



County of Allegheny

Office of the Controller

PERFORMANCE AUDIT REPORT
ON CONTRACT COMPLIANCE
WITH CONTRACTS #134369 AND #200054
BETWEEN GOODWILL OF
SOUTHWESTERN PENNSYLVANIA AND
ALLEGHENY COUNTY FOR THE PERIOD
JANUARY 1, 2016 THROUGH DECEMBER 31, 2017

APRIL 5, 2018

Chelsa Wagner
Controller

104 County Courthouse
436 Grant Street
Pittsburgh, PA 15219
Phone: (412) 350-4660
Fax: (412) 350-4770

E-mail: Controller@alleghenycounty.us

Contents

Letter	1
I. Introduction	3
II. Objectives, Scope, and Methodology	5
III. Findings and Recommendations:	
Finding #1: Goodwill Invoiced the Jail \$140 in Excess Compensation for the Alternative Housing Services Provided	7
IV. Conclusion	8
Response from Goodwill of Southwestern Pennsylvania	9



CHELSEA WAGNER
CONTROLLER

COUNTY OF ALLEGHENY

OFFICE OF THE CONTROLLER

104 COURTHOUSE • 436 GRANT STREET
PITTSBURGH, PA 15219-2498
PHONE (412) 350-4660 • FAX (412) 350-3006

March 20, 2018

Mr. Michael J. Smith
President/CEO
Goodwill of Southwestern PA
118 52nd Street
Pittsburgh, PA 15201

Mr. Orlando Harper
Warden
Allegheny County Jail
950 Second Avenue
Pittsburgh, PA 15219

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ALLEGHENY COUNTY FOR THE PERIOD
JANUARY 1, 2016 THROUGH DECEMBER 31, 2017**

Dear Mr. Smith and Warden Harper:

We have conducted a performance audit to evaluate the compliance of Goodwill of Southwestern Pennsylvania ("Goodwill") with the terms and provisions of its Allegheny County contracts #134369 and #200054 for alternative housing services at the Allegheny County Jail. Our performance audit covers the period from January 1, 2016 through December 31, 2017, and was performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

As we conducted our engagement, we determined that Goodwill invoiced the County for \$140 in excess compensation, but otherwise appears to have complied with the significant compliance requirements contained in the alternative housing service contracts and the Allegheny County Jail policies applicable to alternative housing service providers. The detailed results of our performance audit are included in the attached report.

Mr. Michael J. Smith
Mr. Orlando Harper
March 20, 2018

We would like to thank the management and staff of Goodwill of Southwestern Pennsylvania and the Allegheny County Jail for their courtesy and cooperation during the performance of our procedures.

Kind regards,



Chelsa Wagner
Controller



Lori A. Churilla
Assistant Deputy Controller, Auditing

cc: Honorable John DeFazio, President, County Council
Honorable Nicholas Futules, Vice-President, County Council
Honorable Judge David Cashman, Chairman, Jail Oversight Board
Honorable Rich Fitzgerald, Allegheny County Executive
Mr. William D. McKain, County Manager, Allegheny County
Ms. Jennifer Liptak, Chief of Staff, County Executive
Mr. Kenneth J. Varhola, Chief of Staff, County Council
Ms. Sarah Roka, Budget Manager, County Council
Ms. Mary C. Soroka, Director, Office of Budget and Finance

I. Introduction

Goodwill is a nonprofit corporation that has provided a variety of social services in the greater Pittsburgh area for many years. Allegheny County contracts with Goodwill to provide alternative housing work release services for male inmates. The alternative housing 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.

Goodwill's alternative housing program was designed to provide a structured, supervised facility that prepares inmates for reintegration into society as responsible citizens. Goodwill's inmate population includes up to 50 male inmates from the Allegheny County Jail, all of whom must be medically cleared, non-violent, and low risk inmates 18 years of age or older with a remaining sentence of less than one year. Potential alternative housing program participants may be referred by a sentencing judge or identified by Goodwill as possible candidates for the program. The Jail will consider these candidates and either approve or deny the inmates for transfer to Goodwill. Goodwill did not contract to house any State or Federal inmates during the period to which we applied our procedures.

All inmates at Goodwill's alternative housing facility are expected to remain drug and alcohol free and obtain additional education or secure employment. In addition, inmates referred by the Criminal Division must apply 10% of their net pay towards any outstanding costs, fines, or restitution they might owe. Inmates referred by the Family Division must apply 40% of their net pay toward child support arrearages until they obtain wage attachable employment. All inmates must apply 20% of their net pay to Goodwill for room and board. Upon receiving a paycheck, an inmate is to remit the entire net pay to Goodwill. Goodwill then withholds any amounts due for room and board and any costs, fines, restitution, and/or child support as applicable. The balance of an inmate's net pay is remitted to the inmate by Goodwill via check. It is Goodwill's responsibility to remit all amounts collected to the appropriate governmental entity. The amount collected for room and board by Goodwill is used to reduce the amount billed to Allegheny County under the agreement.

Allegheny County entered into contract #134369 with Goodwill for the period March 1, 2012 through February 28, 2015. Contract #134369 was first extended for a 10-month period to December 31, 2015, and then extended again for an additional year to December 31, 2016. Under contract #134369, Goodwill was entitled to compensation of \$59 per day per bed for up to 50 beds occupied by County inmates.

Allegheny County entered into contract #200054 with Goodwill for the period January 1, 2017 through December 31, 2019. Under contract #200054, Goodwill is entitled to compensation of \$70 per day per bed for up to 49 beds occupied by County inmates.

