

**RENEWAL INC.
CONTRACT COMPLIANCE PROCEDURES
FOR WORK RELEASE SERVICES
FOR THE PERIOD APRIL 1, 2007
THROUGH DECEMBER 31, 2008**

August 19, 2009

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MARK PATRICK FLAHERTY
CONTROLLER

GUY A. TUMOLO
DEPUTY CONTROLLER

Mr. Ramon Rustin
Warden
Allegheny County Jail
950 Second Avenue
Pittsburgh, PA 15219

SUBJECT: Compliance Procedures Applied to Contracts #74827 and #75391 between Renewal Inc. and Allegheny County Jail for Work Release Services for the Period April 1, 2007 through December 31, 2008

Dear Warden Rustin:

We have applied compliance procedures to contracts #74827 and #75391 between the Allegheny County Jail and Renewal Inc. ("Renewal") 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 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 April 1, 2007 through December 31, 2008.

The application of our compliance procedures revealed that Renewal needs to modify its contract invoicing procedures to ensure compliance with the compensation provisions of the work release services agreements (Renewal overbilled the Allegheny County Jail by \$25,827), take steps to facilitate its compliance with the Pennsylvania Disposition of Abandoned and Unclaimed Property Act, and improve its case management monitoring activities to assist in ensuring that services provided under the agreements are provided in accordance with the *Guide to Resident Services* (incorporated into the work release services agreements by reference) and the provisions of the agreements.

We believe that the implementation of our recommendations will improve Renewal's ability to comply as well as demonstrate its compliance with the work release services agreements. The results of the application of our compliance procedures are provided in the attached report.

Warden Ramon Rustin
August 19, 2009

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

Very truly yours,



Lori Churilla
Assistant Deputy, 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
Jail Oversight Board
Mr. Joseph Catanese, Director of Constituent Services
Ms. Jennifer Liptak, Budget Director, County Council
Mr. Doug Williams, CEO, Renewal Inc.
Mr. Guy A. Tumulo, Deputy Controller
Mr. Robert J. Lentz, Assistant Deputy, Accounting
Ms. Pamela Goldsmith, Communications Director

EXECUTIVE SUMMARY

Purpose of Procedures:

We performed our compliance procedures to ensure that 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 inmates in total, from the Allegheny County Jail. These individuals are determined 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.

Under agreement #74827, Renewal is paid for up to 150 beds occupied by male County inmates. Up to 75 beds may be provided for male inmates who are to receive drug and alcohol treatment, and up to 75 beds may be provided for male inmates who are not in need of (and not to receive) drug and alcohol treatment. The total compensation paid to Renewal under contract #74827 is not to exceed \$9,198,000. Renewal is entitled to the following compensation for services performed under the agreement:

For male inmates provided drug and alcohol treatment
\$60 per day First 75% of housed inmate days billed
\$58 per day Remaining 25% of housed inmate days billed

For male inmates not provided drug and alcohol treatment
\$52 per day First 75% of housed inmate days billed
\$50 per day Remaining 25% of housed inmate days billed

EXECUTIVE SUMMARY

Under agreement #75391, Renewal is paid for up to 100 beds occupied by female County inmates who are to receive drug and alcohol treatment. The total compensation paid to Renewal under contract #75391 is not to exceed \$6,570,000. Renewal is entitled to the following compensation for services performed under the agreement:

For female inmates provided drug and alcohol treatment

\$60 per day First 75% of housed inmate days billed

\$58 per day Remaining 25% of housed inmate days billed

Renewal assists and supports its residents, including inmates 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. The remaining balance 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.

EXECUTIVE SUMMARY

Results in Brief:

While performing our procedures, we found that Renewal needs to modify its contract invoicing procedures, take steps to comply with a specific Pennsylvania law, and improve its monitoring activities. Specifically, we found:

