



# County of Allegheny

## Office of the Controller

**RENEWAL, INC.  
REPORT ON CONTRACT COMPLIANCE  
PROCEDURES FOR WORK RELEASE SERVICES  
FOR THE PERIOD JANUARY 1, 2009  
THROUGH MARCH 31, 2011**

**January 17, 2012**

**Chelsa Wagner  
Controller**

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CHELSA WAGNER  
CONTROLLER

# COUNTY OF ALLEGHENY

## OFFICE OF THE CONTROLLER

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December 16, 2011

Mr. William Emerick  
Deputy Warden, Operations  
Allegheny County Jail  
950 Second Avenue  
Pittsburgh, PA 15219

**SUBJECT: Contract Compliance Procedures Applied to Contracts #74827 and #75391 between Renewal, Inc. and Allegheny County Jail for Work Release Services for the Period January 1, 2009 through March 31, 2011**

Dear Deputy Warden Emerick:

We have applied compliance procedures to contracts #74827 and #75391 between the Allegheny County Jail and Renewal, Inc. related to work release services for male and female offenders referred by the Allegheny County Jail. We performed these compliance procedures to ensure that Renewal, Inc. was in compliance with the scope and terms of the work release services authorized under these contracts. We also examined the invoices submitted by Renewal, Inc. to the Jail to determine that they were in accordance with the terms of the contracts. Our compliance procedures covered the period of January 1, 2009 through March 31, 2011.

The application of our compliance procedures revealed that Renewal, Inc. needs to improve its contract invoicing procedures to prevent overbillings, take steps to improve the handling of and accounting for resident funds (including the escheating of unclaimed resident funds to the Commonwealth to comply with the Pennsylvania Disposition of Abandoned and Unclaimed Property Act), and improve its policies and procedures pertaining to the distribution and disposal of resident medications. We also determined that the Jail needs to improve its monitoring of Jail Policy #39 pertaining to the monitoring of contracted alternative housing providers.

We believe that the implementation of our recommendations will improve Renewal, Inc.'s compliance with the work release services agreements. The results of the application of our compliance procedures are provided in the attached report.

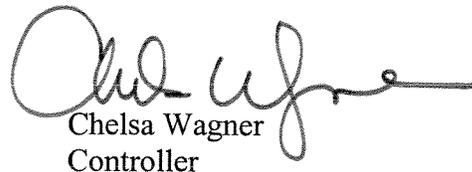
Deputy Warden Emerick  
December 16, 2011

We would like to thank the management and staff of Renewal, Inc. and the Allegheny County Jail for their courtesy and cooperation during the performance of our procedures.

Very truly yours,



Lori Churilla  
Assistant Deputy, Auditing



Chelsa Wagner  
Controller

cc: Honorable Charles Martoni, President, County Council  
Honorable Nicholas Futules, Vice-President, County Council  
Honorable Rich Fitzgerald, Allegheny County Executive  
Mr. James M. Flynn, Jr., County Manager, Allegheny County  
Mr. Warren Finkel, Senior Deputy Budget Director, Allegheny County  
Mr. Joseph Catanese, Director of Constituent Services, County Council  
Allegheny County Jail Oversight Board  
Mr. Doug Williams, CEO, Renewal, Inc.  
Ms. Amy Griser, Deputy Controller  
Mr. Seth Hufford, Chief of Staff, Controller's Office  
Mr. Louis Takacs, Communications Specialist, Controller's Office

**EXECUTIVE SUMMARY**

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**Purpose of Procedures:**

We performed our compliance procedures to ensure that Renewal, Inc. (“Renewal”) was in compliance with the scope of work release services authorized under the contract and that invoices submitted by Renewal were in accordance with the terms of the contracts.

**Background:**

Allegheny County contracts with Renewal to provide community residential corrections and work release services for both male and female offenders referred by the Courts through the Allegheny County Jail.

The program was initiated to address overcrowding at the Allegheny County Jail and to offer the criminal justice system an alternative to probation, supervision, and long-term security confinements. Renewal offers a work release residential alternative for up to 150 men and up to 100 women, up to 250 residents in total, from the Allegheny County Jail. These individuals are supposed to be non-violent, low risk offenders.

The County entered into contracts #74827 and #75391 for the period April 1, 2007 through March 31, 2010. These contracts have been extended by amendment through December 31, 2011.

Under agreement #74827, Renewal is paid for up to 150 beds occupied by male County offenders (hereafter “residents”). Up to 75 beds may be provided for male residents who are to receive drug and alcohol treatment, and up to 75 beds may be provided for male residents who are not in need of (and not to receive) drug and alcohol treatment. Renewal is entitled to the following compensation for services performed under the agreement:

For male residents provided drug and alcohol treatment  
\$60 per day First 75% of housed resident days billed  
\$58 per day Other 25% of housed resident days billed

For male residents not provided drug and alcohol treatment  
\$52 per day First 75% of housed resident days billed  
\$50 per day Other 25% of housed resident days billed

## *EXECUTIVE SUMMARY*

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Under agreement #75391, Renewal is paid for up to 100 beds occupied by female County residents who are to receive drug and alcohol treatment. Renewal is entitled to the following compensation for services performed under the agreement:

For female residents provided drug and alcohol treatment  
\$60 per day First 75% of housed resident days billed  
\$58 per day Other 25% of housed resident days billed

Renewal assists and supports its residents, including those transferred in from the Allegheny County Jail, in re-establishing themselves as productive members of society through its program of alternative incarceration, work release, and support services. Residents live in a controlled environment that offers stability and encourages self-reliance. Skilled monitors and case managers supervise residents 24 hours a day. Residents attend Alcoholics and Narcotics Anonymous meetings and receive counseling, academic, employment and life-skills training. Residents are expected to perform two hours of community service each week.

