



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
BUREAU OF FINANCIAL OPERATIONS
ROOM 525 HEALTH & WELFARE BUILDING
HARRISBURG, PA 17105-2675

TINA L. LONG
ACTING DIRECTOR

APR - 5 2011

TELEPHONE
(717) 772-2231
FAX
(717) 705-9094

Ms. Dottie Weiblinger, President
Weiblinger's Residential Care, Inc.
1370 Washington Pike, Suite 106
Bridgeville, Pennsylvania 15017

Dear Ms. Weiblinger:

Enclosed is the final review report of your Agency, recently completed by this office. Your Agency's response has been incorporated into the final report and labeled Appendix A.

The final report will be forwarded to the Department's Office of Developmental Programs to begin the Department's resolution process concerning the report contents. The staff from that Office may be in contact with you to follow up on the corrective action actually taken to comply with the report's recommendations.

I would like to express my appreciation for the courtesy and cooperation extended to the DAR staff during the course of the fieldwork.

If you have any questions concerning this matter, please contact Mr. Michael J. Kiely, Audit Manager of the Western Field Office, at (412) 565-2187.

Sincerely,

Tina L Long

Tina L. Long

Enclosure

c: Mr. Friel
Ms. Schalcosky
Ms. Deans

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.



COMMONWEALTH OF PENNSYLVANIA
 DEPARTMENT OF PUBLIC WELFARE
 BUREAU OF FINANCIAL OPERATIONS
 ROOM 525 HEALTH & WELFARE BUILDING
 HARRISBURG, PA 17105-2675

TINA L. LONG
 ACTING DIRECTOR

APR - 5 2011

TELEPHONE
 (717) 772-2231
 FAX
 (717) 705-9094

Mr. Kevin M. Friel, Acting Deputy Secretary
 Office of Developmental Programs
 502 Health and Welfare Building
 Harrisburg, Pennsylvania 17120

Dear Mr. Casey:

The Bureau of Financial Operations (BFO) has conducted an audit of Weiblinger's Residential Care, Inc. (WRC). The audit was performed at the request of the Office of Developmental Programs (ODP) in response to anonymous complaints/concerns they received regarding potential fraudulent activities.

A draft of this report was reviewed by WRC and their comments, which are identified as Appendix A, are attached to this report. WRC elected not to have an exit conference.

Executive Summary

ISSUE	SUMMARY
Issue No. 1 – Mortgage Refinancing of Two Related Party Properties Leased to WRC Resulted in Excess Related Party Rent Expense of Approximately \$1,342 Annually	<ul style="list-style-type: none"> • Two related party properties were refinanced in excess of the payoff amounts of the prior debt and closing costs. • The amounts financed in excess of allowable were \$4,068 for Buena Vista Street and \$14,089 for Espy Avenue • The owners withdrew the excess at the time of settlement. • The net annual effect of the financing of the excess is \$301 and \$1,041 respectively.

HIGHLIGHTS OF RECOMMENDATIONS

ODP should ensure that WRC's reported related party rent expense for the Buena Vista and Espy sites does not exceed the principal and interest payments on their respective pre-2006 refinanced debt balances plus , actual real estate taxes, insurance and owner funded repairs, maintenance and improvements.

ISSUE	SUMMARY
<p>Issue No. 2 – WRC's Respite Administrator Does Not Perform Many of the Duties Reflected in His Approved Job Description</p>	<ul style="list-style-type: none"> • The job description of the WRC's Respite Administrator, was reviewed and approved by the Allegheny County DHS through the PAP process. • Appropriate compensation based on the duties detailed in this description was included in the computation of WRC's reimbursement rates. • The job description is not an appropriate representation of the actual duties performed by the WRC's Respite Administrator.

HIGHLIGHTS OF RECOMMENDATIONS
<p>The BFO recommends that ODP review the duties actually performed by the WRC Respite Administrator in comparison with his approved job description and determine whether this position and the resulting costs should remain in the WRC reimbursement rates.</p>

ISSUE	SUMMARY
<p>Issue No. 3 –WRC Should Maintain More Detailed Documentation for Any Expenditures That May be Construed as Personal Expenses</p>	<ul style="list-style-type: none"> • While documentation was available to support the reasonableness of the WRC expenditures that were sampled, not all pertinent documentation was filed with paid invoices.

