



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
BUREAU OF FINANCIAL OPERATIONS
3rd Floor Bertolino Building
Harrisburg, Pennsylvania 17105-2675

MAY 3 1 2007

TELEPHONE NUMBER
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JOHN H. BUNGO, CGFM, CFS
DIRECTOR

Mr. David Mittal
Administrator
Willow Crest Manor
█ Fitzwatertown Road
Willow Grove, Pennsylvania 19090

Dear Mr. Mittal:

I am enclosing the final report of the Willow Crest Manor (Willow Crest) recently completed by this office. Your response has been incorporated into the final report and labeled as Appendix.

I would like to express my appreciation to all the courtesy extended to my staff during the course of fieldwork.

The final report will be forwarded to the Department's Adult Residential Licensing (ARL) Program to begin the Department's resolution process concerning the report contents. The staff from ARL may be in contact with you to follow up on the action taken to comply with the report's recommendations.

If you have any questions concerning this matter, please contact Richard Polek, Audit Resolution Section at (717) 787-8890.

Sincerely,

John H. Bungo, CGFM, CFS

Enclosures

cc: Mr. Kevin Casey
Ms. Karen Kroh
Mr. Matthew Jones
Ms. Nancy Ringo
Mr. Timothy O'Leary

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 DPW'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 (65 P.S. §§ 67.101 et seq.). The DPW RTKL Office can be contacted by email at: ra-dpwtkl@pa.gov.



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JOHN H. BUNGO, CGFM, CFS
DIRECTOR

Mr. Kevin Casey
Deputy Secretary
Adult Residential Licensing
Room 512 Health & Welfare Building
P.O. Box 2675
Harrisburg, PA 17105

Dear Mr. Casey:

In response to a request from the Adult Residential Licensing (ARL) Office of the Department of Public Welfare (DPW), the Bureau of Financial Operations (BFO) performed an audit of Willow Crest Manor Personal Care Home (Willow Crest) financial records for the twelve month period ended April 2007. The audit was performed to assist your staff determine compliance with applicable regulations.

The mission of the BFO, accomplished through audit and review activities, is to assist DPW management to administer human service programs of the highest quality, at the lowest cost with integrity.

Results In Brief

- Willow Crest commingled resident's funds with facility's funds in violation of Regulation 2600.20 (b) (5).
- Resident - Home contract files lacked planning and financial data.
- Three residents were moved into Willow Crest's newly constructed unlicensed unit which led to excess rent charges totaling \$5,260.
- One resident did not receive the personal needs allowance for two months and another for one month resulting in a cumulative error of \$180.

Results In Brief (Continued)

- Prescription co-pay for one resident was simultaneously deducted from the resident's personal needs allowance and from the rent rebate payment resulting in a double billing error of \$61.
- Willow Crest held more than \$200 for four residents over the required two month period and did not offer assistance in establishing an interest bearing account.
- Personal inventory registers for residents were not updated.
- Willow Crest accounting records did not include residents' invoices and cash receipts journal to provide sufficient and complete information.

Background

Willow Crest Manor, Inc. was established in August 1998 and operates a personal care home located at 240 Fitzwatertown Road in Willow Grove, Pennsylvania. The facility, which has 65 licensed beds, is in the process of expansion and has made an application for license for 30 additional beds.

Willow Crest operates a pharmacy at its facility that accepts and fills prescription for residents.

Objective/Scope/Methodology

The audit objective was to determine Willow Crest's compliance with DPW's 2600 Regulations and other applicable regulations.

In accomplishing our objective, we interviewed Willow Crest management as well as DPW management and reviewed residents' Record of Deposits and Expenditures, bank statements, residents' contracts, support plans and other records.

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 compliance with regulations as well as with Generally Accepted Accounting Principles. Based on our understanding of the controls, no significant deficiencies came to our attention other than those described in the issues included in this report.

Objective/Scope/Methodology (Continued)

Our review of the financial records of Willow Crest was conducted between March 28, 2007 and April 23, 2007, and was performed in accordance with Generally Accepted Government Auditing Standards. This report when presented in its final form will be available for public inspection.