- Due to a misinterpretation of the compensation provisions in its County contracts, Renewal billed a combined total of \$25,827 more than the allowable amount for services rendered under contract #74827 and contract #75391 during the period to which our procedures were applied, April 1, 2007 through December 31, 2008. Renewal identified a portion of the overbillings in 2009 and issued a credit to Allegheny County in the amount of \$9,510 on its May 2009 invoice. The remainder of the amount overbilled, \$16,317, is payable to the County.
- Renewal did not comply with the provisions of Allegheny County Jail Policy #36 pertaining to the issuance of passes to inmates. This condition was corrected by Renewal in October 2008. There is also a lack of documentary evidence to support that Renewal consistently made all of the notifications required by Policy #36 when inmates walked away from Renewal's alternative housing facility. Nine instances were identified in which all of the required notifications were not made within two days of the walk-away.
- Renewal is not in compliance with the Pennsylvania Disposition of Abandoned and Unclaimed Property Act.
- There is a lack of documentary evidence to support that Renewal consistently provided its services in accordance with certain sections of the *Guide to Resident Services* as required by its Allegheny County contracts.

EXECUTIVE SUMMARY

Recommendations:

We recommend that Renewal management:

- Since Renewal adjusted its billings in May 2009 to provide Allegheny County a credit for \$9,510 of the amount overbilled during the period to which our procedures were applied, we request that Renewal:
 - Issue a refund to Allegheny County for the remainder of \$16,317.
 - Further adjust its billings for 2009 to reflect only billings for the allowable amount based on services rendered.
 - To facilitate its compliance with future contracts, we recommend that Renewal carefully review the billing provisions contained in contracts it enters into before issuing invoices under those contracts.
- Review with case managers the requirements contained in Allegheny County Jail Policy #36 and the importance of following and documenting the performance of the established notification procedures for walk-aways.
- Take the steps necessary to bring Renewal into compliance with the Pennsylvania Disposition of Abandoned and Unclaimed Property Act.
- Improve the monitoring of case managers to ensure that any failures to perform or document required procedures can be identified and quickly remedied.

I. Introduction

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 Warden is responsible for compliance monitoring and management oversight of this contract.

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 inmates and up to 100 female inmates, up to 250 County inmates in total, all of whom are judged to be non-violent, low risk offenders. The average length of stay for County inmates 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 550 inmates.

The County entered into contracts #74827 and #75391 for the period April 1, 2007 through March 31, 2010.

Under agreement #74827, Renewal is paid for up to 150 beds occupied by County inmates. Up to 75 beds may be provided for male inmates who are to receive drug and alcohol treatment, and up to 75 beds may be provided for male inmates who are not to receive drug and alcohol treatment. For male inmates 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 inmates 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 inmates 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 inmates 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. The total compensation paid to Renewal under contract #74827 is not to exceed \$9,198,000.

I. Introduction

Under agreement #75391, Renewal is paid for up to 100 beds occupied by female County inmates 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 inmates 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. The total compensation paid to Renewal under contract #75391 is not to exceed \$6,570,000.

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. The remaining balance 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

We applied compliance procedures to contracts #74827 and #75391 between Allegheny County and Renewal Inc. 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 April 1, 2007 through December 31, 2008.

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

- Interviewed Jail and Renewal personnel involved in the work release program to gain an understanding of the types of services provided and the processes and internal controls in place to ensure that services are provided in accordance with established laws and regulations, the *Guide to Resident Services*, and the scope and provisions of contract #74827 and contract #75391.
- Reviewed the minutes of the Jail Oversight Board meetings and Renewal's Board minutes for the period from April 1, 2007 through December 31, 2008.
- Reviewed the most recent contract compliance report and determined the implementation status of our prior recommendations.
- Examined records of Renewal Inc. and the Jail that were relevant to the administration of the work release services agreements, including resident case files, to determine compliance with the agreements.
- Verified through headcount reports the number of County residents enrolled at Renewal.
- Examined contract invoices from April 1, 2007 through December 31, 2008.
- Tested on a limited basis Renewal's compliance with applicable laws and regulations.

II. Scope and Methodology

- 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 the process by which inmate account balances are transferred to the alternative housing program.
- Examined Renewal's 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.
- Verified on a test basis that Renewal submitted the required reports to the Allegheny County Jail.
- Recalculated residents' distribution of income of which 20% is deducted for room and board and offset against Allegheny County's contract invoices.
- Verified payments deducted from residents for court costs and fines were properly remitted to the Clerk of Courts Office.
- Reviewed the issuance of daily passes to inmates, the types of activities that inmates on passes were permitted to participate in, and the procedures used to verify that inmates were at the approved locations.
- Evaluated Renewal's monitoring of inmates who participate in employment or community service activities outside of the alternative housing facility.