While in the program, all residents are expected to secure employment or education, remain drug and alcohol free, and participate in counseling and community services. As part of the work release program, residents must turn over their income, in full, to Renewal. The resident's net income is reduced by 20% for room and board, 10% for court costs, fines, and restitution, and at least 10% for savings. A budgeted amount is given to the resident to encourage fiscal responsibility and is to be used to contribute towards family support, any outstanding debts, and personal spending. All room and board collected from residents is considered program income and is offset against Allegheny County contract billings. In addition, the court costs collected are remitted monthly to the applicable sentencing court.

### **Results in Brief:**

While performing our procedures, we found that Renewal needs to improve its contract invoicing procedures, take steps to improve its handling of and accounting for resident funds, and improve its resident medication handling and disposition policies and procedures.

## *EXECUTIVE SUMMARY*

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Specifically, we found:

Finding #1:

- Due to unidentified billing errors, for the period to which we applied our procedures Renewal invoiced the County for 1,915 days of service that were not provided to residents, which represents \$100,636 in excess of the allowable amount for services actually provided.

Finding #2:

- We tested a sample of 20 County residents for the proper handling of and accounting for the residents' funds. We found that:
  - Three Jail inmate account balance transfer checks and one employment check were not deposited in Renewal's resident account and were therefore not accounted for in Renewal's accounting system.
  - Two resident closeout checks were not processed and mailed to the former residents within 15 business days as required.
- Renewal has not complied with the Pennsylvania Disposition of Abandoned and Unclaimed Property Act (72P.S.1301.1) during the period to which we have applied our procedures.

Finding #3:

- Renewal was unable to produce a number of medication log audits we requested to inspect.
- Of 51 medication log audits we analyzed, 49 (96%) were performed by Monitors who are also involved in the distribution of medications to residents.
- Renewal's policies and procedures pertaining to the disposal of former residents' medications do not provide adequate assurance that such medications are properly disposed of.

## *EXECUTIVE SUMMARY*

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While performing our procedures, we also identified a weakness in the Allegheny County Jail's contract monitoring process with respect to agreements #74827 and #75391. Specifically we found that:

### Finding #1

- The Jail did not identify overbillings by Renewal that should have been identified had the invoice reconciliation procedure mandated to be performed on a monthly basis by Allegheny County Jail Policy #39 been performed. Renewal overbilled 1,915 resident service days over an eight month period and was paid \$100,636 in the aggregate in excess of the allowable amount for the services actually provided (see Renewal Finding #1).

### **Recommendations:**

We recommend that Renewal management:

#### Finding #1:

- Immediately repay to the County \$100,636, the aggregate amount of excess compensation Renewal received attributable to the overbilled days.
- Perform additional procedures to ensure that monthly invoices to the County request payment only for days that individuals were served during the month. These procedures could include comparing head counts to monthly invoices.

#### Finding #2:

- Perform monitoring procedures to ensure that case managers are consistently making residents turn in all income and approving all resident personal expenditures as required by the *County Resident Guidebook*.
- Take steps to ensure that closeout checks are processed and mailed within 15 business days as stipulated by the *County Resident Guidebook*.
- Develop additional formal written accounting procedures designed to ensure that residents receive their funds. These procedures should include the

## *EXECUTIVE SUMMARY*

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methods to be utilized (if any) to locate former residents, voiding of returned resident closeout checks and adding them back to the residents' cash balances, a periodic review of the resident account outstanding check list for other stale closeout checks, and escheating of former resident funds unclaimed for five years or longer to the Commonwealth on at least an annual basis.

- Escheat the entire amount of funds currently unclaimed by former residents for a period of five years or more to the Commonwealth of Pennsylvania as soon as possible.

### Finding #3:

- Take steps to ensure that medication log audits are performed by Supervisors or Renewal's Nurse as required by Renewal's policy.
- Ensure that all medication log audits are retained for inspection for the duration of the contractually-mandated retention period.
- Develop and implement procedures designed to provide management greater assurance that medications that should be disposed of are actually being properly disposed of.

### We recommend that Jail Administration:

- Monitor compliance with Jail Policy #39.

## **I. Introduction**

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### **Background**

Allegheny County contracts with Renewal to provide community residential corrections and work-release services for male and female offenders referred by the Allegheny County Jail.

The Renewal program was initiated to address the overcrowding at the Allegheny County Jail and to offer the criminal justice system an alternative to probation, supervision, and long-term security confinements.

At Renewal, the resident population includes up to 150 male residents and up to 100 female residents, up to 250 County residents in total, all of whom are supposed to be non-violent, low risk offenders. The average length of stay for County residents at Renewal is approximately three months. Renewal also contracts with State and Federal prisons for alternative work release and drug and alcohol treatment programs. Currently, Renewal can support a total of approximately 600 residents.

The County entered into contracts #74827 and #75391 for the period April 1, 2007 through March 31, 2010. These contracts have been extended by amendment through December 31, 2011.

Under agreement #74827, Renewal is paid for up to 150 beds occupied by County residents. Up to 75 beds may be provided for male residents who are to receive drug and alcohol treatment, and up to 75 beds may be provided for male residents who are not to receive drug and alcohol treatment. For male residents who are to receive drug and alcohol treatment, this agreement allows Renewal to charge \$60 per day per bed for the first 75% of the total number of days that the County is billed for residents referred by the County Jail and housed by Renewal during any month, and \$58 per day per bed for the remaining referrals above the first 75% of the total number of days billed each month. For male residents who are not to receive drug and alcohol treatment, Renewal may charge \$52 per day per bed for the first 75% of the total number of days that the County is billed for residents referred by the County Jail and housed by Renewal during any month, and \$50 per day per bed for the remaining referrals above the first 75% of the total number of days billed each month.