Results Of Fieldwork**Issue No. 1 - Willow Crest Commingled Residents' Funds With Business Funds In Violation Of Regulation 2600.20 (b) (5)**

Willow Crest commingled SSI and rent rebates checks by depositing all checks into the facility's bank account. For eligible residents, the facility is entitled to monthly SSI checks less \$60 Personal Needs Allowance (PNA) as well as up to 50% of the rent rebate. However, Regulation 2600.20 (b) (5) states "Commingling of resident funds is prohibited."

Also, the resident account reconciliation included \$1,351 of business petty cash. The total of all residents' funds per records was less than the total resident money per bank statement plus residents' spending money on hand. The required detailed support did not include any notation of amount and purpose of those funds.

Willow Crest's administrator informed the BFO auditors during the course of the on-site fieldwork that in order to address this issue, a bank account was established solely for the deposits of residents' funds. This account was created on March 23, 2007, as evident by the documents reviewed by the BFO auditors.

Recommendation

The BFO recommends that Willow Crest keep business funds separate from residents' funds. The resident fund account may include additional funds earmarked solely for resident use. However, these funds must be clearly detailed within the account records.

Issue No. 2 - Resident - Home Contract Files Lacked Planning and Financial Data

Examination of the resident contract files indicated deficiencies in several areas. Personal Care Homes Regulation 2600.25 (c) (2) and (11) require the contract must specify the following:

- A fee schedule that lists the actual amount of resident charges for each of the home's available services.

Results Of Fieldwork (Continued)

- A listing of personal care services to be provided based on support plans.
- Detail pertaining to the actual rates a resident will be charged for additional services.

Of the 25 contract files examined 12 residents were paying an amount above the facility base rate. It was explained the additional charges were for additional services required and agreed upon based on assessments and support plans. However, examination of the contracts and contract files did not indicate what the additional services were nor were additional costs itemized. The Willow Crest administrator further explained that since the frequency of services is not reasonably predictable, it is only possible to assign a "ball park" amount to the additional personal care services his facility provides.

Furthermore, the service description for the base rate included on the facilities fee schedule is lacking adequate service description. The document states the fee schedule will be used for residents requiring the minimum amount of personal care service but never describes the services included within the base fee.

Recommendations

The BFO recommends Willow Crest comply with Regulation 2600.25 Resident - Home Contract as follows:

- Develop a fee schedule that lists the actual amount of allowable resident charges for each of the home's available services.
- The contract should include a list of services to be provided to the resident based on the outcome of the residents support plan.
- The actual rates the resident will be periodically charged for these services should be delineated. If the service to be delivered cannot be presented in rate specific terms, a range of service frequencies should be equated with a specific charge or the facility should present to the resident and /or purchaser within the contract how the charge(s) for additional services was developed.

The BFO also recommends the facility fee schedule include an adequate description of what services are included within the base service rate for example, the frequency of bathing, meals, and social activities.

Results Of Fieldwork (Continued)

Issue No. 3 - Three Residents Were Moved Into Unlicensed Units Resulting In Excess Rent Charges Of \$5,260

Starting in December 2006, residents began moving into a newly constructed unlicensed unit. Simultaneously, Willow Crest increased the monthly rent charge when the move occurred. The basis of the rental increase was occupancy in the new unit. Because the unit space was not yet licensed by DPW, residents could not live in the specified area and the facility could not charge an increased rent amount. The information for the residents concerned is presented in Exhibit B.

It should be noted that while the three residents were moved into the new unit, the BFO auditors did not come across evidence that total licensed capacity was exceeded.

Recommendation

The BFO recommends that the difference between the rate of the new unit and Willow Crest Published Fee Schedule (\$5,260) be refunded to the residents concerned.

Issue No. 4 - Two Residents Were Not Paid Their Personal Needs Allowance Which Totaled \$180

In the course of reviewing Willow Crest financial records, it was discovered that one resident did not receive the monthly personal needs allowance for two months and another resident for one month. As such, these resident account balances were in error totaling \$180. The information for the residents concerned is presented in Exhibit A of this report.