We performed these procedures from May through July 2009. We provided a draft copy of this report to the Chief Executive Officer of Renewal for comment (see page 18).

III. Findings and Recommendations

Finding #1
Contract Billings in Excess
of Allowable Amounts

We determined through discussion with management that Renewal misinterpreted the provisions of contract #74827 and contract #75391 that govern Renewal's billing for services rendered. The contracts specify that the first 75% of inmate days can be billed at the higher contract rates (\$60 D&A, \$52 non-D&A). The remainder of inmate days must be billed at the lower contract rates (\$58 D&A, \$50 non-D&A). Renewal billed Allegheny County at the higher contract billing rates for 75% of the contract maximum number of inmates per day, regardless of whether the maximum number of inmates was actually housed in Renewal's facilities each day. Renewal only billed at the lower rates when it housed inmates each day that exceeded 75% of the contract maximum number of inmates. As a result, Renewal billed \$25,827 more than the allowable amount based on the services rendered during the period to which our procedures were applied, from April 1, 2007 through December 31, 2008, and was therefore not in compliance with the terms of the contracts.

Recommendations

Renewal adjusted its billings in May 2009 to provide Allegheny County a credit for \$9,510 of the amount overbilled during the period to which our procedures were applied. We request that Renewal:

- Issue a refund to Allegheny County for the remainder of \$16,317.
- Further adjust its billings for 2009 to reflect only billings for the allowable amount based on services rendered.
- To facilitate its compliance with future contracts, we recommend that Renewal carefully review the billing provisions contained in contracts it enters into before issuing invoices under those contracts.

III. Findings and Recommendations

Finding #2

Noncompliance with and Lack of Evidence to Support Compliance with Allegheny County Jail Policy #36

Allegheny County Jail Policy #36 (“Policy #36”), issued August 23, 2007, states that daily passes for inmates cannot be granted at the discretion of alternative housing facilities. Daily passes can only be granted by the Court of Common Pleas. Management has informed us that Renewal was initially not aware that Policy #36 was in effect, and that the policy placed restrictions on the granting of passes to inmates. In October 2008, Allegheny County Jail acknowledged that it was uncertain as to whether Renewal had been provided a copy of Policy #36 when it was issued, and provided Renewal a copy of Policy #36 at that time. Renewal changed its policy at that time to prohibit the granting of passes. However, during the period from August 23, 2007 to approximately October 2, 2008, inmates were granted passes by Renewal without approval from the Court of Common Pleas.

Policy #36 also requires that immediate notification be provided to the Allegheny County Jail (Records Department and Internal Affairs Division), Allegheny County Police, and Director of Alternative Housing when an inmate walks away from an alternative housing facility, and that notification during business hours be provided to the inmate’s sentencing judge. As indicated above, Renewal was not initially aware that Policy #36 was in effect, and was not aware that it established notification procedures for walk-aways. Prior to modifying its procedures on approximately October 2, 2008 to comply with the requirements of Policy #36, Renewal followed pre-existing procedures that it believes complied with the requirements in effect at that time. Those pre-existing procedures did not include notifying the Allegheny County Police. As a result, Renewal was not in compliance with that requirement of Policy #36 for the period from August 23, 2007 to approximately October 2, 2008.

We selected a sample of twenty-seven males and nine females that walked away from Renewal’s alternative housing facility during the period to which our procedures were applied, a total of thirty-six inmates, and examined their case files to determine whether there was evidence to support that the appropriate communications were made in a timely fashion. We noted that six (17%) case files contained no documentation to support that the Allegheny County Jail Internal Affairs Division had been notified, 20 (56%) case files contained no documentation to support that the

III. Findings and Recommendations

Allegheny County Police had been notified, and two (6%) case files contained no documentation to support that the sentencing judge had been notified. It was also noted in nine (25%) case files that one or more of the required notifications were not made within two days of the walk-away from the facility.

Recommendation

We recommend that Renewal remind case managers, possibly through a training exercise, about the requirements contained in Policy #36 and the importance of following and documenting the performance of the established notification procedures. We also recommend that Renewal take steps to improve the monitoring of case managers to ensure that any failures to perform or document the required notification procedures can be identified and quickly remedied.