HIGHLIGHTS OF RECOMMENDATIONS
<p>WRC needs to be more diligent in documenting expenditures and filing the documentation with the paid invoices. In particular, WRC should maintain a detailed log related to distribution of gift cards to consumers and annual picnic raffle prize recipients. Also, any purchases that could potentially be construed to be of a personal nature should be supported by more extensive documentation.</p>

Background

WRC is a private for-profit corporation operating several residential and one respite program for individuals with intellectual disabilities. For the fiscal year ended June 30, 2009, WRC's independent audit indicated total revenues of \$2,777,533, with 88% of this total coming from Department of Public Welfare and Allegheny County Department of Human Services (DHS).

WRC's President is the owner of the corporation. Her spouse is the Vice President of Operations and Respite. Other family members employed by WRC include the President's daughter who is the Administrative Director (and formerly served as Human Resource Director), a sister who is WRC's Quality/Risk Nurse; a niece is employed as the office Secretary and a brother-in-law who was, until recently a full-time, now part-time employee responsible for the maintenance of the facilities.

Objectives, Scope and Methodology

Our audit objective was:

- To determine the validity of specific concerns identified by ODP.

In pursuing our objectives, we reviewed available fiscal/accounting records, audits, policies and other relevant documents. We also interviewed various WRC staff and conducted on-site visits to several WRC program locations. Our work was conducted in accordance with generally accepted government auditing standards. This report, when presented in its final form, is available for public inspection.

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 these controls. Based on our understanding of the controls, no material deficiencies came to our attention. Areas where we noted an opportunity for improvement in management controls are addressed in the findings of this report.

Our review was conducted between August 24, 2010 and September 29, 2010.

Results of Fieldwork

While the results of our fieldwork with respect to the anonymous complaints/concerns disclosed no material discrepancies or fraudulent activities, the following issues identify approximately \$1,342 per year of unallowable related party rent expense, the need to re-evaluate the county PAP plan equivalent position of WRC's Respite manager position and other changes that we believe would enhance WRC's internal controls.

Issue No. 1 - Mortgage Refinancing of Two Related Party Properties Leased to WRC Resulted in Excess Related Party Rent Expense of Approximately \$1,342 Annually.

The owner of WRC and her spouse own two properties that are leased to WRC. Buena Vista Street is a three bed residential site and Espy Avenue is the location of WRC's Respite program.

The Buena Vista property was initially acquired in the 1970's for a nominal amount and served as the owner's personal residence after undergoing substantial renovations. The first use of this property as an MR residential site occurred around 2003 or 2004. Currently this property is licensed by ODP as a three bed residential facility.

Espy Avenue was purchased in 1997 for approximately \$159,000. It was used as the owner's residence and for a Domiciliary Care program operated by the owners prior to establishing WRC in 2002. The use of the Espy site as a Domiciliary Care, and later as a private, sole proprietor Respite care program, continued until 2008 when, at Allegheny County Department of Human Services (DHS) insistence, it became a Respite program site under WRC, Inc. In 2009 the owner and her spouse moved out of Espy. Shortly before the start of our fieldwork WRC, Inc. was approved as a licensed Respite program with a capacity of five beds.

Weiblinger's Residential Care, Inc.

To determine the allowable related party rent expense for these two properties, we initially attempted to apply the provisions of subsection 4300.87 of Title 55, Chapter 4300, MH/MR Fiscal Regulations which address allowable occupancy costs for contracted agencies. However, due to the multiple uses of these properties over the years and the lack of detailed documentation relative to renovations and improvements we could not independently compute the allowable cost per Title 55, Chapter 4300.

The owner indicated that since the properties were initially used as a personal residence she had not maintained detailed records of the renovation costs prior to placing the properties in use as a MR residential and Respite program. In prior fiscal years, due to the lack of detailed documentation of the actual costs, Allegheny County DHS agreed to base allowable related party rent on the lesser of the actual mortgage payment (principal, interest, real estate taxes and insurance) or the fair market rent as determined by an appraisal.

