THE WAY HOME, INC.

PERFORMANCE AUDIT
AUGUST 1, 2023 - JULY 31, 2024

State of Delaware
Office of Auditor of Accounts

Lydia E. York
State Auditor

March 31, 2025

Paulette Rappa
Director
The Way Home, Inc.
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The attached report provides the results of our performance audit of The Way Home, Inc., with respect to the Prescription Opioid Settlement grant program in accordance with the criteria set forth in Delaware Code, the grant application and grant agreement.

We conducted this performance audit in accordance with *Government Auditing Standards* as 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.

This report is intended for the information and use of The Way Home, Inc., the Prescription Opioid Settlement Distribution Commission and the Office of Auditor of Accounts. Under 29 Del. C. §10002(o), this report is a matter of public record, and its distribution is not limited. This report, as required by statute, will be provided to the Office of the Governor, General Assembly, Office of the Controller General, Office of the Attorney General, and Office of the Management and Budget.

This report can be accessed online through the State Auditor's website at https://auditor.delaware.gov.

Lydia E. York

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Auditor of Accounts
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Abbreviations:

AOA	Delaware Office of Auditor of Accounts
BHC	Behavioral Health Consortium
DHR	Department of Human Resources
FSF	First State Financials
GAGAS	Generally Accepted Government Auditing Standards
LGC	Local Government Committee
NARR	National Association of Recovery Residences
OUD	Opioid Use Disorder
POSDC	Prescription Opioid Settlement Distribution Commission
RFI	Request for Information
SUD	Substance Use Disorder

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Audit Objectives

We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The objectives established for the performance audit of The Way Home, Inc. (the Organization) were to:

1. Determine whether grant expenditures were consistent and in compliance with Phase 1B of the signed grant agreement, (known as the 'Opioid Abatement and Remediation Grant').

2. Determine whether grant expenditures had a demonstrable direct correlation with the related performance measures, scope of work and grant budget as noted in the grant application and signed grant agreement.

3. Determine whether grant expenditures were in compliance with allowable costs and permitted uses of grant funds and that grant reporting deliverables have been met.

Audit Scope

We were engaged to perform this performance audit and conducted our engagement in accordance with the standards applicable to performance audits contained in Government Auditing Standards issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

The period covered by the Performance Audit was August 1, 2023, through July 31, 2024. We sampled and examined transactions from the populations of expenditures and receipts of grant funds for the period from August 1, 2023, through July 31, 2024. In sampling these transactions, we relied on documentation provided by the Organization, the Delaware Department of Justice, the Prescription Opioid Settlement Distribution Commission, and the State of Delaware's financial accounting system (FSF).

Findings

The performance audit conducted on The Way Home, Inc. contained no findings that were identified during the engagement.

Conclusions

Based on the work performed in connection with this performance audit, we concluded the following:

1. That grant expenditures were consistent and in compliance with Phase 1B of the signed Grant Agreement, (known as the 'Opioid Abatement and Remediation Grant').

2. That grant expenditures did have a demonstrable direct correlation with the related performance measures, scope of work and grant budget as noted in the grant application and signed Grant Agreement.

3. Expenditures were in compliance with allowable costs and permitted uses of grant funds and that grant reporting deliverables were met.

Performance Audit Overview

The United States Government Accountability Office develops and promulgates Government Auditing Standards that provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards are referred to as Generally Accepted Government Auditing Standards (GAGAS).

Performance audits are audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Government programs are subject to many provisions of laws, regulations, contracts, and grant agreements. Auditors identify any provisions of laws, regulations, contracts, and grant agreements that are significant within the context of the audit objectives and assess the risk that noncompliance with provisions of laws, regulations, contracts, and grant agreements could occur. Based on that risk assessment, we have designed and performed procedures to obtain reasonable assurance of detecting instances of noncompliance with provisions of laws, regulations, contracts, and grant agreements that are significant within the context of the audit objectives.