Willow Crest administrator acknowledged this error and effected the required adjustments to credit the accounts of the residents concerned.

Recommendation

The BFO recommends Willow Crest take the necessary steps to ensure that funds are properly deposited in the residents' accounts and that the accounts are properly maintained.

Issue No. 5 - Prescription Co-Pay For One Resident Was In Error of \$61

The prescription co-pay for one resident was simultaneously deducted from the PNA and from the Rent Rebate payment for the months of April, May and June, 2006, resulting to a \$61 understatement of the resident account balance.

Results Of Fieldwork (Continued)

Prescription co-pays should be included on the monthly invoices to residents and the total monthly invoiced amount should be paid by the resident or, if approved, be deducted from the resident's account balance and not directly from the rent rebate.

Willow Crest administrator acknowledged this error and effected the required adjustments to credit the account of the resident concerned.

Recommendation

The BFO recommends checks received on behalf of residents be deposited in total into the resident fund account. Amounts due the personal care home should be invoiced to the residents. If it is the intention of an individual that a payment be made from the resident fund account, such payment needs to be approved and documented within the account records.

Issue No. 6 - Willow Crest Held More Than \$200 For Four Residents Over The Required Two Month Period And Did Not Offer Assistance In Establishing An Interest Bearing Account

It was noted that the Willow Crest administrator held over \$200 for four residents, for more than two consecutive months without offering assistance for establishing an interest bearing account.

Regulations 2600.20 (b) (6) states in part "If a home is holding more than \$200 for a resident for more than two consecutive months, the administrator shall notify the resident and offer assistance in establishing an interest bearing account in the resident's name at a locally federally-insured financial institution."

As previously indicated, Willow Crest has established a separate client fund account with a major banking institution. The account offers residents free checking but is non-interest bearing. Willow Crest's administrator noted that an interest bearing account does not offer free checking without significant minimum balance. If the account can not meet the minimum balance, account fees would more than exceed any interest earned.

Recommendation

The BFO recommends that Willow Crest attempt to establish an interest bearing account at a local federally-insured financial institution for deposit of resident's funds. If a free, non-interest bearing account appears to be more cost effective, prior approval must be obtained from the ARL. In the event a resident possess significant funds for

Results Of Fieldwork (Continued)

more than two months, Willow Crest must offer the resident the opportunity to place the funds in a financial instrument that pays interest and is federally insured.

Issue No. 7- Personal Inventory Registers For Residents Were Not Updated

Review of Willow Crest's records revealed that residents' personal inventory registers were not updated once an individual entered the facility.

According to Willow Crest administrator, personal property inventory is not maintained because the residents are admitted with no personal belongings other than their clothes. However, upon further inquiry, it was discovered that some residents own items of high value such as electronic devices that were not present on the inventory sheets.

Based on the review, Willow Crest administrator stated that the facility would offer to update residents' inventory forms at least annually.

Recommendation

The BFO recommends Willow Crest offer to maintain an annually updated list of all residents' personal belongings.

Issue No. 8 - Inadequate Resident Fund Records

Willow Crest does not maintain sufficient accounting records and journals to provide adequate verification of records. Invoices as well as a cash receipts journal were not made available. Additionally, there were retroactive entries made in residents' financial records that made it difficult to read, follow or verify.

Willow Crest administrator stated that the facility will explore ways to improve its accounting system including the use of computer software.

Recommendation

The BFO recommends that Willow Crest maintain a cash receipts journal that will sufficiently detail the flow of all income. Willow Crest should also use invoices that will detail all charges billed residents on a monthly basis.

Results Of Fieldwork (Continued)

Summary/Conclusion

This report addresses eight issues. Two issues pertain to isolated errors which were corrected when brought to the attention of the administrator. Four issues are more systemic in nature.

However, discussions with management indicated measures have been or will be taken to address the noted problems. For the remaining two issues, corrective action is required.