While the scheduled mortgage payments for each property was less than the fair market rent, we noted that the mortgage payments were based on a refinancing that occurred on November 30, 2006. A review of the HUD-1 settlement statements indicated that the refinanced amounts of \$144,000 for Buena Vista and \$208,000 for Espy exceeded the payoff amount of the prior loan and customary closing costs by \$4,068 and \$14,089, respectively. These amounts were paid to the owners at settlement.

According to subchapter 4300.87(c)(2)(ix), the Department's participation in the costs of refinancing related party real estate is limited to instances where the purpose is to reduce real estate debt expense. Therefore, the allowable mortgage debt resulting from the refinancing should have been limited to the remaining balance on the prior mortgages and closing costs associated with the refinancing, or \$139,932 and \$193,911 for Buena Vista and Espy, respectively.

The properties were refinanced for 30 years at an interest rate of 6.25%. The net effect of the amounts borrowed in excess of outstanding debt as of November 30, 2006 for Buena Vista and Espy is \$25.05 and \$86.75 per month; or \$301 and \$1,041 per year respectively.

Recommendations:

The BFO recommends that ODP ensure WRC's reported related party rent expense for the Buena Vista and Espy sites does not exceed the principal and interest payments on the pre-2006 refinanced debt balances of \$139,932 and \$193,911, respectively plus actual real estate taxes, insurance and owner funded repairs, maintenance and improvements.

Issue No. 2 - WRC's Respite Administrator Does Not Perform Many of the Duties Reflected in His Approved Job Description.

It was alleged that the President's husband, who is employed and paid as the Respite Administrator, did little or no work and was rarely at the administrative office or at the Respite site.

In an attempt to address this concern we compared this individual's WRC job description for the job title Respite Administrator with the Allegheny County DHS Personnel Action Plan (PAP) equivalent position of Unit Manager and determined that the essential job functions and

Weiblinger's Residential Care, Inc.

responsibilities are generally the same. We also interviewed the husband and several other WRC staff to determine which of the listed job functions he actually performed. Additionally, we observed his activity when in the Administrative office and his interaction with other employees and consumers.

Based on our review we identified the following job responsibilities/functions assigned to his position that he does not appear to perform or be directly involved in:

- Direct the planning and scheduling of long-range and daily operations.
- Preparation and control of unit budget.
- Prepare fiscal and administrative reports necessary for unit operation.
- Recruitment, utilization, supervision and evaluation of personnel.
- Conduct staff meetings.

While he admitted that he did not perform the functions listed above, he stated that he does perform various work related to WRC business activity and is familiar with the needs of the consumers that they serve and their families. He also stated that his role with regard to consumer care is to help cover where needed to get things done. This might include assisting direct care staff in handling consumer behavioral issues, performing late night on-site visits to ensure staff are awake, assisting with CPR and first aid training and covering direct care duties in the event of a staff call-offs. He further stated that he has more recently been handling some of the site's maintenance work.

The employee job description as approved by Allegheny County DHS through the PAP process represents a specific job and duties for which the County agreed to provide reimbursement. These costs would have been included in the WRC rates of reimbursement when rate setting occurred. Any significant variance from the approved description would result in unapproved, unallowable costs.

Recommendations:

The BFO recommends that ODP review the duties actually performed by the WRC Respite Administrator in comparison with his approved job description and determine whether this position and the resulting costs should remain in the WRC reimbursement rates.

Issue No. 3 - WRC Should Maintain More Detailed Documentation for Any Expenditures That May be Construed as Personal Expenses.

It was alleged that expenses of a personal nature and/or expenditures that provided a personal benefit to the owners or relatives employed by WRC were reflected in WRC's books as business expenses. These expenditures included various corporate VISA card and Walmart credit card purchases, a vehicle and household furnishings that WRC purchased from the owner and spouse.

Weiblinger's Residential Care, Inc.

While our review of FY09/10 expenditures initially identified some potential concerns, follow-up discussions with WRC management and the review of additional documentation provided a reasonable explanation as to how these items were business related. In conclusion, the purchases sampled did not appear to provide any significant personal benefit to the owners or relatives.

