



pennsylvania
DEPARTMENT OF HUMAN SERVICES
BUREAU OF FINANCIAL OPERATIONS

March 16, 2015

Mr. Jerry Skillings, Psy.D.
Senior Vice President of Behavioral Health
Horizon House, Inc.
120 South 30th Street
Philadelphia, Pennsylvania 19104

Dear Mr. Skillings:

I am enclosing for your review the final audit report of Horizon House, Inc. as prepared by the Division of Audit and Review (DAR). Your response has been incorporated into the final report and labeled as an Appendix. The report covers the period from January 2008 through May 2014.

I would like to express my appreciation for all of the courtesy extended to my staff during the course of the fieldwork. I understand that your staff was especially helpful to Barbara Miller in completing the audit process.

The final report will be forwarded to the Department's Office of Mental Health and Substance Abuse Services (OMHSAS) to begin the Department's resolution process concerning the report's contents. The staff from OMHSAS will be in contact with you to follow-up on the actions taken to comply with the report's recommendations.

If you have any questions concerning this matter, please contact David Bryan, Audit Resolution Section at [REDACTED].

Sincerely,

A handwritten signature in black ink that reads "Tina L Long".

Tina Long, CPA
Director

Enclosure

c: Mr. Jay Bausch
Ms. M. Katheryn Jacobs
Ms. Thomasina Bouknight
Ms. Sandy Vasko

bc: Mr. Alexander Matolyak
Mr. Daniel Higgins
Mr. David Bryan
Mr. Grayling Williams
Ms. Shelley Lawrence
SEFO Audit File (S1405)

Some information has been redacted from this audit report. The redaction is indicated by magic marker highlight. If you want to request an unredacted copy of this audit report, you should submit a written Right to Know Law (RTKL) request to DHS's RTKL Office. The request should identify the audit report and ask for an unredacted copy. The RTKL Office will consider your request and respond in accordance with the RTKL (65P.S. §§ 67.101 et seq.) The DHS RTKL Office can be contacted by email at: rapwrtkl@pa.gov.

March 16, 2015

Mr. Brendan Harris, Executive Deputy Secretary
Department of Human Services
Health & Welfare Building, Room 334
Harrisburg, Pennsylvania 17120

Dear Deputy Secretary Harris:

In response to a request from the Office of Mental Health and Substance Abuse Services (OMHSAS), the Bureau of Financial Operations (BFO) initiated an audit of Horizon House, Inc. (Horizon House). The audit was designed to investigate, analyze and make recommendations regarding a theft of client funds and Horizon House's response to that theft. Our audit covered the period from January 2008 to May 2014 (Audit Period).

This report is currently in final form and therefore does contain Horizon House' views on the reported findings, conclusions and recommendations.

Executive Summary

Horizon House management identified a significant discrepancy between budgeted consumer rent payments and the actual cash amount deposited in Horizon House's bank account. As a result, an internal investigation was conducted that revealed missing rent payments as well as missing client funds. This incident was limited to only one behavioral health residential site and Horizon House reported it timely to all required parties.

The report findings and recommendations for corrective action are summarized below:

FINDINGS	SUMMARY
<p>Finding No. 1 – Additional Misappropriated Rent Should be Recovered</p>	<p>Horizon House identified that the misappropriation of rent occurred from January 2011 through May 2014. However, there was evidence that the theft of client funds was occurring as far back as January 2008.</p>
HIGHLIGHTS OF RECOMMENDATIONS	
<p>Horizon House should:</p> <ul style="list-style-type: none"> • Render to the appropriate parties revised rent payments totaling \$159,371. • Repay consumers \$21,210 for the misappropriated client funds. 	

**Horizon House, Inc. and Affiliates
January 2008 to May 2014**

FINDINGS	SUMMARY
Finding No. 2 – Horizon House Should Consolidate Its Client Fund Duties into One Specialized Department	Currently Horizon House is the representative payee for over 500 consumers who receive services in nine different program areas. These nine different program areas have their own procedures related to client funds and each has its own separate bank account.
HIGHLIGHTS OF RECOMMENDATIONS	
Horizon House should: <ul style="list-style-type: none"> • Consolidate the management of client funds into one specialized representative payee department. All funds should be directly deposited into one account rather than the nine separate accounts. This would also alleviate the need to contact the Social Security Administration when a consumer moves from one Horizon House program area to another. 	

See Appendix A for the Background, Objective, Scope and Methodology and Conclusion on the Objective.

Results of Fieldwork

Horizon House management identified a discrepancy in the revenue received from one of its Behavioral Health residential sites. As a result, they conducted an investigation which revealed that the site Program Manager was embezzling rents paid in cash by consumers; only rents paid by check or money order were forwarded to the financial department for deposit. Based on this finding Horizon House also investigated the client funds at this location and identified missing funds for two residents.

The total amount of missing rent payments identified by Horizon House’s investigation was \$102,095 for the period January 2011 through May 2014. The total amount of client funds identified was \$21,210 for the period January 2008 through May 2014.