III. Findings and Recommendations

Finding #3

Noncompliance with the Disposition of Abandoned and Unclaimed Property Act (“Act”), 72 P.S. 1301.1

Renewal has not escheated to the Commonwealth of Pennsylvania any of the funds unclaimed by former inmates who were housed in Renewal’s alternative housing facilities as required by the Act. The bank balance of the account Renewal uses for deposit of inmate funds had a bank balance of \$354,429 at December 31, 2008. However, that balance included funds held for inmates still housed at the facility and funds held for former inmates for whom the applicable holding period had not yet expired, as well as funds held for inmates for whom the holding period had expired and escheating to the Commonwealth of Pennsylvania should have occurred. Renewal’s management has stated that it does not have in its possession a complete itemized accounting of all of the funds currently in the bank account it uses for deposit of inmate funds. We were informed by management that to generate a complete itemized accounting of the funds that belong to each inmate or former inmate may not be possible at this time since records for older accounting periods may not be available. Management has indicated that Renewal’s failure to comply with the Act was attributable to lack of familiarity with the Act and its requirements. Failure to comply with the Act constitutes noncompliance with Section 9 of contract #74827 and Section 9 of contract #75391.

Recommendations

We recommend that Renewal attempt to prepare the most complete accounting of inmate funds that it can utilizing the records that are available. Management has asserted that inmate funds have not at any time been commingled with the Organization’s funds. If that is the case, any funds in the bank account used for deposit of inmate funds that cannot be attributed to a specific inmate or former inmate should be escheated to the Commonwealth of Pennsylvania, as should any funds attributable to specific former inmates for whom the holding period has expired.

III. Findings and Recommendations

Finding #4

Lack of Evidence to Support the Provision of Services in Accordance with the *Guide to Resident Services* (Formerly the *Renewal Center Handbook*)

We identified three conditions in which there was a lack of evidential matter to support the provision of services in accordance with the Guide to Resident Services (“Guide”). Failure to provide services in accordance with the Guide constitutes noncompliance with Section 1 of contract #74827 and Section 1 of contract #75391.

1. Inmate Account Balance Transfer Process

The Guide requires that income inmates receive from any source be turned over to their case manager. Case managers are to monitor inmate budgets, authorize the release of funds to inmates as necessary (within the limitations established in the guide), and monitor the inmates’ expenditures. We noted that account balance transfer checks for two (9%) of the 23 inmates transferred into Renewal Inc.’s alternative housing facility during the period from April 1, 2007 through December 31, 2008 were not deposited in the bank. Allegheny County Jail records indicate that both checks were cashed. Management acknowledges that one check in the amount of \$32.66 was cashed by an inmate, and that the agency’s records do not indicate who authorized the inmate to cash the check. Management asserts that the agency does not have any record of receipt of the other inmate’s account balance transfer check in the amount of \$25.26.

2. Resident Budget Forms not Maintained in Case Files

The Guide requires case managers to review inmate budgets and approve inmate expenditures. The case manager signature on the budget form evidences the case manager’s authorization of any amounts to be retained by the inmate. Three (27%) of our sample of eleven employed inmate case files did not contain budget forms for the pay periods we selected to examine. Each of the three case files did contain budget forms for other pay periods.

3. Timeliness of Resident Account Close-out Process

The Guide requires account close-out checks for former inmates to be issued within fifteen days of their release from the facility. We selected a sample of 25 former residents to determine whether

III. Findings and Recommendations

they received account close-out checks timely and in the proper amount, if they were entitled to receive them. We determined that 11 of the 25 former residents were entitled to receive close-out checks. While all account close-out checks related to the 11 former residents were issued in the proper amount, the close-out checks for four (4) of the 11, or 36%, were not issued within fifteen days of the inmates' release as required by the Guide. The account close-out process must be initiated by the former residents' case managers. We noted in each of the four instances of noncompliance that the requests for account close-out were not issued timely by the case managers.

Recommendation

We recommend that Renewal review the requirements identified in the previous conditions with its case managers to ensure that they are aware of the requirements, and take steps to improve the monitoring of case managers to ensure that any deficiencies in documentation or performance of procedures are quickly identified and remedied.