We did however find that in some cases, the documentation attached as support for paid vouchers did not include sufficient detail to determine the exact nature of the expense. For example, gift cards purchased as Christmas gifts for consumers or prizes at a company picnic were not supported by a control log to document custody of the gift cards. Another example was an estimate of value provided by WRC's owner to support the sale price of furnishings purchased by WRC from the owner's former Respite program. While we did not question the reasonableness of the sale price, an independent appraisal would have been a more appropriate basis for assessing and documenting the value.

Recommendations:

The BFO recommends that WRC be more diligent in documenting expenditures and filing the documentation with the paid invoices. In particular, WRC should maintain a detailed log related to distribution of gift cards to consumers (Christmas gifts), and Annual picnic raffle prize recipients. Also, any purchases that could potentially be construed to be of a personal nature should be supported by more extensive documentation.

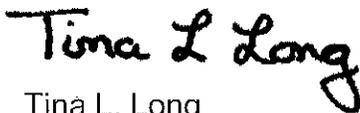
In accordance with our established procedures, an audit response matrix will be provided to your office. Once received, please complete the matrix within 60 days and email the Excel file to the DPW Audit Resolution Section at:

RA-pwauditresolution@state.pa.us

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

Please contact Alex Matolyak, Audit Resolution section, at (717) 783-7786 if you have any further questions concerning this audit or if we can be of any further assistance in this matter.

Sincerely,



Tina L. Long

**WEIBLINGER'S RESIDENTIAL CARE INC
RESPONSE TO THE DRAFT REPORT**

APPENDIX A

Weiblinger's Residential Care Inc.

CORRECTIVE ACTION PLAN

2-28-11

Department of Public Welfare Bureau of Financial Operations
Western Field Office.

Weiblinger's Residential Care, Inc. respectfully submits the following corrective action plan for BFO DAR Draft Audit Report dated February 7, 2011.

Name and address of independent public accounting firm: [REDACTED]

Fiscal Monitoring period: FY 2009/2010.

The findings from the February 7, 2011, Executive Summary are discussed below, and are numbered consistently with the numbers assigned within the schedule:

Issue No. 1 - Mortgage Refinancing of Two Related Party Properties Leased to WRC Resulted in Excess Related Party Rent Expense of Approximately \$1,342 Annually.

Recommendation: The BFO recommends that ODP ensure the WRC's reported related party rent expense for the Buena Vista and Espy sites does not exceed the principal and interest payments on the pre-2006 refinanced debt balances of \$139,932 and \$193,911, respectively plus actual real estate taxes, insurance and owner funded repairs, maintenance and improvements.

Corrective Plan of Action: The current related party rent amount was an agreed upon amount based on the Allegheny County Compliance Audit Finding of FY0607 costs. During that audit, Allegheny County and the previous Fiscal Director, Kevin Humble, agreed on a Corrective Action Plan (see attached letter dated 07/28/09 and Correction Action Plan dated 04/30/09). This plan required a written rental lease between the related parties reflecting the lower of cost (mortgage payments) and market value for the rental

properties. We have attached those leases for your records.

WRC understands the methodology used to calculate the amount proposed by BFO, but the yearly proposed adjustment of \$1,342 is not a material adjustment to the cost reports or assigned rates. The amounts currently paid are amounts previously agreed to by the two parties, and the proposed adjustment has no material effect on the current or future reports or rates.

Issue No. 2 - WRC's Respite Administrator Does Not Perform Many of the Duties Reflected in His Approved Job Description.

Recommendation: The BFO recommends that ODP review the duties actually performed by the WRC Respite Administrator in comparison with his approved job description and determine whether this position and the resulting costs should remain in the WRC reimbursement rates.

Corrective Plan of Action: WRC would like to address each point documenting the involvement of the Respite Manager AKA Mike Weiblinger (RM) in the particular job functions that are assigned to this position.

- **Direct the planning and scheduling of long-range and daily operations.**

Currently the RM has involvement in the long-range and daily operations of the Respite facility as well as the residential housing that WRC does. The RM engages in meetings with the President to ensure that company policies and procedures are created and implemented. The RM ensures all staff are trained on and understand all policies as they are implemented. He also attends administration meetings where all respite daily operations are discussed and improvements are suggested. Based on information discussed at the meetings, the RM puts in place plans to implement the suggested improvements.