Under agreement #75391, Renewal is paid for up to 100 beds occupied by female County residents who are to receive drug and alcohol treatment. This agreement allows Renewal to charge \$60 per day per bed for the first 75% of the total number of days that the County is billed for residents referred by the County Jail and housed by Renewal during any month, and \$58 per day per bed for

## **I. Introduction**

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the remaining referrals above the first 75% of the total number of days billed each month.

Renewal's program is to provide a structured, supervised treatment facility that prepares residents to return to society as responsible citizens. It does this by providing the following services:

- Counseling designed specifically to address criminal behavior and substance abuse.
- A controlled drug free environment with urinalysis and breathalyzer testing.
- Networking with social service agencies to assist the residents in finding employment.
- Assistance in developing an individual program plan which becomes the resident's contract and outlines their personal goals which they are to pursue in such areas as substance abuse treatment, vocational and educational training, family counseling, financial management and community service.

While in the program, all residents are expected to secure employment or education, remain drug and alcohol free, and participate in counseling and community services. As part of the work release program, residents must turn over their income, in full, to Renewal. The resident's net income is reduced by 20% for room and board, 10% for court costs, fines, and restitution, and at least 10% for savings. A budgeted amount is given to the resident to encourage fiscal responsibility and is to be used to contribute towards family support, any outstanding debts, and personal spending. All room and board collected from residents is considered program income and is offset against Allegheny County contract billings. In addition, the court costs collected are remitted monthly to the applicable sentencing court.

## II. Scope and Methodology

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We applied compliance procedures to contracts #74827 and #75391 between Allegheny County and Renewal related to work release services for male and female offenders referred by the Allegheny County Jail. We performed these procedures to ensure that Renewal was in compliance with the scope and terms of the work release services authorized under these contracts. We also examined the invoices submitted by Renewal to the Jail to determine that they were in accordance with the terms of the contracts. Our compliance procedures covered the period of January 1, 2009 through March 31, 2011.

Specifically, we performed the following as part of our procedures:

- Gained an understanding of the processes and controls in place to help ensure that services are provided in accordance with applicable laws and regulations, the *County Resident Guidebook*, and the scope and provisions of contract #74827 and contract #75391. This was accomplished by reviewing the contracts, the *Guidebook*, Renewal's Policies and Procedures and other relevant documents, and by interviewing Renewal personnel involved in the administration of the contracts.
- Reviewed the most recent contract compliance report issued by the Audit Division and evaluated the implementation status of our prior recommendations.
- Verified on a test basis that residents were referred to Renewal by the Allegheny County Jail and met the established eligibility requirements for participation in the alternative housing program, including the required analysis of the nature of the inmates' criminal offenses.
- Examined case files, head counts, invoices, and other records of Renewal relevant to the administration of the work release services agreements to assess Renewal's compliance with the agreements and determine whether Renewal was compensated only for the services it provided.
- Applied procedures (on a test basis) to assess whether resident funds were handled and accounted for properly. These procedures addressed the initial transfers of inmate account balances from the Allegheny County Jail, the proper allocation and distribution of funds that residents earned through employment, and the ultimate distribution

## **II. Scope and Methodology**

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of funds to residents who are no longer participants in the alternative housing program.

- Assessed the adequacy of measures taken by Renewal to help qualifying residents find employment in a timely fashion.
- Analyzed Renewal's Policies and Procedures pertaining to resident medications and evaluated the effectiveness of the actual implementation of those policies and procedures.
- Assessed Renewal's monitoring of residents who participate in activities outside of the alternative housing facility and its compliance with the Directives and Policies in effect that impose requirements on alternative housing facilities in the event of walk-aways or escapes from the facilities.
- Tested on a limited basis Renewal's compliance with other applicable laws and regulations.

We performed these procedures from October to November 2011. We provided a draft copy of this report to Renewal and the Allegheny County Jail for comment (see page 23).

### **III. Findings and Recommendations**

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#### **Renewal, Inc. Finding #1 Contract Billings in Excess of Allowable Amounts**

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Agreements #74827 and #75391 have established per diem rates which represent the compensation Renewal is entitled to receive for the services it provides under the agreements.

While testing Renewal's invoices (sample basis), we vouched residents listed as served by Renewal to its daily head count sheets. During this process, we determined that for the period from September 2010 through April 2011, Renewal billed the County a per diem rate for 10 males under agreement #74827 that were either no longer in the alternative housing program or had been incarcerated in the Allegheny County Jail but had never participated in Renewal's alternative housing program. The total days overbilled associated with this condition were 1,892, and the excess compensation attributable to this condition was \$99,440. We also determined that for December 2009, Renewal billed the County a per diem rate for 1 male under agreement #74827 after the resident had escaped earlier in the month. The total days overbilled associated with this condition were 15, and the excess compensation was \$780. In addition, we determined that in March 2011, Renewal billed the County a per diem rate for 1 female under agreement #75391 who had also been billed to Community Care Behavioral Health Organization (CCBHO) for the same days. CCBHO had been billed for inpatient services, which means that the County should not have also been billed for those same days. The total days overbilled associated with this condition were 8, and the excess compensation attributable to this condition was \$416. In the aggregate, 1915 days were overbilled, and Renewal billed for \$100,636 more than it was entitled to under the agreements.