**Schedule of Allowable Costs and Contract Payments
For the Period from April 1, 2007 to December 31, 2008**

	<u>Contract #74827 (Males)</u>		<u>Contract #75391 (Females)</u>	
	County Payments to Renewal (net)	Allowable Amount	(Underpayment)/ Overpayment	County Payments to Renewal (net)
				Allowable Amount
				(Underpayment)/ Overpayment
April 2007	\$ 138,342.56	\$ 139,298.56	\$ (956.00)	\$ -
May	136,452.49	137,406.49	(954.00)	-
June	131,466.23	132,288.23	(822.00)	-
July	141,378.02	142,340.02	(962.00)	-
August	145,853.81	145,389.81	464.00	28,500.00
September	175,459.95	173,209.95	2,250.00	76,090.81
October	203,704.29	203,224.29	480.00	86,172.39
November	204,000.45	202,704.45	1,296.00	83,420.56
December	222,058.42	220,598.42	1,460.00	81,479.47
January 2008	212,401.18	211,159.18	1,242.00	71,965.26
February	201,949.75	200,605.75	1,344.00	95,222.28
March	214,868.04	213,614.04	1,254.00	106,249.92
April	209,153.10	207,808.30	1,344.80	89,411.67
May	233,961.20	232,701.20	1,260.00	87,321.40
June	221,584.41	220,190.41	1,394.00	74,071.21
July	218,523.80	216,915.80	1,608.00	65,879.84
August	234,118.21	232,842.21	1,276.00	58,104.22
September	219,902.59	218,734.59	1,168.00	58,292.35
October	230,387.10	229,127.10	1,260.00	45,670.16
November	225,780.57	225,584.57	196.00	38,179.77
December	209,960.32	209,126.32	834.00	48,786.54
	<u>\$ 4,131,306.49</u>	<u>\$ 4,116,957.69</u>	<u>\$ 16,436.80</u>	<u>\$ 1,194,817.85</u>
				<u>\$ 1,187,091.85</u>
				<u>\$ 9,390.00</u>



August 13, 2009

Ms. Lori Churilla
Assistant Deputy Controller, Auditing
County of Allegheny
Office of the Controller
104 Courthouse, 436 Grant Street
Pittsburgh, Pa 15219-2498

Dear Ms. Churilla,

Please find the following responses to the four (4) findings of your report entitled *Renewal, Inc. Contract Compliance Procedures for Work Release Services for the period April 1, 2007 through December 31, 2008*.

Response to Finding #1 - Contract Billings in Excess of Allowable Amounts

Renewal has maintained throughout the audit process that Renewal invoiced the referenced contracts, #74827 and #75391, identical as to the prior contract #27719 invoicing. While proposing contracts #74827 and #75391, Renewal agreed to mimic contract #27719 by invoicing for utilized beds up to 75% of the total number of beds allowed for in the contract, and then offering a decreased rate for residents over 75% on each day.

The aforementioned contract #27719 had actually expired on December 31, 2006, at which time the County jail issued an extension of the contract through February 28, 2007. Because new contracts #74827 and #75391 were not fully executed and presented to Renewal until mid to late July 2007, Renewal placed a telephone call to the County jail requesting direction for invoicing April 2007 and onward until the fully executed contract agreement was received. Renewal was directed to proceed with invoicing as done under the prior contract and extension, but with the updated rates Renewal proposed for the new contracts. Renewal proceeded with invoicing as agreed through the period ending June 30, 2007, until the fully executed contracts #74827 and #75391 were received in July 2007. Renewal interpreted the verbiage in the contract to be as was originally intended by Renewal in its proposals and Renewal continued with the invoicing procedure used for the three (3) beginning months of the new contracts. **Renewal at no time invoiced for beds not being used by County jail referrals** and only invoiced by what Renewal perceived as the agreed upon procedures.

In order to be in compliance with how the contract invoicing is being interpreted, Renewal has made adjustments to all invoices from April 1, 2007 through May 31, 2009. January 1, 2009 through May 31, 2009 adjustments have been issued as a credit on the June 30, 2009 invoices. Adjustments made to the April 2007 through December 2008 invoices will be issued by check to the County once Renewal is made aware of the payee information.