- **Preparation and control of unit budget.**

The RM does not perform this function. This function was reassigned to the Fiscal Department. The Fiscal Director is responsible for the control of all

financial matters. The RM is informed by the Fiscal Director if any issues of budget or a financial matter are in question. If there are questions, the Fiscal Director meets with the RM to discuss and remedy the issues with the budget or financial matter.

- **Prepare fiscal and administrative reports necessary for unit operation.**

The fiscal reports are prepared by the Fiscal Director. The administrative reports are discussed in our administrative meetings to determine that all policies and procedures are being adhered to by staff. The RM is responsible for ensuring that the administrative reports related to the residential and respite aspects of WRC's business are in line with the policies and procedures.

- **Recruitment, utilization, supervision and evaluation of personnel.**

Although the RM is not involved in the interview/screening process, he is involved in identifying qualified candidates and promoting WRC as a potential employer by discussing opportunities and directing the candidates to HR for the purpose of completing applications. The RM supervises and evaluates the staff through day to day interactions. When RM visits respite site he is always working with staff to ensure that the consumer's needs are being met as well as policies and procedures are being adhered to and carried out in the most effective manner. He does evaluation of staff during the visit and makes recommendations to managers regarding areas that require improvement as well as bringing to light staff issues that need to be addressed immediately. These recommendations in most instances are the catalyst for identifying training needs and counseling sessions for the staff.

- **Conduct staff meetings.**

The RM holds informal one on one staff meetings to ensure that job duties are being carried out and to ensure that the consumer's safety and area of interest are addressed.

In conclusion the work of the Mr. Weiblinger goes above and beyond the job description of that of an RM. While the job description is intended to outline the responsibilities it is not intended to be an all-inclusive listing of the responsibilities assigned and carried out by Mr. Weiblinger on a daily basis. Accordingly, the functions being performed by this position meet the PAP scale of the RM/ Unit Manager Position. This position is one of strategic development in our organization. Mr. Weiblinger does participate in the decision making process and the information that comes from that process is communicated to managers and staff for implementation. As an owner and Vice President of this company he performs duties that ensure all staff are doing their jobs and keeping with the mission of this organization, which is to make sure that all of the consumers in our care are being taken care in a respectful and caring manner. Job descriptions are a snapshot of the duties and cannot be an exact description of what any employee does on a day to day basis. If necessary the RM description will be revised and updated to be inclusive of the task, responsibilities that Mr. Weiblinger carries out and will continue to carry out in support of this organization.

Issue No. 3 - WRC Should Maintain More Detailed Documentation for Any Expenditures That May be Construed as Personal Expenses.

Recommendation: The BFO recommends that WRC be more diligent in documenting expenditures and filing the documentation with the paid invoices. In particular, WRC should maintain a detailed log related to distribution of gift cards to consumers (Christmas gifts), and Annual picnic raffle prize recipients. Also, any purchases that could be potentially be construed to be of a personal nature should be supported by more extensive documentation.

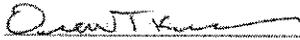
Corrective Plan of Action: WRC agrees with this finding and recommendation and it is the policy of WRC to use a detailed log for any expenditure(s) that may be construed as a personal expense and to document that log in coordination with the paid invoice(s). An example of our diligence in this matter is our 2010 Christmas Gift Cards. This year there were 100 cards purchased and 98 given out which can be seen on the "Weiblinger's Residential Care, Inc. Gift Card Tracking Grid" which is attached. There are two cards remaining that we will use when an opportunity presents itself. Each card was purchased with \$40 on it,

which can be verified through the two Wal-Mart receipts totaling \$4,000, which is attached.

It should be noted that Dottie Weiblinger has signed this CAP and Audit response validating that agency policy has been upheld but in no way signifies her participation in the creation of this response.

If the BFO, DPW or any other party reviewing this Audit response and Corrective Action Plan has any questions regarding this plan, please call Oren Kern or Richard Rubin at 412-221-9200.