In September 2010, Renewal began using RTS, a new proprietary resident tracking system. At that time, any new data was no longer entered into CorTrac, the system that was replaced. After analysis of the largest portion of the overbilling by Renewal's management, we were advised by management that the billing data being generated by RTS was invalid due to a software issue that Renewal could not have been expected to identify. Management advised us that they had believed that the billing data being generated by RTS was valid. Consequently, Renewal did not perform any procedures to assess the validity of the billing data prior to invoicing the County. Had Renewal performed additional procedures (such as comparing head counts to the invoices as we have done), it may have identified the discrepancies in the data

### **III. Findings and Recommendations**

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before the invoices to the County were issued. The effect of these conditions is Renewal has a liability to Allegheny County in the amount of \$100,636 attributable to Renewal billing the County more than it was entitled for services provided under agreements #74827 and #75391.

#### **Recommendations**

We recommend that the management of Renewal:

- Immediately repay to the County \$100,636, the aggregate amount of excess compensation Renewal received attributable to the overbilled days.
- Perform additional procedures to ensure that monthly invoices to the County request payment only for days that individuals were served during the month. These procedures could include but should not be limited to comparing head counts to monthly invoices.

### III. Findings and Recommendations

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**Renewal, Inc. Finding #2**  
**The Handling of and Accounting for**  
**Resident Funds Needs Improvement**

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Agreements #74827 and #75391 require Renewal to provide alternative housing services in accordance with the *Renewal Center Handbook* (since revised and renamed the *County Resident Guidebook*), which is incorporated into the agreements by reference. The services are to be maintained and not modified or altered without prior approval of the Warden of the Allegheny County Jail. Per Renewal's *County Resident Guidebook* residents are to turn in any and all income. Residents are not permitted to cash checks from any income source. With respect to employment income, 20% is to be withheld from resident paychecks for room and board, 10% is to be withheld for court costs, and 10% is to be withheld for personal savings. Case managers are to approve all resident personal expenditures. All resident personal expenditures are also to be verified by receipt or money order. Closeout checks are to be mailed to former residents within 15 business days from the date they no longer participate in the alternative housing program. The Pennsylvania Disposition of Abandoned and Unclaimed Property Act requires Renewal to escheat any former residents' funds that have remained unclaimed for a period of five years to the Commonwealth of Pennsylvania.

We selected a sample of 20 residents who had been transferred from the Allegheny County Jail to test Renewal's handling of and accounting for the residents' funds. We determined that for two of 12 residents (17%) who had an inmate account with a balance at the Jail, the checks issued to the residents by the Jail were not deposited in Renewal's resident account and as a result, were not accounted for in Renewal's accounting system. It appears that these checks (3 checks, \$238 in the aggregate) were cashed by the two residents. Since the checks were not deposited in Renewal's resident account and the accounting records do not reflect the residents' receipt of the funds, the accounting records also do not contain documentary evidence concerning the residents' use of those funds.

We also determined that one of 12 residents (8%) who were employed for a period of time while at Renewal's alternative housing program received a paycheck that was not deposited in Renewal's resident account. It appears that this check was cashed by the resident. Consequently, Renewal did not withhold 20% of the resident's income for room and board, 10% for court costs, and

### III. Findings and Recommendations

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10% for personal savings as stipulated in Renewal's *County Resident Guidebook*. For another one of the 12 residents who were employed for a period of time while at Renewal's alternative housing program, we determined that Renewal withheld 10% of the resident's income for court costs, but the court cost payment for one of the resident's three paychecks (\$15) is not reflected in the Pennsylvania Common Pleas Courts Docket Sheets.

We determined that closeout checks were not processed for 2 of the twenty residents included in our sample within 15 business days as provided for by Renewal's *County Resident Guidebook*. We are aware that Renewal often has difficulty in issuing closeout checks to residents because the residents do not have or do not provide Renewal with valid forwarding addresses, or the addresses become invalid as residents relocate. Timelier processing of residents' closeout checks may improve the likelihood that former residents receive their funds. We also noted that while Renewal's accounting staff does appear to be putting forth reasonable efforts to track down former residents, Renewal does not have formal written accounting procedures designed to ensure that former residents receive their funds. We observed that Renewal is in possession of a number of resident closeout checks that were undeliverable and returned to Renewal by the postal service. To the extent Renewal is unable to locate the former residents these checks should be voided and added back to the residents' cash in the accounting system (to facilitate the escheating of the funds in five years if the funds remain unclaimed). We observed that Renewal's resident account outstanding check list is also not reviewed periodically and other stale checks added back to the residents' cash balances.

The provisions of Pennsylvania's Unclaimed Property Act (72P.S.1301.1) require Renewal to escheat any funds that former residents have not claimed within five years to the Commonwealth. We reported as a finding in our report on Renewal's contract compliance dated August 19, 2009 that Renewal was not in compliance with the PA Unclaimed Property Act at that time. Renewal has still not escheated any former resident funds unclaimed for five years or longer to the Commonwealth.

It appears that the conditions involving the deposit of resident checks and monitoring of the residents' personal expenditures may have occurred because some case managers may not have an adequate awareness with respect to their residents' finances. Inadequate case manager communication with the finance function may have also delayed the processing and issuance of the

### **III. Findings and Recommendations**

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aforementioned resident closeout checks. While the handling of and accounting for resident funds appear to have generally improved since we issued our last report, these conditions suggest that improvement is still necessary.