Additionally, Horizon House analyzed its internal control procedures related to rent and client funds and made enhancements to limit the risk of another theft. Areas where Horizon House enhanced its procedures are summarized below:

- Monthly transmittal forms used to record payments have been updated to include the name of every resident. Any uncollected rents must be explained on the transmittal form.
- Monthly transmittals are reviewed by the program director, fiscal director and the director of the individual representative payee division.
- The fiscal department is reviewing the transmittal forms and comparing them to the current census to ensure all residents are accounted for.
- The policy of not accepting cash payments has been reinforced and will be reviewed through internal audit.

**Horizon House, Inc. and Affiliates
January 2008 to May 2014**

The BFO analyzed Horizon House's investigative work papers and recomputed the amounts identified as missing rent payments and client funds. As a result, the BFO is in agreement with the initial amounts identified by Horizon House. Additionally, the BFO conducted site visits and tested the new controls put in place as a result of the theft. While BFO is in agreement with the investigation and the enhanced control procedures, there are two areas where additional enhancements are needed.

Finding No. 1 – Additional Misappropriated Rent Should be Recovered

Horizon House management analyzed rent payments for the period January 2011 through May 2014 when calculating the total amount of missing rent. However, their analysis of client fund documentation indicated that the pattern of theft began in January 2008 so Horizon House's management analyzed documentation from January 2008 through May 2014, and determined that client funds were misappropriated throughout this period.

Management stated that the rent payments were not analyzed back to 2008 because the documents were not readily available, but agreed that cash rent payments were most likely missing during the period from January 2008 through December 2010. The total amount of missing rent payments for the additional period was estimated to be \$57,276.

Recommendations

The BFO recommends that Horizon House render to the appropriate parties revised rent payments totaling \$159,371.

The BFO also recommends that Horizon House repay consumers \$21,210 for the misappropriated client funds.

Finding No. 2 – Horizon House Should Consolidate Its Client Fund Duties into One Specialized Department

Horizon House is the representative payee for over 500 individuals who receive services through one of Horizon House's nine program areas. Each of the program areas has their own client fund procedures related to their representative payee activities and individual bank accounts where client funds are deposited. With nine separate program areas handling the consumers' funds, there is an increased risk that errors or another misappropriation could occur.

Additionally, if a consumer moves from one program area to another, Horizon House must contact the Social Security Office and stop payment to one account and start payment to another. This sometimes causes checks to be delayed or deposited into the wrong account. By consolidating the handling of all representation payee functions under one department, Horizon House could reduce the risk of misappropriation of funds and eliminate the need to contact Social Security each time a consumer moves from one program area to another.

**Horizon House, Inc. and Affiliates
January 2008 to May 2014**

Recommendations:

The BFO recommends that Horizon House consolidate the management of client funds into one specialized representative payee department. All funds should be directly deposited into one account rather than the nine separate accounts. This would also alleviate the need to contact the Social Security Administration when a consumer moves from one Horizon House program area to another.

Exit Conference/Auditor's Commentary

An Exit Conference was held with members of Horizon House's management on March 12, 2015. The discussions centered on Finding No. 2 related to Horizon House's consolidation of its client funds processes. The BFO recommended that the management of client funds should be consolidated into one department. Horizon House proposed (as described in the response to the audit) that the management of client funds should be consolidated by business division. The BFO acknowledges Horizon House's proposal but requested that their fiscal department conduct a comprehensive internal audit of the client funds processes as of June 30, 2016. This audit should be provided to both BFO and OMHSAS. No changes were made to the draft audit report as a result of Horizon House's response or the Exit Conference.

In accordance with our established procedures, an audit response matrix will be provided to OMHSAS. Once received, OMHSAS should complete the matrix within 60 days and email the Excel file to the DHS Audit Resolution Section at:



The response to each recommendation should indicate OMHSAS's concurrence or non-concurrence, the corrective action to be taken, the staff responsible for the corrective action, the expected date that the corrective action will be completed and any related comments.

Sincerely,

A handwritten signature in black ink that reads "Tina L Long".

Tina L. Long, CPA
Director

- c: Mr. Jay Bausch
- Ms. M. Katheryn Jacobs
- Ms. Thomasina Bouknight
- Ms. Sandy Vasko

bc: Mr. Alexander Matolyak
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HORIZON HOUSE, INC. AND AFFILIATES

APPENDIX A

APPENDIX A

Background

Horizon House is a non-profit corporation that was founded in 1952. Horizon House was organized to provide services and support to promote the general welfare of individuals with psychiatric or developmental disabilities, drug and alcohol addictions, and/or homelessness.

Objective/Scope/Methodology

The audit objective, developed in concurrence with OMHSAS was:

- To determine whether the investigation into misappropriated funds conducted by Horizon House sufficiently identified the loss and to ensure that controls have been put in place to limit any future risk of misappropriation.

The criteria used to ascertain the appropriate handling of client funds and reportable incidents was 55 PA Code §6400.18 Reporting of Unusual Incidents and §6400.22 Individual Funds and Property.