We conducted this performance audit in accordance with the GAGAS applicable to performance audits issued by the Comptroller General of the United States. These standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We are required to be independent of the granting and recipient organizations to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to this performance audit engagement. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Authority

The Delaware Office of Auditor of Accounts is authorized under 29 Del. C, § 2906(a) to conduct audits of all the financial transactions of all state agencies. 16 Del. C. § 5196B authorizes the Behavioral Health Consortium to distribute money in the Prescription Opioid Settlement Fund and the Prescription Opioid Impact Fund based on the recommendations of the Commission by awarding grants. In addition, in accordance with the signed grant agreement "Any entity that applies for and receives ("Recipient") a grant award or other disbursement of Opioid Funds expressly acknowledges that it is receiving restricted State funds from the Prescription Opioid Impact Fund (the "Impact Fund") established under 16 Del. C. § 4803B and/or the Prescription Opioid Settlement Fund (the "Settlement Fund," and together with the Impact Fund, the "Opioid Funds") established under 16 Del. C. § 4808B."

AOA has selected for audit certain grant recipients based on various risk factors. These risk factors include, but are not limited to, constituent referrals, materiality-based selection and random selection. This report has been prepared as part of this performance audit project.

Program Overview

Pharmaceutical manufacturers and distributors have reached a settlement agreement with the State of Delaware, along with a broad coalition of States, to resolve legal claims. The agreements provide for approximately $50 billion in payments over 18 years to be disbursed to all participating States. Funding will be distributed to States according to the allocation agreements reached among each State's Attorney's General. The State of Delaware is expected to receive approximately $250 million over 18 years. Distribution within Delaware began during the 3rd quarter of 2023 and is administered by the Delaware Behavioral Health Consortium. The distributions are to be used to support a wide variety of strategies to fight the opioid crisis.

On October 14, 2021, Senate Bill 166 was signed into law and created the Commission and vested it with the responsibility for:

(a) establishing a coordinated and consensus driven effort to repair the harm done to communities in Delaware by the opioid crisis and

(b) making recommendations to the Behavioral Health Consortium (the "BHC") regarding the distribution of money in the Prescription Opioid Impact Fund (the 'Impact Fund") established under 16 Del. C. § 4803B and the Prescription Opioid Settlement Fund (the "Settlement Fund") established under 16 Del. C. § 4808B.

The Commission is a subcommittee of the BHC and is charged with providing funding recommendations to the BHC to abate and remediate the Delaware opioid crisis.

The work of the Commission is supported by its co-chairs and six standing committees:

1. Behavioral Health Resources Committee
2. Budget and Reporting Committee
3. Equity Committee
4. Governance Committee
5. Local Governments Committee
6. Public Outreach and Community Input Committee

The purpose of the POSDC is to abate and remediate the opioid epidemic throughout the State of Delaware through financial support from the Fund in the form of grant awards for efforts to treat, prevent, and reduce opioid use disorder and the misuse of opioids.

Pursuant to the above noted legislation and 16 Del. C. § 5196A, the General Assembly created a Local Government Committee (the "LGC"), which has statutory authority to make recommendations to the Commission regarding the distribution of money from the Impact Fund and the Settlement Fund. The Commission, with the recommendation of the LGC, approved grants to 78 non-profit and governmental organizations in 2 phases, totaling $13,006,135 (Phase 1A: $3,656,039 & Phase 1B: $9,350,096).

The Impact Fund and each respective grant award was meant to increase access to treatment, reduce unmet treatment needs and reduce opioid overdose related deaths by providing prevention, treatment, and recovery activities for 'Opioid Use Disorder' (OUD), including prescription opioids and illicit drugs such as heroin.

Grant Agreement – This Performance Audit is prescribed by the 'Mandatory Terms and Conditions for the Prescription Opioid Impact Fee Fund and Prescription Opioid Settlement Fund' grant agreement.

Organization Background

The Way Home, Inc. (TWH) was founded in 1998 and registered as a non-profit organization in 2006. TWH provides transitional services for ex-offenders to reenter society after incarceration. TWH operates two transitional housing units with 14 beds and maintains partnerships with other organizations that assist in improving the quality of life for those transitioning into society.

