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News for Immediate Release

Sept. 19, 2017

Auditor General DePasquale Says Audit Stopped Abuse of State Funds by Abortion Alternative Provider Real Alternatives

Another example of a state agency providing weak contracts, poor oversight

HARRISBURG – Auditor General Eugene DePasquale today said his latest performance audit helped stop a decades-old practice where abortion alternative provider Real Alternatives used state funds to support activities outside of Pennsylvania.

“It is outrageous that, by its own admission in court, Real Alternatives used hundreds of thousands of Pennsylvania taxpayer dollars to fund its activities in other states,” DePasquale said. “It is just as outrageous that the state grant agreement was so weak that it allowed this practice to go on for decades siphoning funds intended to benefit Pennsylvania women experiencing crisis pregnancies.

“We will never know how much money was taken out of the commonwealth nor how many Pennsylvania women and children may have been affected because this company channeled our tax dollars to other states,” DePasquale said. “But, we need to make sure it doesn’t ever happen again.

“This is yet another example of the lack of oversight of state government grants that results in the wasting of tax dollars,” he said. “This egregious, admitted, violation of the grant should be the last straw that prompts state agencies to write and enforce tougher contracts.”

Last September, DePasquale started an audit of the Department of Human Services’ (DHS) grant to Real Alternatives after a DHS audit revealed that Real Alternatives deducts a 3 percent “Program Development and Advancement Fee” from state reimbursements to its subcontracted service providers. Real Alternatives refused to provide information to allow DHS auditors to review reimbursements from the 3 percent fee or to provide any details on how the funds from the fee were used.

In March, Real Alternatives responded to the audit by suing the Department of the Auditor General and DHS to block access to the records of how that money was spent. According to court documents, Real Alternatives admitted that it charges subcontractors a 3 percent fee to “promote the development and expansion of Real Alternatives initiatives ... both locally and nationally.”

Commonwealth Court determined that an audit of the 3 percent expenditure documentation was unnecessary because Real Alternatives admitted that it had not spent the 3 percent of the funds in accordance with the state grant agreement.

The 24-page audit report reveals that between fiscal year 2012/13 and 2014/15 alone, Real Alternatives collected \$497,368 from subcontractors through the 3 percent fee.

“I strongly urge DHS to promptly recover the 3 percent of funds that Real Alternatives admitted was not spent in accordance with the grant agreement,” DePasquale said. “That money belongs to the subcontractors who performed the work.”

Auditors also found that DHS’ Division of Audit and Review (DAR) performed adequate audit procedures and reached appropriate conclusions during its performance audit of Real Alternatives, but audit

documentation should be improved. While DAR audit procedures were adequate, auditors found that DHS' Office of Social Programs did not adequately monitor the grant.

"Clearly, the state cannot provide grant funding to any organization without establishing intense monitoring and oversight procedures to ensure the funds are spent appropriately," DePasquale said. "With better monitoring and oversight, this abuse of state funds could have been stopped long before my audit."

DHS has contracted with Real Alternatives since 1997 on grants made through DHS' Alternative to Abortion Services Program, which provides pregnancy testing, counseling and other assistance to women experiencing a crisis pregnancy. Real Alternatives' latest five-year \$30.2 million grant expired June 30, 2017, but was extended by DHS.

The Department of Human Services Real Alternatives Grant audit report is available online at: www.PaAuditor.gov.

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