In pursuing this objective, the BFO interviewed OMHSAS personnel and Horizon House's management. We also analyzed books and records; the internal investigation documents; witness statements; general ledger accounts; monthly rent transmittals; census of current clients; copies of checks, money orders, and receipts; company organizational charts; and other pertinent data necessary to pursue the audit objective. Additionally we conducted site visits and reconciled the residents' monthly record of cash on hand.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Government auditing standards require that we obtain an understanding of management controls that are relevant to the audit objective described above. The applicable controls were examined to the extent necessary to provide reasonable assurance of the effectiveness of those controls. Based on our understanding of the controls, material deficiencies related to client funds were identified. Areas where we noted an opportunity for improvement in management controls are addressed in the findings of this report.

Our fieldwork was conducted from November 3, 2014 to November 25, 2014 and was performed in accordance with GAGAS. This report is available for public inspection.

Conclusion on the Objective

In conclusion, Horizon House's internal investigation into misappropriated rent payments and client funds was thorough and identified a total of \$123,305 in missing funds. The employees determined to be responsible for the misappropriated funds were terminated and new policies and procedures were put in place to alleviate future risk. The BFO tested these new policies and determined that they were being followed. The BFO recommended that all client fund activities be consolidated into one department. Furthermore, the BFO recommended that Horizon House pursue the additional missing rent payments for the period January 2008 through December 2010 which are estimated to be \$57,276. The total amount of misappropriated funds was \$180,581.

**HORIZON HOUSE, INC. AND AFFILIATES
RESPONSE TO THE DRAFT REPORT**

APPENDIX B



February 13, 2015

Mr. Daniel Higgins, Audit Manager
Division of Audit and Review
Bureau of Financial Operations
Department of Human services

Dear Mr. Higgins:

I am writing in response to your letter dated January 8, 2015 in which you attached the draft performance audit of Horizon House. We very much appreciate your review of the alleged theft, your findings, and the recommendations you made.

This letter will serve as our response to the draft performance audit and our proposal to amend *parts* of the recommendations related to each of the two findings. The finding, your recommendation and Horizon House's response are listed below.

Finding No. 1

Additional Misappropriated Rent Should be Recovered

Summary for Finding No. 1

Horizon House identified that the misappropriation of rent occurred from January 2011 through May 2014. However, there was evidence that the theft of client funds was occurring as far back as January 2008.

Recommendations for Finding No. 1

Horizon House should:

1. Render the appropriate parties revised rent payments totaling \$159,371. This accounts for an additional, estimated \$57,276 missing during the period from January 2008 through December 2010.
2. Repay consumers \$21,210 for the misappropriated client funds.

Horizon House Response to Finding No. 1

1. Horizon House agrees to render the appropriate parties revised rent payments of \$159,371.
2. Horizon House agrees to repay consumers \$21,210 for the misappropriated funds.

Finding No. 2

Horizon House Should Consolidate Its Client Fund Duties into One Specialized Department

Summary for Finding No. 2

Currently Horizon House is the representative payee for over 500 consumers who receive services in nine different program areas. These nine different program areas have their own procedures related to client funds and each has its own separate bank account.

Mr. Daniel Higgins

February 13, 2015

Page 2

Recommendation for Finding No. 2

Consolidate the management of client funds into one specialized representative payee department. All funds should be directly deposited into one account rather than the nine separate accounts. This would also alleviate the need to contact the Social Security Administration when a consumer moves from one Horizon House program area to another.

Horizon House Response to Finding No. 2

Horizon House manages rep payee services out of its three major divisions: Behavioral Health Services (BHS,) Homeless Services (HS,) and Developmental Services (DS) for people with intellectual disabilities. In the HS and DS divisions, all rep payee functions are managed out of the Philadelphia administrative location.

In BHS, Horizon House is the rep payee for a large number of consumers located in five counties in Southeastern Pennsylvania. We manage those rep payee functions out of three administrative offices located in Philadelphia, Delaware County and Montgomery County.

Historically, Horizon House organized rep payee services along divisional responsibility to ensure that rep payee functions were tailored to the population served and the unique factors in managing their money and preparing the client to become self capable of this function. This resulted in each division's managing its own consumers' funds.

Within the BHS division the additional county structure was created to ensure that rep payee functions were located close to where the person lives to allow both participants and programs access to funds, especially if there is an urgent request. This resulted in having rep payee functions located at administrative offices in Philadelphia and the two suburban counties.

In response to the finding, and in order to retain some of the historical value as outlined above, Horizon House proposes:

1. Retain the current structure of rep payee functions within the three HH divisions.
2. Retain the current administrative offices for rep payee functions in BHS in Philadelphia, Delaware County, and Montgomery County.
3. Consolidate the four BHS Philadelphia County rep payee bank accounts into one.
4. Establish uniform policies and procedures applied to all rep payee functions no matter where they are located and what division they are in but with the required flexibility demanded by differing needs of regulation.
5. Consolidate oversight responsibility for all rep payee functions within each Division's fiscal management unit.
6. Provide oversight and audit support to each Divisional fiscal unit by the Agency Corporate Fiscal department.

Thank you again for your input. If you find this response acceptable, we do not believe that an exit interview will be required.

Sincerely,


Jeffrey W.J. Wilush
President & CEO