



# County of Allegheny

## Office of the Controller

COMMUNITY HUMAN SERVICES  
CORPORATION  
REPORT ON CONTRACT  
COMPLIANCE PROCEDURES  
FOR THE PERIOD APRIL 1, 2008  
THROUGH DECEMBER 31, 2009

*(Non-Audit Service)*

May 5, 2010

**County of Allegheny  
Office of the Controller  
Mark Patrick Flaherty  
Controller**

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**MARK PATRICK FLAHERTY**  
CONTROLLER

# COUNTY OF ALLEGHENY

## OFFICE OF THE CONTROLLER

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**GUY A. TUMOLO**  
DEPUTY CONTROLLER

April 28, 2010

Mr. Marc Cherna  
Director  
Allegheny County Department of  
Human Services  
One Smithfield Street, 4<sup>th</sup> Floor  
Pittsburgh, PA 15222

**SUBJECT: Compliance Procedures Applied to Contracts #97488, #84924,  
#92008, and #93092 Between Community Human Services  
Corporation and Allegheny County for the Period  
April 1, 2008 through December 31, 2009**

Dear Mr. Cherna:

We have applied compliance procedures to contracts #97488, #84924, #92008 and #93092 between the Allegheny County Department of Human Services (“DHS”) and Community Human Services Corporation (“CHS”). We performed these compliance procedures to ensure that CHS was in compliance with the scope and terms of the agreements. Our compliance procedures covered the period from April 1, 2008 through December 31, 2009. Our engagement was performed as a non-audit service, and was therefore not performed in accordance with *Government Auditing Standards*.

The application of our compliance procedures revealed that CHS billed the County for \$23,055 in indirect costs for which it did not provide adequate support, and charged a \$380 expenditure to the wrong program.

Mr. Marc Cherna  
April 28, 2010

CHS should immediately pay to Allegheny County DHS \$23,055, the amount of indirect costs that was not adequately supported. CHS should adjust and resubmit invoices to DHS to properly reflect the \$380 expenditure as a cost of the Supportive Relocation program, develop a methodology that can be used to substantiate indirect costs, and evaluate the adequacy of its internal control procedures.

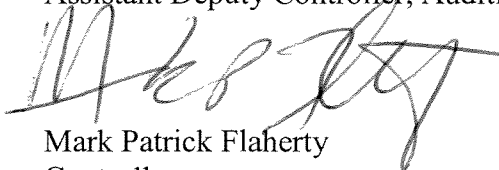
We believe that the implementation of our recommendations will improve Community Human Services Corporation's compliance with any future County contracts. The results of the application of our compliance procedures are provided in the attached report.

We would like to thank the management and staff of Community Human Services Corporation for their courtesy and cooperation during the performance of our procedures.

Very truly yours,



Lori A. Churilla  
Assistant Deputy Controller, Auditing



Mark Patrick Flaherty  
Controller

cc: Honorable Richard Fitzgerald, President, County Council  
Honorable William Russell Robinson, County Council  
Honorable Dan Onorato, Chief Executive  
Mr. James M. Flynn, Jr., County Manager  
Ms. Amy Griser, Budget Director  
Mr. Randolph Brockington, Deputy Director, Dept. of Human Services  
Mr. William Pagonis, Deputy Director, Department of Human Services  
Mr. Joseph Catanese, Director of Constituent Services  
Ms. Jennifer Liptak, Budget Director, County Council  
Ms. Adrienne Walnoha, Executive Director, Community Human Services Corp.  
Community Human Services Corporation, Board of Directors  
Mr. Guy A. Tumolo, Deputy Controller  
Ms. Pamela Goldsmith, Communications Director

## *EXECUTIVE SUMMARY*

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**Purpose of Procedures:**

We performed compliance procedures to ensure that Community Human Services Corporation ("CHS") was in compliance with the scope and terms of contracts #97488, #84924, #92008, and #93092, respectively.

**Background:**

CHS is a nonprofit organization that was incorporated in the 1970s to provide housing services to individuals and single families who resided in the South Oakland area of the City of Pittsburgh and experienced homelessness. The mission of CHS is to enhance people's lives and strengthen communities by providing opportunities to develop individuals' potential and delivering comprehensive services that maximize the health and well-being of those served. Services provided by CHS include housing services which offer temporary shelter and services to those on the street, assistance in finding housing and/or securing benefits, and support to develop and maintain a stable life and home environment.

CHS entered into contracts #97488, #84924, and #92008 with the Allegheny County Department of Human Services ("DHS") to provide supportive relocation services and permanent housing to homeless or near homeless individuals and families. CHS entered into contract #93092 with Allegheny County to assist in the provision of family support services to families with children who suffer from mental disabilities. Allegheny County DHS paid CHS:

- \$342,516 under contract #84924 for the period from April 1, 2008 through March 31, 2009,
- \$283,092 under contract #97488 for the period from April 1, 2009 through December 31, 2009,
- \$262,733 under contract #92008 for the period from December 1, 2008 through November 30, 2009, and
- \$243,823 under contract #93092 for the period from September 29, 2008 through September 29, 2009.