On May 25, 2007, Willow Crest submitted a response to the draft report. Willow Crest did not request an exit conference and no changes were made to the draft report. Willow Crest's response has been labeled and attached as an Appendix to the audit report.

In accordance with our established procedures, please provide a response within 60 days to the Audit Resolution Section concerning actions to be taken to ensure that the recommendations are implemented. Any additional clarification or assistance can be provided by the BFO upon request.

Please contact Richard Polek, Audit Resolution Section, at (717) 787-8890 if you have any question concerning this matter.

Sincerely,



John H. Bungo, CGFM, CFS

Attachments

cc: Ms. Karen Kroh
Mr. Matthew Jones
Ms. Nancy Ringo
Mr. Timothy O'Leary
Mr. David Mittal

EXHIBITS

**WILLOW CREST MANOR
RESIDENTS WHO DID NOT RECEIVE PERSONAL NEEDS ALLOWANCE**

	<u>Month</u>	<u>Amount</u>
A1	10/06	\$ 60
A2	09/06; 10/06	<u>120</u>
	Total	<u>\$180</u>

EXHIBIT A

**WILLOW CREST MANOR
RESIDENTS MOVED INTO UNLICENSED UNIT**

	<u>Moved Into Unlicensed Unit</u>	<u>No. of Months</u>	<u>Rate(Licensed Unit)</u>	<u>Rate(Unlicensed Unit)</u>	<u>Difference</u>
B1	Feb-07	2	\$2,170	\$2,650	\$ 960
B2	Apr-07	1	1,550	2,650	1,100
B3	Dec-06	4	1,950	2,750	3,200
Total					\$5,260

EXHIBIT B

**AUDITEE'S RESPONSE
APPENDIX**

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May 25, 2007

Mr. Daniel Higgins
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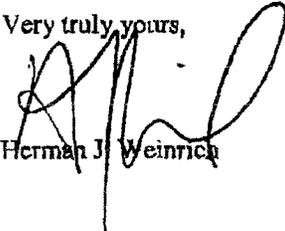
Re: Willow Crest Manor Audit Report

Dear Dan:

I have reviewed the recommendations included in your report. I agree that there are no significant deficiencies as provided in the report. On behalf of Willow Crest, we are committing to writing our agreement to comply with any recommendations included in the report. Please review the enclosed responses and contact me before the document is put in final form available for public inspection.

As always, thank you for your cooperation and attention to this matter.

Very truly yours,


Herman J. Weinrich

IJJW/tmb
Enclosure
cc: Connie Walsh
David Mittal

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Suite 202
2148 Embassy Drive
Lancaster, PA 17603
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217923-1

Statement of Willow Crest Manor in response to the letter of John H. Bungo dated May 14, 2007:

PRELIMINARY STATEMENT

The mission of the Bureau of Financial Operations (BFO) is shared by Willow Crest Manor Personal Care Home (Willow Crest). The common objective of both parties is to administer human service programs of the highest quality, at the lowest cost, with integrity. Willow Crest is committed to providing the best quality of care to its residents and has successfully done so since 1998.

In response to a request from the Adult Residential Licensing (ARL), Office of the Department of Public Welfare (DPW), a review of financial records was coordinated with Willow Crest. Willow Crest fully cooperated providing all documentation on a timely basis, making representatives of Willow Crest available to discuss any questions or concerns BFO representatives may have had and engaging in detailed discussions after a full exchange of information and documents. Willow Crest strongly objects to any inference that any regulatory offenses have occurred. By way of background facts, Willow Crest has been in business for over 9 years. DPW inspectors have visited and examined the financial operations of Willow Crest many times over the last decade. Prior to 2007, there was never any objection communicated nor instruction offered regarding the issue of how funds were deposited and/or distributed to residents and to the facility. Any inference that improper "commingling" occurred is expressly denied.

BACKGROUND

Willow Crest has been in business since August of 1998, operating a personal care home located at ██████ Fitzwatertown Road in Willow Grove, Pennsylvania. The facility has a license approval for 65 residents to occupy the facility. Expansion of the facility has been completed and all Certificates of Occupancy from Upper Merion Township have been issued. Willow Crest operates in full compliance with all zoning regulations, municipal building code and fire safety code requirements. An application for approval of a license permitting the use of 30 additional beds has been pending since August, 2006.