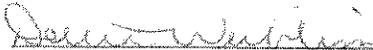
Sincerely yours,



Oren Kern, Fiscal Director



Richard Rubin, Human Resources Director



Dottie Weiblinger, President/CEO/Owner

ALLEGHENY COUNTY DEPARTMENT OF HUMAN SERVICES

Marc Cherna, Director

Dan Onorato, Allegheny County Executive

Office of Administration
Bureau of Contracts and Compliance
Human Services Building -- Suite 500
One Smithfield Street
Pittsburgh, PA 15222-2225



Phone: 412-350-3536
Fax: 412-350-3414
www.county.allegheny.pa.us/dhs

July 28, 2009

Ms. Dottie Weiblinger
Chief Executive Officer
Weiblinger's Residential Care, Inc.
1370 Washington Pike
Suite 106
Bridgeville, PA 15017

RE: FY 2006/2007 Audit Findings and Corrective Action Plan

Dear Ms. Weiblinger:

We have reviewed the findings identified in your audit and the related Corrective Action Plan for the Year Ending December 31, 2007. Your Corrective Action Plan appears adequate to address the following findings:

<u>Finding 07-01:</u>	<u>Cash/Expenditures.</u>
<u>Finding 07-02:</u>	<u>Internal Controls.</u>
<u>Finding 07-03:</u>	<u>Form AC-17.</u>
<u>Finding 07-04:</u>	<u>Physical Inventory.</u>
<u>Finding 07-05:</u>	<u>Related Party Rent.</u>
<u>Finding 07-06:</u>	<u>Cost Allocation Plan.</u>
<u>Finding 07-07:</u>	<u>Room and Board Contracts.</u>

We noted that findings 07-03 and 07-04 are recurring issues identified in your FY 2005/2006 audit. Please proceed with the implementation of your Corrective Action Plan in a timely manner to avoid recurring findings in subsequent audits. Should you have any questions, you may contact me at (412) 350-5086 or Sam Gopal at (412) 350-4021.

Sincerely,

William J. Pagonis
Administrator
Bureau of Contracts and Compliance

cc: Tony Kotanchik, Manager
Audit File # 615

Area Agency on Aging
Office of Children, Youth and Families

Office of Mental Retardation/Developmental Disabilities

Office of Behavioral Health
Office of Community Services

CORRECTIVE ACTION PLAN

April 30, 2009

Allegheny County Department of Human Services

Weiblinger's Residential Care, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2007.

Name and address of independent public accounting firm: [REDACTED]

Audit period: December 31, 2007.

The findings from the April 30, 2009 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

NONE

FINDINGS AND QUESTIONED COSTS

#07-01: Cash/Expenditures

Recommendation: We recommend management of WRC review the bank reconciliation monthly and to review QB's monthly to ensure proper posting of expenses.

Corrective Plan of Action: WRC agrees with the finding and will review the bank reconciliations monthly and will review QB's monthly to ensure proper posting of expenses. This is effective July 1, 2008.

#07-02: Internal Controls

Recommendation: We recommend WRC implement and monitor effective controls including segregation of duties, very limited banking authority and monthly reviews of bank reconciliation and general ledger reconciliation.

Corrective Plan of Action: WRC agrees with the finding and will implement and monitor effective controls, including segregation of duties, very limited banking authority and monthly reviews of bank reconciliations and general ledger reconciliations. This is effective July 1, 2008.

#07-03: Form AC-17

Recommendation: We recommend WRC reports all expenditures and revenue for the fiscal year July 1st to June 30th for all future AC-17 filings.

Corrective Plan of Action: WRC agrees with the finding and will report all expenditures and revenue for the fiscal year July 1st to June 30th for all future AC-17 filings. This is effective July 1, 2008.

#07-04: Physical Inventory

Recommendation: We recommend WRC perform an annual physical inventory of fixed assets and update a log of fixed assets on a semi-annual basis.

Corrective Plan of Action: WRC agrees with the finding and will perform an annual physical inventory of fixed assets and update a log of fixed assets on a semi-annual basis. This is effective July 1, 2008.

#07-05: Related Party Rent

Recommendation: We recommend WRC establish in writing with Mr. and Mrs. Weiblinger, a rental lease that reflects the lower of cost or market for the rental properties to be paid on a prospective basis.

Corrective Plan of Action: WRC agrees with the finding and will establish in writing with Mr. and Mrs. Weiblinger, a rental lease that reflects the lower of cost or market for the rental properties to be paid on a prospective basis. This is effective July 1, 2008.