We have been advised that since the issuance of our August 19, 2009 report, management has taken measures in an attempt to bring Renewal into compliance with Pennsylvania's Disposition of Abandoned and Unclaimed Property Act. Management has determined that approximately \$30,000 in resident funds should have been escheated to the Commonwealth, but since much of the balance relates to prior years and the accounting records that were maintained during those periods do not provide enough detail, research was necessary to determine which residents are entitled to the funds that should have been escheated. Management has indicated that turnover in the finance function and the adoption of the new resident tracking system slowed the pace of such research. Only approximately \$12,000 has been linked to specific former residents, and management has doubts about its ability to identify the owners of the remainder of the funds to be escheated.

The effect of these conditions is that Renewal has not fully complied in its provision of services with the policies and procedures contained in the County Resident Guidebook and has not complied with Pennsylvania's Disposition of Abandoned and Unclaimed Property Act, and is therefore not in full compliance with agreements #74827 and #75391.

#### **Recommendations**

We recommend that the management of Renewal:

- Perform monitoring procedures to ensure that case managers are consistently making residents turn in all income and approving all resident personal expenditures as required by the *County Resident Guidebook*.
- Take steps to ensure that closeout checks are processed and mailed within 15 business days as stipulated by the *County Resident Guidebook*.
- Develop additional formal written accounting procedures designed to ensure that residents released from the program receive their funds. These procedures should include the methods to be utilized (if

### **III. Findings and Recommendations**

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any) to locate former residents, voiding of returned resident closeout checks and adding them back to the residents' cash balances, a periodic review of the resident account outstanding check list for other stale closeout checks, and escheating of former resident funds unclaimed for five years or longer to the Commonwealth on at least an annual basis.

- Escheat the entire amount of funds currently unclaimed by former residents for a period of five years or more to the Commonwealth of Pennsylvania as soon as possible.

### III. Findings and Recommendations

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#### Renewal, Inc. Finding #3

#### **The Policies and Procedures Pertaining to the Distribution and Disposal of Resident Medications Should Be Improved**

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The “Pharmaceuticals” section of Renewal’s *Operations Manual* contains a policy (policy #CARE11) which requires a log to be kept to record all medications taken by residents. In practice, Renewal maintains a separate log for each medication prescribed to each resident. Medication is to be distributed according to the resident’s prescription, and Monitors are to enter the prescribed data in the medication logs (data and time medication was taken and the amount taken) and then sign the log entries. The policy requires the Security Supervisor/Shift Supervisor/Renewal Nurse to audit the medication logs on a monthly basis for accuracy and consistency. The same policy requires that the Security Supervisor/Shift Supervisor/Renewal Nurse purge the inventory of medications (those medications that were prescribed to former residents who are no longer housed at Renewal’s alternative housing facilities) on a regular basis and document the purge in a purge log book.

We selected a sample of medication log audits performed by Renewal for analysis. Renewal conducts separate medication log audits for each medication room maintained in each of Renewal’s facilities. We observed that the medication logs maintained in connection with the medication rooms used to serve residents in drug and alcohol (D&A) treatment programs were audited by Renewal weekly. Renewal was unable to produce 1 of 26 medication log audits (4%) we requested pertaining to male residents in D&A treatment programs, and was unable to produce 9 of 26 medication log audits (35%) we requested pertaining to female residents in D&A treatment programs. Renewal advised us that medication log audits for residents on work release (not receiving D&A treatment) are sometimes performed monthly and sometimes performed bi-monthly. We observed that monthly medication log audits for 2 of the 6 months we requested (33%) for male residents on work release provided by Renewal were missing the portion of the audit work pertaining to County residents.

While analyzing the medication log audits provided to us, we observed that 49 of 51 medication log audits (96%) were conducted by Monitors. Supervisors conducted the other two medication log audits. Since Monitors are responsible for the initial entry of data in the medication logs, having Monitors perform the medication log audits would typically involve the

### **III. Findings and Recommendations**

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Monitors reviewing at least some of what was their own work. This condition reduces the reliability of the medication log audits.

We discussed the procedures utilized in practice pertaining to the disposal of former residents' medications with Renewal personnel. For non-narcotic medications, the medication marked for disposal is discarded in a cardboard box in the corner of the medication room and recorded on the appropriate purge log sheet. Once this process is complete, there are no further checks and balances to ensure these medications are not tampered with or removed from the box without prior management level approval. For narcotic medications, the medication marked for disposal is maintained in a secure cabinet in the medication room up to and until the time of collection by the third party vendor that picks up the medications for disposal. However, the narcotics are not recorded on any purge log. Several Renewal employees including Monitors, Supervisors, and management have access to the medication rooms. When the medication is picked up by the third party vendor, the medication is not recounted or confirmed against the log to ensure that all medications to be disposed of have been accounted for. Consequently, the third party vendor does not provide Renewal with any documentary evidence that can help substantiate that Renewal disposed of all medications that should have been disposed of. Based on the procedures utilized pertaining to the disposal of former residents' medications described to us, it appears that Renewal does not have adequate assurance that all such medications are being properly disposed of.

It appears that Renewal's Supervisors may have believed that they had the authority to delegate the performance of medication log audits to Monitors. It also appears that various medication log audits could not be provided for our review due to inadequate record retention practices being employed by Renewal. With respect to the disposal of former residents' medications, it appears that Renewal had not identified the weaknesses in its policies and procedures.

There are a variety of effects associated with the aforementioned conditions. The reliability of Renewal's medication log audits is questionable since the individuals performing the audits are typically auditing their own work. Renewal's inability to produce certain medication log audits also hampers its ability to demonstrate that it complied with its own policies and procedures pertaining to the distribution of resident medications. The weaknesses in Renewal's policies and procedures pertaining to the disposal of former residents'

### **III. Findings and Recommendations**

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medications expose it to unnecessary risks associated with the potential theft and illegal sale or misuse of the medications (including narcotics and other prescription drugs).