TWH requested grant funds to add 10 additional beds to expand their capacity by renovating a transitional housing facility. The program included hiring a housing/case manager and a peer support case manager. TWH clients will receive individualized treatment plans, case management services and peer services, all designed to mitigate against risk factors. In addition, TWH has hosted two educational and two outreach events per quarter, distributed naloxone kits, identified, developed and utilized skill sets to connect participants with potential job opportunities, and used referrals to substance use treatment services. TWH also provides services including transportation, housing, food, job training and other professional behavioral health referrals.

TWH was awarded $181,240 of Opioid Grant funds to spend in accordance with the Opioid Abatement program. As of December 31, 2024, a total of $131,240 was disbursed to TWH from the Opioid Grant. TWH has a $50,000 grant receivable for opioid grant funds as of the date of our fieldwork.

Audit Methodology and Results

To address the audit objectives of this performance audit, we performed the following procedures:

A. Planning Phase: The audit relied on various sources of information and methods to properly plan the audit and to obtain an understanding of, and assess processes for the Organization, including the following:

    1. We reviewed the applicable sections of the Federal Prescription Opioid Settlement Distribution legislation to gain an understanding of the legal and policy requirements governing the 'Prescription Opioid Settlement Distribution' grants.
    2. We inquired whether there were any previous audits that relate to the objectives of this audit and whether there were findings and recommendations and whether any recommendations have been implemented.
    3. We inquired if there were written board minutes for the Organization.
    4. We identified and reviewed contracts, agreements, and other important documents.
    5. We performed risk assessment procedures such as:
        a. Obtained and documented an understanding of the Organization and its environment and identified risks.

b. Completed engagement team discussions, including discussions about the possibility of error or fraud involving opioid grant funds.
c. Made inquiries of management and others about risks (including fraud risks, related-party transactions, unusual transactions, and compliance with laws, regulations, contracts, and grant agreements).
d. Inquired as to the existence of the Organization's internal control system over grant fund receipts and expenditures.

B. Performance Assessment: Based on the information gathered, we developed the following risk-based approach of the grant funds with respect to the audit objectives.

1. To determine the compliance of the grant disbursements, we sampled transactions using non-statistical sampling for payroll expenditures charged to the opioid grant. We used judgmental sampling for other grant expenditures charged to the grant. We tested the selected transactions from the population of expenditures from opioid grant funds to determine that the transactions were properly documented, authorized, and properly recorded; that products and services were received; and that the transactions complied with opioid grant requirements.

2. We sampled and tested transactions from a population of grant disbursements to determine whether the disbursements were consistent and in compliance with Phase 1B of the Prescription Opioid Impact Fee Settlement Fund.

3. We sampled and tested transactions from a population of grant disbursements to determine whether the disbursements had a demonstrable direct correlation with the expected performance measures, scope of work, and grant agreement and budget.

4. We compared the grant application and grant agreement to the grant disbursements and reported results to assess whether the grant deliverables had been met with respect to the grant agreement.

Objective 1
Determine whether grant expenditures were consistent and in compliance with Phase 1B of the signed grant agreement, (known as the 'Opioid Abatement and Remediation Grant').

Methodology – To assess the Organization's compliance over opioid grant expenditures, we selected a judgmental sample of 9 opioid abatement expenditure transactions from the population of 29 total expenditures, and 10 payroll expenditure transactions of the 34 total payroll expense transactions that were charged to the grant. The dollar value of our sample totaled $36,132 of the other opioid expenditures of the $42,663 total other expenditures charged to the grant, and $15,863 of the $53,937 total payroll expenditures charged to the grant.

Results – The testing results show all 19 transactions were consistent and in compliance with Phase 1B of the signed grant agreement.

Objective 2
Determine whether grant expenditures had a demonstrable direct correlation with the related performance measures, scope of work, and grant budget as noted in the grant application and signed grant agreement.