#07-06: Cost Allocation Plan

Recommendation: We recommend WRC establish in writing a Cost Allocation Plan and maintain a file regarding the Cost Allocation Plan and supporting documentation.

Corrective Plan of Action: WRC agrees with the finding and will establish in writing a Cost Allocation Plan and maintain a file regarding the Cost Allocation Plan and supporting documentation. This is effective July 1, 2008.

#07-07: Room and Board Contracts

Recommendation: We recommend WRC establish procedures to regularly review consumer files for required paperwork and calculations of the monthly rent. A checklist should be in each file to allow documentation that a review has been conducted.

Corrective Plan of Action: WRC agrees with the finding and will establish procedures to regularly review consumer files for required paperwork and calculations of the monthly rent. A checklist should be in each file to allow documentation that a review has been conducted. This is effective July 1, 2008.

If the Allegheny County Department of Human Services has questions regarding this plan, please call Dottie Weiblinger at 412-221-9200.

Sincerely yours,

Dottie Weiblinger, President

WEIBLINGER'S RESIDENTIAL CARE, INC.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2007

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Weiblinger's Residential Care, Inc.
2. Reportable conditions relating to the audit of the financial statements are listed below.
3. No instances of noncompliance material to the financial statements of Weiblinger's Residential Care, Inc. were disclosed during the audit. See findings and questioned costs listed below.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

Reportable Conditions:

#07-01: Cash / Expenditures

Statement of Condition: Cash was not reconciled or reviewed by management at any time during the year.

Criteria: The Allegheny County Department of Human Services requires adequate recording keeping and safeguarding of assets.

Effect of Condition: By not reconciling cash, the former Fiscal Director was able to embezzle \$107,388.39 in funds during the year.

Cause of Condition: Management allowed new Fiscal Director complete control of bank information without enforcing controls. Allowed Fiscal Director to change and/or override controls that were in place.

Recommendation: We recommend management of WRC review the bank reconciliation monthly and to review QB's monthly to ensure proper posting of expenses.

Response: See Corrective Action Plan (CAP)

WEIBLINGER'S RESIDENTIAL CARE, INC.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2007

#07-02: Internal Controls

Statement of Condition: Internal controls were not in place to safeguard assets or detect errors in a timely manner.

Criteria: The Allegheny County Department of Human Services requires effective controls for safeguarding assets and detecting errors both financial and compliance errors.

Effect of Condition: The lack of controls allowed funds to be misappropriated, expenses to be paid late, records not current, and procedures not in place to identify these errors in a timely manner.

Cause of Condition: Management was growing quickly and allowed the former Fiscal Director to control the office, which allowed him to manipulate records and destroy the record keeping system.

Recommendation: We recommend WRC implement and monitor effective controls including segregation of duties, very limited banking authority and monthly reviews of bank reconciliation and general ledger reconciliation.

Response: See Corrective Action Plan (CAP)

C. FINDINGS AND QUESTIONED COSTS

#07-03: Form AC-17

Statement of Condition: WRC completed their Form AC-17 without properly accruing expenditures and revenue from July 1, 2006 to June 30, 2007.

Criteria: The Allegheny County Department of Human Services requires the Form AC-17 to be completed using a fiscal year July 1st to June 30th expenditures and revenue information.

WEIBLINGER'S RESIDENTIAL CARE, INC.

Schedule of Findings and Questioned Costs

December 31, 2007

Effect of Condition: By not reporting all accrued expenditures and revenue, WRC could under or over report their net expenditures, and therefore not be correctly reimbursed for expenditures or correctly calculate amounts due to Allegheny County.

Cause of Condition: Management was learning how to prepare the Form AC-17 and was not informed of correct accounting procedures to accrue expenditures and revenue.

Recommendation: We recommend WRC reports all expenditures and revenue for the fiscal year July 1st to June 30th for all future AC-17 filings.

Response: See Corrective Action Plan (CAP)

#07-04: Physical inventory

Statement of Condition: Annual physical inventory of fixed assets was not performed.

Criteria: Annual physical inventory of fixed assets is required per Regulation 3170.77(f)(4).