Response to Finding # 2, Noncompliance with and the lack of evidence to support compliance with Allegheny County Jail Policy # 36.

When Renewal, Inc. became aware of Policy #36 in October, 2008, we began to comply with the provisions outlined within the document. Renewal, Inc. will continue to comply with all aspects of Policy #36 presently and in the future.

Additionally, Our Manager-Intake and Security Supervisor were contacted on several occasions by the jail's Internal Affairs Division and asked not to notify them on Civil Contempt (child support) cases. We were told that since they were not criminal cases a warrant would not be issued and therefore the internal affairs department did not need to be notified. Renewal, Inc. is claiming that the Internal Affairs division at the Allegheny County Jail made contact with several key staff and requested the discontinuation of reports for Civil Contempt escape cases. We realize that officials at the Jail did not substantiate Renewal, Inc.'s claim regarding notification of escapes to Internal Affairs.

Response to Finding #3 – Noncompliance with the Disposition of Abandoned and Unclaimed Property Act 72 P.S. 1301.1

Renewal, Inc. maintains a bank account for the sole purpose of collection and disbursements of resident cash. Funds collected from residents, being either personal funds or employment funds are accounted for in this non-interest bearing account. When an employment paycheck is collected, Renewal withholds 20% for room and board and 10% for court costs (if applicable). The balance of the funds are returned to the resident at an amount predetermined by his/her case manager with the remaining balance, if any, held in this bank account as a savings for the resident. Upon release, the case manager notifies Renewal's accounting department and a check is issued to the resident, less the cost of mailing "return receipt". Escapes/Walk-aways are not sent their funds until we are notified they are "back in custody" at the jail.

The above mentioned bank account had a book balance of \$316,773.58 (includes outstanding checks) as of December 31, 2008. Room and board collected, but not transferred to the Renewal Operating account is remaining in the account and included in this balance. That exact amount is known to total \$177,326.69 but was not transferred until February and May of 2009. The remaining cash balance of the account (\$139,446.89) is therefore attributable to current residents, postage withheld from settled accounts, as well as funds belonging to former residents with no known location.

Because of the amount of funds circulated through this account, an exact detail listing of its content to this date has been unfortunately not attainable through Renewal's computer system. Renewal is currently in the process of rebuilding a "Resident Tracking System" which will maintain a live accounting of the cash account with details of each resident's daily balance. Cash collected as room and board will be transferred to the Renewal Operating Account weekly when resident funds are processed.

The County auditors kindly submitted to Renewal, Inc. information and guidelines for escheated funds, and Renewal is currently working to determine the amount that is older than 5 years and not belonging to current residents. We are searching all escape/walk-away residents who have not been located to determine if they have funds remaining in the account. We are also collecting data to determine what postage was withheld, yet not transferred to Renewal's operating account. In short we are diligently working to determine escheated funds so that we can send that amount, with as detailed accounting as possible, to the Commonwealth as required.

Response to Finding #4 (A) Inmate account balance/transfer process

All income received by inmates from any source will be turned over their Case Managers and documented in a log book kept at the Corporate Office and also in their case file. Case Managers will monitor inmate budgets, authorize the release of funds to inmates as necessary and monitor inmate's expenditures. All resident's paychecks will be turned in to their Case Manager and deposited into the bank. When a resident fails to turn in their paycheck, a disciplinary hearing will take place. If a resident is given permission to cash his/her paycheck, the person who authorized the action will clearly document the reason in the case file.

Response to Finding #4 (B) Resident budget forms not maintained in their case file

Case Managers will be retrained within the next sixty (60) days on the budget review process. Evidence of this training will be placed in their training file.

Response to Finding #4 (C) Timeliness of the resident account close-out process
Renewal, Inc. will take two (2) steps to rectify the deficiencies noted related to close-out checks. The first step will consist of staff being retrained in the process of closing out a resident's file. Additionally, supervisors will review all close-out files to insure timeliness related to resident's receiving close-out checks.

In closing, I would like to thank the auditing team for their professionalism and courtesy. If you have any questions or need further information, please do not hesitate to contact me at 412-690-2445.

Sincerely,



Douglas C. Williams
Chief Executive Officer