Under contracts #97488 and #84924 CHS was to provide supportive relocation services via the Supportive Relocation program.

Under contract #92008, CHS was to provide permanent housing for 20 homeless families under the Families United program.

## ***EXECUTIVE SUMMARY***

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Under contract #93092, CHS was to provide pass-through funding and administrative management services to Allegheny Family Network, the nonprofit organization that administers the Family Support Services program, a program that provides supportive services to families with children suffering from mental disabilities.

### **Results in Brief:**

While performing our procedures, we found that CHS billed the County for unsupported and unallowable costs. Specifically, we found that:

#### **Finding #1**

- CHS billed the County \$23,055 for indirect costs under the Family Support Services program (contract #93092) that were not supported.
- A \$380 expenditure that was allowable under the Supportive Relocation program was inappropriately charged to the Families United program (contract #92008), and was not an allowable cost under that program.

### **Recommendations:**

We recommend that Community Human Services Corporation management:

#### **Recommendation #1**

- Immediately pay to Allegheny County DHS \$23,055, the amount of indirect costs previously submitted for reimbursement for which support has not been provided.
- Develop a plan to provide a reasonable allocation of indirect costs to the Family Support Services program, and provide DHS with documentation to support costs claimed.
- Adjust the invoices to DHS to properly reflect the \$380 expenditure as a Supportive Relocation program cost.
- Evaluate the adequacy of CHS's internal control procedures.

We recommend that DHS management ensure that CHS reimburses the County \$23,055.

## **I. Introduction**

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### **Background**

Community Human Services Corporation (“CHS”) is a nonprofit organization that was incorporated in the 1970s to provide housing services to individuals and single families who resided in the South Oakland area of the City of Pittsburgh and experienced homelessness. The mission of CHS is to enhance people’s lives and strengthen communities by providing opportunities to develop individuals’ potential and delivering comprehensive services that maximize the health and well-being of those served. Services provided by CHS include housing services which offer temporary shelter and services to those on the street, assistance in finding housing and/or securing benefits and support to develop and maintain a stable life and home environment.

Allegheny County entered into contracts #97488, #84924, #92008 and #93092 with CHS to provide supportive relocation services and permanent housing to homeless or near homeless individuals. Allegheny County DHS paid CHS:

- \$342,516 under contract #84924 for the period from April 1, 2008 through March 31, 2009,
- \$283,092 under contract #97488 for the period from April 1, 2009 through December 31, 2009,
- \$262,733 under contract #92008 for the period from December 1, 2008 through November 30, 2009, and
- \$243,823 under contract #93092 for the period from September 29, 2008 through September 29, 2009.

Under contract numbers #97488 and #84924, CHS was to provide supportive relocation services through the Supportive Relocation program, a “supportive services only” program that offers housing location support, one-time rental assistance, transportation, furniture, food, service coordination and case management support for young adults, single adults, and families facing homelessness. Consumers are eligible to receive \$800 towards housing expenses, \$200 for each dependent, and \$200 for completing budgeting classes. There were 158 consumers served under this program for the period from April 1, 2008 through December 31, 2009.

Under contract #92008, CHS was to provide permanent housing for homeless families through the Families United program. The Families United program provides 20 units of housing to serve as permanent housing for any of four categories of program participants: chronically homeless, single, disabled, and families. The program targets families that have experienced multiple episodes of homelessness for six months or more. The Families

## **I. Introduction**

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United program also serves households that would be considered treatment resistant and those who experience episodic addiction and mental illness but have difficulty adhering to treatment plans. The goal of this program is to move families to self-sufficiency. The Families United team will assist the family with identifying and addressing needs that include housing, vocation, financial stability, employment, increasing life skills, locating resources, and maintaining sobriety/mental health stability through the use of available resources.

Under contract #93092, CHS was to provide pass-through funding and administrative management services to Allegheny Family Network, the nonprofit organization that administers the Family Support Services program. The Family Support Services program provides supportive services to families with children who have mental disabilities.



## **II. Scope and Methodology**

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We applied compliance procedures to contracts #97488, #84924, #92008 and #93092 between Allegheny County DHS and Community Human Services Corporation (“CHS”) to ensure that CHS was in compliance with the scope and terms of the contracts. Our compliance procedures covered the period from April 1, 2008 through December 31, 2009.

Specifically, we performed the following procedures:

- Interviewed CHS personnel to gain an understanding of the processes and controls in place to ensure financial accountability for contract activities, compliance with its County contracts, laws and regulations, HUD requirements, and any other applicable requirements.
- Interviewed CHS management to gain an understanding of the monitoring activities performed to identify deficiencies in the operation of internal controls, the reporting of contract activities, compliance with its County contracts, laws and regulations, HUD requirements, and any other applicable requirements.
- Reviewed the minutes of CHS Board meetings for the period April 1, 2008 through December 31, 2009.
- Examined records of CHS that were relevant to the administration of the contracts to determine compliance with the contracts.
- Verified that CHS submitted the required reports to DHS for the period from April 1, 2008 through December 31, 2009.
- Examined (on a test basis) the documentation supporting costs claimed for reimbursement under the contracts to verify that the costs were allowable costs incurred to satisfy the objectives described in the scope of services.
- Tested on a limited basis CHS’s compliance with applicable laws and regulations and the provisions of contracts #97488, #84924, #92008 and #93092.