#### **Recommendations**

We recommend that the management of Renewal:

- Take steps to ensure that medication log audits are performed by Supervisors or Renewal's Nurse as required by Renewal's policy.
- Ensure that all medication log audits are retained for inspection for the duration of the contractually-mandated retention period.
- Develop and implement procedures designed to provide management greater assurance that medications that should be disposed of are actually being properly disposed of.

### **III. Findings and Recommendations**

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#### **Allegheny County Jail Finding #1 Inadequate Contract Monitoring**

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Allegheny County Jail Policy #39 establishes policies for the Jail's monitoring of contracted alternative housing providers. The "Invoice Reconciliation" section of Jail Policy #39 requires that a procedure for invoice reconciliation is to be completed each month upon receipt of the program invoice. If a discrepancy between the resident days listed on the invoice and the resident days provided per the Jail's records is identified, Jail Policy #39 requires the discrepancy to be addressed at that time. If the provider's invoice is flawed, the provider must submit a corrected invoice before the Jail authorizes payment.

During testing of Renewal's monthly invoices, we identified substantial contract billings in excess of the allowable amounts for the services actually provided (see Renewal, Inc. – Finding #1). We learned that the Jail identified an overbilling for services provided by Renewal in May 2011, and that Renewal was required to submit a corrected invoice for that month before Renewal's payment for services for that month was processed. However, the same types of overbillings were prevalent in the invoices for the prior eight months and were not detected by the Jail. This suggests that the invoice reconciliation procedure mandated by Jail Policy #39 was not performed on a continuous basis during the period to which we applied our procedures. In addition, when the overbillings in the May 2011 invoices were identified, the Jail apparently did not examine the invoices for prior months to ensure that they did not contain the same types of overbillings.

It appears that the Jail may have reviewed Renewal's invoices for May 2011 because it was aware that Renewal had turnover in its Finance Department. The lack of the application of an invoice reconciliation procedure on a continuous basis may be attributable to a lack of Jail Administration's monitoring of compliance with Jail Policy #39. The effect of this condition is that the Jail compensated Renewal for services that were not provided over a period of eight months, and could compensate contracted alternative housing providers in the future for services that are not provided unless the monthly invoice reconciliation procedure mandated by Jail Policy #39 is continuously performed.

### **III. Findings and Recommendations**

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#### **Recommendation**

We recommend that Jail Administration:

- Monitor compliance with Jail Policy #39



December 30, 2011

## RENEWAL, INC.

CORPORATE OFFICE  
601 GRANT STREET, 5TH FLOOR  
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Ms. Lori Churilla  
Assistant Deputy Controller, Auditing  
County of Allegheny  
Office of the Controller  
436 Grant Street, Room 219  
Pittsburgh, PA. 15219-2498

RE: Renewal Inc. Audit of Compliance Procedures As Applied to Contracts #74827 and #75391 for Work Release Services for the Allegheny County Jail for the Period January 1, 2009 through March 31, 2011.

Dear Ms. Churilla:

This letter is in response to the findings resulting from our compliance audit with contracts #74827 and #75391 for the period of January 1, 2009 through March 31, 2011. The following is our response to the findings:

Finding #1:

- Due to previously unidentified billing errors, for the period to which we applied our procedures Renewal invoiced the County for 1,915 days of service that were not provided to residents, which represents \$100,636 in excess of the allowable amount for services actually provided.

Summary Response: Upon learning of the software glitch causing the over-billing – a glitch the audit found Renewal Inc. was not responsible for and could not have known about – Renewal Inc. immediately paid the full sum back to the jail and developed a system to double and triple check our billing records to ensure the county is never over-billed again.

Cause of Over-Billing: In mid September 2010, Renewal migrated all resident activity and data from the information system mainframe known as CorTrac to an entirely newly designed system known as RTS (Resident Tracking System). During the migration and immediately following, residents were “closed” in the RTS system and did not appear as “active” throughout, but remained on the “billing days report”. This system malfunction was corrected following the initial start-up in September, when it was discovered, but apparently did not correct retroactive to September activity. As a result, these residents continued to appear as active on the billing days reports. A letter is herewith attached from Renewal’s software design vendor, Odyssey Software Group with an explanation of the error and the assurance that it was a one-time system error.

Renewal Finance Department has also undergone staff turnover. Less familiarity with the invoicing process and the new mainframe, may have contributed to the errors not being discovered prior to the audit.

Response and Corrective Action Plan: Immediately upon notice from the auditors, Renewal contacted the jail and requested a re-payment plan for the over-billing. As per the jail administration's direction, Renewal credited the appropriate October and November 2011 invoices for \$100,636, the full amount over-billed.

Although the software vendor feels certain this error has been corrected and will not occur again, measures are being taken by Renewal staff to further assure that there will not be re-occurrences. Renewal's finance department will monitor the system-generated reports for accuracy by comparing head-count reports, for a minimum of two separate, random days per month, with the system-generated "billing days reports" for any possible discrepancies.

Finding #2:

- We tested a sample of 20 County residents for the proper handling of and accounting for the resident's funds. We found that:
  - Three Jail inmate account balance transfer checks and one employment check were not deposited in Renewal's resident account and were therefore not accounted for in Renewal's accounting system.
  - Two resident closeout checks were not processed and mailed to the former residents within 15 business days.
- Renewal may have not fully complied with the Pennsylvania Disposition of Abandoned and Unclaimed Property Act (72P.S.1301.1) during the period to which we have applied our procedures.