Methodology - To determine if each of the expenditures selected for testing had a demonstrable direct correlation with the performance measures and scope of work, we reconciled each disbursement to the opioid abatement program and budget, and reviewed supporting documentation for the disbursement. We also compared the purpose of the disbursement to the performance measures and scope of work included in the grant agreement. We compared the purpose of the expenditure to the budget categories to determine if the expenditure aligned with one of the budget categories.

Results – We found that 19 of the 19 grant expenditures tested were directly correlated to the opioid abatement program as established by the Opioid Abatement and Remediation Grant Agreement.

Objective 3

Determine whether grant expenditures were in compliance with allowable costs and permitted uses of grant funds and that grant reporting deliverables have been met.

Methodology - To determine if each of the items tested were in compliance with the signed grant agreement, grant application and any periodic reports prepared for the Commission to determine if each disbursement was relevant and consistent with Opioid Abatement grant legislation and guidance and that the information appeared reasonable considering the amount and nature of each expenditure.

Results – Based on our audit procedures, all compliance items tested were in compliance with allowable costs and permitted uses of grant funds. We also determined that grant deliverables had been met.

Appendix A: Sampling Methodology

Expenditure Sampling: Payroll Expenditures

Payroll Population:

- Overall population: Total payroll expenditures charged to the opioid grant award during the audit period total $53,937. Total grant funding disbursed to date is $131,240. The total amount of payroll expenditures included in testing was $15,863.
- Sampling frame for salaries and wages: All payroll reports and related documentation for employees charged the grant during the audit period (August 1, 2023 through July 31, 2024).

Sampling Method:

- Initial Selection: Judgmental sampling was used to identify key areas of expenditure based on the budget-to-actual expenditure report. The budget categories with the highest dollar totals were chosen, with salaries and benefits having the largest amount. This approach focused on areas of highest risk or potential impact.
- Salaries and Wages Testing: Non-statistical (targeted review) sampling was employed for the salaries and wages component. This method focused on specific transactions based on the auditor's judgment and experience rather than mathematical probability.

Sample Selection/Sample Size:

- Initial Selection: Based on the budget-to-actual expenditure report, salaries and benefits were identified as a key area representing a significant percent of the grant expenditures.
- Salaries and Wages Selection/Sample Size:
    - Employees: Four (4) employees were selected for testing.
    - Pay Periods: Pay periods were selected haphazardly (i.e., without a predetermined pattern or bias) from within the audit scope period.
    - Payroll Transactions Sample Size: Payroll transactions were selected that included transactions for each of the four (4) employees from payroll report data provided by TWH.
    - Total Payroll Dollar Amount Tested: The amount of payroll expenditures tested was $15,863 of the $53,937 total payroll expenditures.
    - Rationale: Since the salaries paid were consistent throughout all of the pay periods, this selection intended to confirm that transactions were processed consistently over time.

Expenditure Sampling: Other Expenditures

Other Expenditure Testing Population:

- Overall population: Total grant funding disbursed to date is $131,240. The total amount of expenditures included in testing was $36,132. The total grant expenditures for the period August 1, 2023 to July 31, 2024 was $42,663.
- Sampling frame for other expenditures: All expenditures other than payroll charged to the opioid grant during the audit period (August 1, 2023 through July 31, 2024).

Sampling Method:

- Initial Selection: Judgmental sampling was used to identify key areas of expenditure based on the budget-to-actual expenditure report. The budget categories with the highest dollar totals were chosen. This approach focused on areas of highest risk or potential impact.
- Non-Payroll-Other Expenditures: Non-statistical (targeted review) sampling was employed for the non-payroll other expenditures component. This method focused on specific transactions based on the auditor's judgment and experience rather than mathematical probability.

Sample Selection/Sample Size:

- Initial Selection: Based on the budget to actual expenditure report, building renovations were identified as the only area representing the grant budget and expenditures.
- Other Expenditures Selection:
    - Transactions related to the grant agreement and budget included renovation line items. Nine (9) other expense transactions in the amount of $36,132 were selected for testing.
    - The sample size consisted of one invoice each for a total of two expenditures tested. For each category, there was one invoice that represented the total dollar amount charged to the grant budget category.

Rationale: We selected the largest dollar transactions with the highest risk.