Goodwill provided alternative housing services for 237 and 236 County inmates during 2017 and 2016. Goodwill's gross billings for the alternative housing services provided were \$1,117,340 and \$917,096 in 2017 and 2016. These gross billings were reduced by \$55,107 and \$45,685 in room and board payments that Goodwill collected from the

I. Introduction

inmates during 2017 and 2016, respectively, to arrive at net billings of \$1,062,233 and \$871,411 for 2017 and 2016.

II. Objectives, Scope, and Methodology

Objectives

The objectives of our performance audit were to:

1. Determine whether inmates participating in the alternative housing program at Goodwill during the audit period were referred to the program by the Allegheny County Jail and met the eligibility requirements for program participation.
2. To determine whether inmates participating in the program were employed and were properly (periodically) monitored while at their work release sites.
3. To evaluate the effectiveness of Goodwill's controls over the administration of inmate medications, including the disposal of unused medications.
4. To determine whether inmate funds have been handled and accounted for properly by Goodwill, including the transfer of inmate account balances from the Jail, the distribution and tracking of funds inmates earn through employment, and the ultimate distribution of funds (or escheating to the Commonwealth of PA).
5. To determine whether Goodwill had adequate controls in place to ensure that inmates did not leave the alternative housing facilities without proper authorization, to track and monitor inmates who were permitted to leave the facilities, and to make all of the required notifications in a timely fashion if inmates escaped.
6. To determine whether Goodwill was in compliance with the contract terms regarding the number of inmates served, amounts billed for services, insurance coverage, and reporting requirements.

Scope

Our audit procedures covered the period from January 1, 2016 through December 31, 2017. We conducted our performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

II. Objectives, Scope, and Methodology

Methodology

Methodologies used to accomplish our objectives included, but were not limited to the following:

- Reviewed contracts #134369 and #200054, the Allegheny County Jail's policies applicable to alternative housing programs, the *Goodwill Center Handbook*, and other relevant documents.
- Interviewed Goodwill and Allegheny County Jail personnel to gain an understanding of contract operation, including internal control we deemed significant to our audit objectives.
- Reviewed the most recent contract compliance report issued by the Controller's Office Audit Division and evaluated the implementation status of our prior recommendations.
- Verified (on a test basis) that inmates 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 Goodwill relevant to the administration of the alternative housing contracts to assess Goodwill's compliance with the contracts and to determine whether Goodwill was only compensated for the services it provided.
- Applied procedures (on a test basis) to assess whether inmate 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 inmates earned through employment, and the ultimate distribution of funds to inmates who are no longer participants in the alternative housing program.
- Analyzed Goodwill's policies and procedures pertaining to inmate medications and evaluated the effectiveness of the actual implementation of those policies and procedures during the audit period.
- Assessed Goodwill's monitoring of inmates 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 walkaways or escapes from the facilities.

We performed these procedures during February and March of 2018. We provided a draft copy of this report to Goodwill of Southwestern Pennsylvania for response. Goodwill's response begins on page 9.

III. Findings and Recommendations

Finding #1

Goodwill Invoiced the Jail \$140 in Excess Compensation for the Alternative Housing Services Provided

Criteria:	Section 2.G. of Allegheny County contract #200054 for alternative housing services indicates that Goodwill's monthly invoices to the County should be reduced by the amount of income received by Goodwill as room and board payments paid by the inmates to Goodwill.
Condition:	Goodwill's invoice for the month of March 2017 reflected a gross billable amount for the alternative housing services provided of \$85,120 and room and board payments collected from inmates during the month of March of \$4,481. Based on this, the net amount of the invoice should have been \$80,639. However, the net amount of the invoice submitted for payment and ultimately paid by the County was \$80,779, \$140 in excess of the amount of the compensation earned for the services provided.
Cause:	We were advised that Goodwill identified the invoicing error and prepared a revised invoice, but the original invoice was submitted to the County for payment by mistake.
Effect:	Goodwill invoiced for \$140 of compensation in excess of the amount permitted by Allegheny County contract #200054 and owes the County \$140.
Recommendations:	Goodwill should immediately refund the balance due to the Allegheny County Jail of \$140.
Management's Response:	See page 9 for management's response.

IV. Conclusion

During our audit we observed that Goodwill was generally in compliance with the requirements of its alternative housing contracts and the Allegheny County Jail policies applicable to alternative housing providers across all aspects of the administration of its alternative housing program. Goodwill should repay the excess compensation that was invoiced, and continue to administer its alternative housing program in compliance with its alternative housing contracts and applicable Jail policies.



2400 East Carson Street
Pittsburgh, PA 15203

Phone: 412-381-2676
Fax: 412-481-7929
www.goodwillswpa.org

The Goodwill Center
2400 East Carson Street
Third Floor
Pittsburgh, PA 15203
Tel. (412) 381-2676
Fax (412) 481-7929

Ms. Chelsa Wagner
Allegheny County Controller's Office
219 County Courthouse
436 Grant Street
Pittsburgh, PA 15219

Dear Ms. Wagner:

In response to the controller's office audit of the Goodwill Center for the period of January 1, 2016 – December 31, 2017, Goodwill was found to have overbilled the county by a total of \$140 for the month of March 2017. Goodwill, in agreement with the Allegheny County Jail administration, has elected to correct the deficiency by reducing the March 2018 billing by \$140.

Thank you for your time and attention.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Olack". The signature is fluid and cursive, with a large, stylized "M" and "O".

Mike Olack
Director of Community Reintegration
Goodwill SWPA

AFFILIATES

Goodwill of Fayette County
Goodwill of North Central West Virginia
Goodwill Housing
Goodwill Commercial Services Inc.
Northside Common Ministries

Our Mission

*We help people improve their quality
of life through work and related services.*