Summary Response: (1) Renewal Inc. was unaware of the checks not being deposited into the residents' accounts, and has implemented a new procedure to ensure residents will not be able to cash checks (2) Prior to the audit, Renewal Inc. had already taken steps to process closeout checks faster to ensure that everyone receives their appropriate checks within 15 business days following their departure and (3) Renewal Inc. is making every effort to locate the former residents with money still in resident accounts. The money has been set aside in separate accounts for payment as soon as the former resident is located; and any remaining money will be remitted to the Commonwealth of Pennsylvania before the April 15<sup>th</sup> deadline.

Response and Corrective Action Plan: Renewal shall ensure that all inmate account balance transfer checks and employment checks are deposited in the appropriate resident accounts. All inmate account balance transfer checks are received from the Allegheny County Jail in the mail. The receipt of these checks are entered in a "Check Log" used to document the date the check was received, the name of the resident, dollar amount of the check and the check number. All inmate account balance transfer checks are then forwarded to the resident's Case Manager who has the resident endorse the check, enters

the appropriate data in the RTS system, provides the resident with a receipt and forwards the check to the finance department so it is entered in the resident's Renewal account. Renewal Inc. Case Managers have received training and instruction that under any circumstances should resident's cash their inmate account balance transfer check. Renewal Inc. Directors and Case Manager Supervisors shall provide oversight to ensure compliance with this directive. Renewal Inc. Directors and/or Case Manager Supervisors shall periodically cross-reference the "Check Log" with the resident budget forms (resident account information) to ensure that the inmate account balance transfer checks are being deposited in their accounts.

Renewal Inc. shall require its residents to turn in all employment checks while they reside at the facilities. Renewal Inc. Case Managers require the employers to provide documented employment information including frequency of pay and shall use this information to track their caseloads paydays. Renewal Inc. Case Managers shall require their residents to turn in all employment checks upon their receipt. Case Managers shall require employment checks to be endorsed by the resident, they shall enter appropriate financial information in the RTS system, give the resident a receipt and forward the checks to the finance department for processing and delineation of the funds. Case Managers shall complete an individualized budget form with each resident to address their financial obligations. Case Managers shall make attempts to have employers send resident paychecks via the mail so they can be documented in the "check log" and forwarded to the resident's Case Manager. Residents who fail to turn their paychecks shall receive appropriate disciplinary action. Case Managers have received instruction and training in regards to this finding and shall follow this corrective action plan. Directors and Case Managers shall review budget information and financial information during regular file audits. Directors and Case Managers shall cross-reference the resident's documented frequency of pay with the residents pay stubs and other financial documents to ensure that their checks are being turned in within the appropriate time frames.

Renewal Inc. shall ensure that close-out checks are forwarded to the resident's within appropriate time frames. Two close-out checks, of the 20 County residents tested, were not processed and mailed within 15 business days as required. Recently, the procedure was changed from allowing 10 days for the Case Managers to request a close-out from the finance department, to 7 days. This gives the finance department two weeks to confirm the final paycheck, if applicable, has cleared the bank before sending residents their account close-out balances. The finance department, more recent than the audited period, agreed to accept close-out requests from Case managers via email, fax, or hand-carried, whichever means is most expedient.

Procedures have more recently been put in place regarding close-out checks returned to Renewal as undeliverable. The check returned is voided and funds are therefore returned to the residents account in the RTS system. Every attempt is made to obtain a corrected mailing address and re-send the funds. An Excel spreadsheet is kept with any and all returned close-out checks. Upon 5 years of age, any and all unclaimed funds will be sent to the Commonwealth of Pennsylvania as escheated, annually before the due date of

April 15<sup>th</sup>.

Renewal finance department staff has been diligently attempting to locate, from previous software programs and years of records, individuals to match to approximately \$30,000 that appears to be unclaimed resident funds. We have matched approximately \$12,000 of the \$30,000 and will send all identification details with the \$30,000 to the Commonwealth of Pennsylvania before the filing due date of April 15<sup>th</sup>. This procedure will be written in the Finance Policy and Procedure manual to assure its continuation as an annual procedure in order to be in compliance with Pennsylvania's Disposition of Abandoned and Unclaimed Property Act.

Finding #3

- Renewal was unable to produce a number of medication log audits we requested to inspect.
- Of 51 medication log audits we analyzed, 49 (96%) were performed by Monitors who are also involved in the distribution of medication to residents.
- Renewal's policies and procedures pertaining to the disposal of former resident's medications do not provide adequate assurance that such medications are properly disposed of.

Summary Response: Renewal Inc. has changed its agreement with the medical waste disposal company Renewal Inc. utilizes to dispose of unnecessary resident medication to provide a more complete record of the disposal of the medications.