We performed these procedures during February through April 2010. We provided a draft copy of this report to the Executive Director of CHS for comment (see page 10).

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

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Finding #1

**Unsupported and Unallowable Costs**

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In order for indirect costs to be allowable, they must be determined pursuant to a cost allocation plan that provides for an equitable distribution of costs. We observed that Community Human Services Corporation billed the Allegheny County Department of Human Services (“DHS”) \$23,055 in indirect costs under the Family Support Services program (contract #93092). CHS’s management advised us that the amount billed was intended to represent 10% of the total program expenditures, in accordance with the terms of a gentlemen’s (unwritten) fiduciary agreement between CHS and Allegheny Family Network (“AFN”), the nonprofit organization for which CHS was to provide administrative management services under the program. Any unwritten agreement between CHS and AFN has no bearing on CHS’s ability to allocate indirect costs to the Family Support Services program. It appears that this condition occurred because management was not aware that an unwritten agreement between CHS and AFN was an inadequate basis for allocating indirect costs to the program. As a result of this condition, the \$23,055 in indirect costs claimed by CHS has not been adequately supported.

We also determined that an expenditure of \$380, a one-time rent subsidy which was an allowable cost under the Supportive Relocation program, was inappropriately charged to the Families United program (contract #92008) by CHS as the result of an accounting error. Consequently, CHS must adjust the invoices to DHS to properly reflect the \$380 expenditure as a cost of the Supportive Relocation program.

#### **Recommendations**

We recommend that Community Human Services Corporation management:

- Immediately pay to Allegheny County DHS \$23,055, the amount of indirect costs previously submitted for reimbursement for which support has not been provided.
- Develop a plan to provide a reasonable allocation of indirect costs to the Family Support Services program, and provide DHS with documentation to support costs claimed.
- Adjust the invoices to DHS to properly reflect the \$380 expenditure as a Supportive Relocation program cost.
- Evaluate the adequacy of CHS’s internal control procedures.

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

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We recommend that DHS management ensure that CHS reimburses the County \$23,055.

April 25, 2010

Mark Flaherty  
County Controller  
Courthouse  
436 Grant Street - Room 104  
Pittsburgh, PA 15219

Dear Controller Flaherty,

Below please find our responses to the findings in the report by Jeff Vargas, in regards to the Community Human Services Compliance Audit for the period of April 1, 2008 to December 31, 2009.

**Finding #1a (Page 8), Unallowable Admin Costs of \$23,055:**

The costs in question were costs associated with AFN (Allegheny Family Network), not for CHSC (Community Human Services Corp.). On the CHSC ledgers, we booked monies received from AFN AS Fiduciary Fee Revenue.

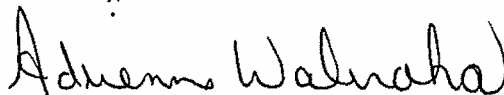
In the original discussions/agreements between AFN, Allegheny County Department of Human Services Office of Behavioral Health and CHSC, our fees were to be based upon an EFT %.

We are currently working with the Allegheny County Department of Human Services Office of Behavioral Health and AFN to determine an amicable resolution to this issue.

**Finding #1b (Page 8), Unallowable \$380 Costs for Families United:**

Community Human Services will make adjusting journal entries for our Families United and Supported Relocation Program to reflect the correct program for this expenditure.

Sincerely,



Adrienne Walnoha MSW LSW  
Chief Executive Officer

# ALLEGHENY COUNTY DEPARTMENT OF HUMAN SERVICES

Marc Cherna, Director

Dan Onorato, Allegheny County Executive

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May 3, 2010

Lori Churilla  
Assistant Deputy Controller, Auditing  
104 Courthouse  
436 Grant Street  
Pittsburgh, PA 15219-2498

Re: DHS Response to Draft Report Community Human Services Corporation on Contract Compliance Procedures for the period of April 1, 2008 through December 31, 2009

Dear Ms. Churilla,

The Department of Human Services has reviewed your draft report and offers the following response.

Regarding the unapproved indirect cost billing and payment, DHS agrees with the Controllers' finding since the cost is not supported with actual costs or an approved rate, or a written agreement. The Department of Human Services will recover these costs from the agency, Community Human Services Corporation. In addition, the \$380.00 must be removed from the incorrect expense and assigned to the correct contract to properly reflect the expenditure for the Supportive Relocation Program.

The Department of Human Services will conduct a follow up review to ensure both matters have been correctly addressed. The Department will also structure a repayment plan with Community Human Services Corporation to recover the disallowed amount.

Should you have any questions, please contact me at 412.350.5203.

Sincerely,

  
Randolph W. Brockington  
Deputy Director

Cc. Catherine Adekoya, Administrator  
William Pagonis, Administrator