantee, they shall receive my audit findings as regards that grant and as regards this grant.

Lastly, I allow this also to confirm that Yoke Crest in total has withdrawn its operations and is an autonomous entity, housed and operative within the Mulberry Street and Front Street residences, and has no provisions in its grant for any affiliation with Alternatives, Inc.

I sincerely wish you success in future endeavors and want to thank you and your small staff for the cooperation we received during the last three weeks, and hope we can meet again under better circumstances in the future.

Very truly yours,

Thomas C. Berard
Director of Administration

Attachment

TCB:FB

CC: Executive Director, Mr. Frederick, Mr. Berard, Mr. Rice, Mr. Bressler,
Mr. Petruccio, _____ Peter Brown, Esq.
File (2)

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part

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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF JUSTICE
COMPTROLLER'S OFFICE
AUDIT DIVISION
P.O. BOX 206
CAMP HILL, PA 17011

INTERIM
AUDIT REPORT

PERIOD COVERED BY AUDIT

NOVEMBER 13, 1973 TO FEBRUARY 15, 1974

DATE OF AUDIT

FEBRUARY 15, 1974

AUDITOR

GREGORY TALUSKIE

SUBGRANTEE

ALTERNATIVES, INC.
P.O. BOX 3201
HARRISBURG, PA. 17105

SUBGRANT NUMBER

DS-423-73A

I. INTRODUCTION

On February 15, 1974, the auditor met with Mr. Mitch Rigel, Project Director, and Ms. Marsha Tamke, Project Financial Officer, to discuss the purpose and scope of the audit.

The scope of the audit included an examination of financial transactions, accounts and reports to determine if the subgrantee has complied with subgrant conditions and Federal regulations.

The purpose of this subgrant is to supply technical assistance and expertise to localities interested in establishing community treatment programs.

II. AUDIT FINDINGS

A. Receipt of Federal Funds

It was determined from subgrantee's records that \$23,682.00 in Federal funds was received and deposited on December 27, 1973 in the Alternatives, Statewide Planning Project Account No. 162-203107-6, Commonwealth National Bank. However, the first drawdown was for the amount of \$28,682.00.

Further review disclosed that the first drawdown check for \$28,682.00 was deposited into a non-funded Governor's Justice Commission entity called Alternatives, Inc. The accounting records for Alternatives Inc., showed a payment of \$23,682.00 to Alternatives Statewide Planning Project dated December 27, 1973, and another payment for \$5,000.00 to Mitch Rigel dated December 21, 1973,

B. Withholding Taxes Not Paid

Gross Salary	\$8,022.00
Net Salary	<u>6,104.00</u>
Federal, State & Local	<u>\$1,918.00</u>
Taxes Withheld	

It was determined that \$1,918.00 was deducted from employees' salaries for taxes, but was not paid as of February 15, 1974.

This included Federal income tax withheld (1,123.00), F.I.C.A. tax withheld (\$530.00), State Income Tax withheld (\$185.00), and local wage tax withheld (\$80.00). Therefore, only the expenditure for net salary (\$6,104.00) was included in the "Financial Summary" that accompanies this report.

C. No Matching Contribution

The total matching contribution of \$19,378.00 was to be obtained from a fee for service charge from those communities seeking assistance. To date there is no realistic augmentation regarding match.

D. Questionable Expenditure For Consultant Services

It was determined that \$500.00 in Federal funds was expended for consultant services. However, there was no written contract between the subgrantee and the consultant, nor was there an invoice submitted by the consultant that fully disclosed the nature and category of the expenditure.

Since there was no supporting documentation available at the time of the audit, the \$500.00 expenditure for consultant services is deemed questionable. Therefore, this expenditure (\$500.00) is not included in the "Financial Summary".

E. Unallowable Administrative Cost

It was determined that a \$60.00 charge for administrative expense pertained to the Alternatives, Inc. umbrella account and not the Alternatives, Statewide Planning Project.

Subgrant funds shall not be expended for items that are not part of the approved project or that are not separately approved by the Governor's Justice Commission. Therefore, this \$60.00 expenditure for administrative expense is not included in the "Financial Summary".

F. Training Fees Not In Approved Budget

It was determined that the subgrantee had included in their Federal expenditures \$223.00 for training fees. However, there was no provision in the budget for training fees and registration.

The expenditure of \$223.00 was not included in the "Financial Summary". Therefore, written approval from the Governor's Justice Commission is necessary to allow this expenditure.

G. Reports

The quarterly fiscal report submitted for the period from November, 1973 through December 31, 1973, was reviewed and found to be accurate.

mitch Regel, E.D. received no salary from date of grant to date of audit.

AWARD DATE Nov. 13, 1973
 PROJECT DURATION Nov. 13, 73-Feb. 15, 74

AS OF February 15, 1974
 AUDIT PERIOD Nov. 13, 73-Feb. 15, 74

GRANTEE Alternatives, Inc.
 PROGRAM Statewide Planning Project
 FUNDAL INTERIM X

BUDGET CATEGORIES	SUBGRANT BUDGET		EXPENDITURES		VARIANCE			
	APPLICATION CONTRIBUTION	FEDERAL FUNDS	APPLICANTS CONTRIBUTION	FEDERAL FUNDS	TOTAL	APPLICANTS CONTRIBUTION	FEDERAL	TOTAL
Salaries-New Personnel	9,856	29,569	0	6,104	6,104	(9,856)	(23,465)	(33,321)
Employee Benefits	900	2,699	0	384	384	(900)	(2,315)	(3,215)
Contracted Consultant	2,344	7,031	0	30	30	(2,344)	(7,001)	(9,345)
Travel	1,325	3,975	0	258	258	(1,325)	(3,717)	(5,042)
Office Equipment	299	896	0	0	0	(299)	(896)	(1,195)
Furniture & Furnishings	297	889	0	0	0	(297)	(889)	(1,186)
Printing	375	1,125	0	25	25	(375)	(1,100)	(1,475)
Postage	220	660	0	28	28	(220)	(632)	(852)
Telephone	644	1,931	0	22	22	(644)	(1,909)	(2,553)
Utilities	300	900	0	0	0	(300)	(900)	(1,200)
Motorized Equip. Supplies	661	1,981	0	5	5	(661)	(1,976)	(2,637)
Maintenance Service	38	112	0	0	0	(38)	(112)	(150)
Rent of Real Estate	750	2,250	0	0	0	(750)	(2,250)	(3,000)
Rent of Equipment	766	2,297	0	515	515	(766)	(1,782)	(2,548)
Office Supplies	350	1,050	0	95	95	(350)	(955)	(1,305)
TOTALS	19,125	57,365	0	7,466	7,466	(19,125)	(49,899)	(69,024)
	25	75	0	100	100	28	72	100