Response and Corrective Action Plan: All Renewal Inc. medication audits shall be performed by the Security Shift Supervisors, Renewal Inc. Nurse or other designated Supervisory staff. The medication audits shall take place monthly and shall be kept electronically with a "hard copy" kept in a log for this purpose. The Security Supervisor shall audit this log regularly to ensure that the medication audits are being performed monthly with a copy placed in the designated log. Medication audit logs shall be kept for the duration of the contractually mandated retention period. Renewal Inc. shall implement the following to ensure medication that should be disposed of is being disposed of:

- Primary staff and staff witness in the final reconciliation of medication to be purged. Both staff will reconcile the final pill count together with their signature on final pill count to be purged.
- A copy of final pill reconciliation form will be placed in a sealable bag with the medication to be purged. The Primary staff along with a different staff witness shall place the sealable bag in a locking container that does not allow its removal without a key.
- Renewal Inc. shall have an agreement with a pharmacy or medical waste disposal company who will be responsible for the destruction of the medication according to applicable law.
- Only the Security Supervisor and the pharmacy/ medical waste disposal company shall have a key to the locking container. The pharmacy/medical waste disposal

- company shall “sign off” on the final pill reconciliation form when they take custody of all medication removed from the locking container. The final pill reconciliation form with documented signatures shall be kept in a log for this purpose.
- Renewal Inc. shall change its “Pharmaceutical” policy (Policy #11 Care) to reflect this change in procedures.
  - All concerned Renewal Inc. staff shall be trained in these requirements and directives.
  - Renewal Inc.’s Security Supervisor shall provide direct oversight to ensure compliance with this plan of correction. Renewal Inc.’s Director of Program Compliance will provide additional oversight during the performance of quarterly quality control plan inspections. This plan of correction has been implemented and shall be ongoing.

At Renewal Inc. we are constantly striving to improve the efficiency and accuracy of our services. Consequently we welcome the Controller’s audit and we greatly appreciate the time and resources your office spent to help us achieve better service for our residents and our county. I’m confident that you will find our response and corrective actions adequate and comprehensive for the identified areas of deficiency. If you need any further information, or have any questions or comments please contact me at 412-690-2451.

Sincerely,

A handwritten signature in black ink, appearing to read "Doug Williams", written in a cursive style.

Doug Williams, CEO

**ODYSSEY**  
SOFTWARE

November 1, 2011

Doug Williams  
Chief Executive Officer  
Renewal, Inc.  
601 Grant Street, Fifth Floor  
Pittsburgh, PA 15219

**Re: Billing Error - Ten Inactive Residents**

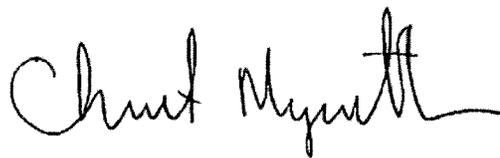
Dear Mr. Williams:

As you know, Odyssey has been proud to serve as Renewal's software contractor since June 2007. You have advised us that the RTS software program, utilized for billing, inadvertently counted 10 inactive residents as active for an 8 month period. As such, the system caused an overbilling of ten people for approximately eight months.

We have analyzed the problem and the codes. We determined that the error was due to a one time unknown system event and not a user-driven problem. This was not an issue that could realistically have been caught by Renewal staff. The matter is now closed and this issue will not arise in the future. We can confirm that this was a one time error that occurred through the transition from the previous software system and the current system has not replicated this error again. I do not expect this to be a problem for you in the future.

If you have any questions, please contact me.

Very truly yours,



Christos Myriantopoulos

President



BUREAU OF CORRECTIONS

County of Allegheny

950 SECOND AVENUE  
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PHONE: (412) 350-2000; FAX: (412)350-2032

TREVOR WINGARD  
INTERIM WARDEN

GREGORY GROGAN  
DEPUTY WARDEN

WILLIAM EMERICK  
DEPUTY WARDEN

DAN ONORATO  
CHIEF EXECUTIVE

Ms. Lori Churilla  
Assistant Deputy, Auditing  
Allegheny County Controller's Office  
104 Courthouse  
436 Grant Street  
Pittsburgh, pa 15219

Dear Ms. Churilla,

I would like to take this opportunity to thank you and your staff for your recent compliance review of the Jail's contracts with Renewal Incorporated, which encompassed agreements #75391 and #74827, respectively.

Such reviews are beneficial to our organization's attempt to effectively oversee the monetary and systemic applications that such agreements mandate. Attached to this correspondence is the Jail's response to your findings.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Wingard', written over a white background.

Trevor Wingard  
Warden, Allegheny County Jail

RECEIVED  
COUNTY CONTROLLER  
2012 JAN 10 AM 10:14



**DAN ONORATO**  
CHIEF EXECUTIVE

**BUREAU OF CORRECTIONS**  
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**TREVOR WINGARD**  
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**GREGORY GROGAN**  
DEPUTY WARDEN

**WILLIAM EMERICK**  
DEPUTY WARDEN

**JAIL RESPONSE TO THE ALLEGHENY COUNTY COMPLIANCE REVIEW OF  
CONTRACTS #74827 AND #75391 (RENEWAL INCORPORATED)**

**CONTROLLER'S RECOMMENDATION**

The Jail must provide enhanced compliance to Jail Policy #39 which outlines the Jail's responsibilities in monitoring contracted Alternative Housing facilities.

**JAIL'S RESPONSE**

Jail Administration is cognizant of the fact that deficiencies in manpower dedicated to alternative housing monitoring has resulted in the issues cited within your Controller's Report of Findings.

Nonetheless, it is the Jail's responsibility to identify more effective venues to ensure contract compliance. However, that is easier said than done. Jail Administration has recommended that one (1) full time Jail employee be hired for field monitoring of contracted alternative housing providers to the Jail. Although this one position is a step in the right direction and will enhance existing monitoring endeavors, it is not sufficient to address the manpower needs such an undertaking requires. Upon the appointment of a full-time Warden for the Bureau of Corrections, the Services Division of the Jail will outline to the Warden's Office a proposal for an Alternative Housing Department. Within this proposal will be a request for additional manpower dedicated solely to the alternative housing department. It is expected that such a dedicated allocation of resources will alleviate the issues cited by the Controller and provide the structured monitoring necessary for the County's contracted Alternative Housing program.