OBJECTIVE/SCOPE/METHODOLOGY - RESPONSE

Willow Crest agrees that there are no significant deficiencies that came to the attention of Mr. Higgins, Audit Manager or any representatives who accompanied him and assisted with the review.

ISSUE NO. 1 - RESPONSE TO RECOMMENDATION

All residents receive rent rebates in a timely fashion and all money is accounted for. All residents receive \$60.00 every month. The funds are available whenever residents request them, including weekends and evening hours. In fact, many residents are advanced money by Willow

Crest even when they run out of personal funds. As per the BFO recommendation, Willow Crest has opened a separate account and all resident funds are deposited in that account.

Willow Crest agrees to comply with the recommendation.

ISSUE NO. 2 - RESPONSE TO RECOMMENDATION

The scope of services with a detailed description will be provided based on the initial assessment and screening performed for each resident. The amounts charged for services to be delivered which cannot be presented in rate-specific terms will be described utilizing a range of service frequencies which will be provided to the resident prior to admission. It has been and will continue to be the practice of Willow Crest to provide details of all services provided to residents and details of all charges for the services prior to admission. Admission is only approved after all charges are reviewed and agreed to by the residents and/or families prior to admission.

In addition, a description of what services are included within the base rate will be expanded with said description to include meals, bathing, social activities, laundry services, and housekeeping services.

Willow Crest agrees to comply with the recommendation.

ISSUE NO. 3 - RESPONSE TO RECOMMENDATION

The Willow Crest fee for a double-sized room starts at \$3,300.00 for single occupancy per month. The cost of the double room exceeds what the ~~single room~~ were being charged for the ~~single room~~ in the previously occupied new resident area. Willow Crest has agreed not to charge any extra fees beyond the fee agreed upon to the residents occupying the double rooms. These three residents are each occupying the double-sized rooms with no other resident in the room, at the request of the resident. Stated another way, a room sized for a double-occupancy is now housing one resident. The accommodations (one person residing in a double-occupancy room) were expressly requested by the individual residents and the families of the residents.

The additional costs of single occupancy in a double room have not been charged to the residents. These charges exceed the charges referred to in the report and therefore there is no refund due.

ISSUE NO. 4 - RESPONSE TO RECOMMENDATION

All residents receive their money when they want it. Willow Crest exceeds the regulatory requirements regarding availability of funds when requested by residents. The funds are available after regular business hours and on weekends. It is also important to note that it is common that residents run out of funds and Willow Crest advances money on a very frequent

basis as a courtesy to its residents. This practice happens frequently and occurs almost every month. All this activity has been reviewed and inspected by DPW personnel. There is no objection raised. The two errors related to two residents were immediately corrected.

Willow Crest agrees to comply with the recommendation.

ISSUE NO. 5 - RESPONSE TO RECOMMENDATION

The error was rectified immediately. As recommended, all checks are deposited in the resident's account.

Willow Crest agrees to comply with the recommendation.

ISSUE NO. 6 - RESPONSE TO RECOMMENDATION

These residents were offered the opportunity to open accounts with assistance from Willow Crest and all declined the offer. This information was verified by the state licensing representative following personal interviews with the residents confirming the residents were asked and declined to open the bank accounts.

Willow Crest agrees to comply with the recommendation.

ISSUE NO. 7 - RESPONSE TO RECOMMENDATION

As recommended, the inventory will be updated.

Willow Crest agrees to comply with the recommendation.

ISSUE NO. 8 - RESPONSE TO RECOMMENDATION

All records are readily retrievable and reviewable. All individual residents have separate financial records detailing payments, distributions, expenditures, and balances. Records are maintained for all funds received and disbursed. As recommended by TBO, a cash receipts journal form has been developed and is being used. The cash receipts journal details all funds received, deposited or distributed and every transaction is included in this journal.

Willow Crest agrees to comply with the recommendation.