Effect of Condition: By not performing this function, WRC could be more susceptible to unauthorized use and/or theft of fixed assets, as well as the disallowance of the expenditure by Allegheny County.

Cause of Condition: Management was not aware of their responsibility to perform annual physical inventories of fixed assets.

Recommendation: We recommend WRC perform an annual physical inventory of fixed assets and update a log of fixed assets on a semi-annual basis.

Response: See Corrective Action Plan (CAP)

WEIBLINGER'S RESIDENTIAL CARE, INC.

Schedule of Findings and Questioned Costs

December 31, 2007

#07-05: Related Party Rent

Statement of Condition: Mortgage payments were made in lieu of rent for two properties owned by Mr. and Mrs. Weiblinger.

Criteria: Department of Public Welfare Regulation 4300.14(a) states that costs of goods or services furnished to a program by a related individual or organization are allowable at the lower of cost or market value.

Effect of Condition: By not calculating the lower of cost or market value, WRC overpaid for rent, and was therefore overpaid by the County for reimbursement of these expenses.

Cause of Condition: Management believed they were entitled to charge rent for the mortgage cost of the two properties and were not aware of the lower of cost or market value procedure.

Recommendation: We recommend WRC establish in writing with Mr. and Mrs. Weiblinger a rental lease that reflects the lower of cost or market for the rental properties to be paid on a prospective basis.

Response: See Corrective Action Plan (CAP)

#07-06: Cost Allocation Plan

Statement of Condition: WRC does not have a cost allocation plan to allocate costs between Residential and Respite Programs. WRC does allocate some payroll expenses, but does not have a plan to allocate all Respite related expenses.

WEIBLINGER'S RESIDENTIAL CARE, INC.

Schedule of Findings and Questioned Costs

December 31, 2007

Criteria: Department of Public Welfare Regulation 4300.94 states "the Cost Allocation Plan is the document for identifying, accumulating and distributing costs to cost categories within the agency and for identifying the allocation method used.

Effective of Condition: By not allocating expenses to Respite Programs, WRC has overstated expenses to be reimbursed by the County.

Cause of Condition: Management believed the wages and taxes they allocated to Respite was the proper procedure to allocate costs, but did not take into consideration insurance costs and all other applicable payroll tax and other associated costs.

Recommendation: We recommend WRC establish in writing a Cost Allocation Plan and maintain a file regarding the Cost Allocation Plan and supporting documentation.

Response: See Corrective Action Plan (CAP)

#07-07: Room and Board Contracts

Statement of Condition: Room and Board Contracts were not properly documented and fees were not properly calculated based on 72% of SSI.

Criteria: Department of Public Welfare Regulation 6200.19 states that the actual room and board costs be computed each time a consumer signs a standard Room and Board Contract, and documentation of actual room and board costs be kept on file. Regulations further state that a standard Room and Board Contract be completed annually. The regulations further state the consumer's share of room and board shall be 72% of SSI maximum rate or the actual cost of room and board if actual cost is less.

WEIBLINGER'S RESIDENTIAL CARE, INC.

Schedule of Findings and Questioned Costs

December 31, 2007

Effect of Condition: By not calculating rent correctly, consumers were overcharged for rent. By not keeping updated files, this could happen again in the future.

Cause of Condition: Management did not follow up on consumer files and establish procedures to monitor files and compliance with the regulations.

Recommendation: We recommend WRC establish procedures to regularly review consumer files for required paperwork and calculations of the monthly rent. A checklist should be in each file to allow documentation that a review has been conducted.

Response: See Corrective Action Plan (CAP)

WEIBLINGER'S RESIDENTIAL CARE, INC.
Schedule of Status of Prior Year Audit Findings
December 31, 2007

Prior Year Findings:

#06-01: Form AC-17

Recommendation: We recommend WRC reports all expenditures and revenue for the fiscal year July 1st to June 30th for all future AC-17 filings.
Status: Not corrected as of 06/30/07.

#06-02: Physical Inventory

Recommendation: We recommend WRC perform an annual physical inventory of fixed assets and update a log of fixed assets on a semi-annual basis.
Status: Not corrected as of 12/31/07.

#06-03: Bidding and Procurement

Recommendation: We recommend WRC obtain three bids on large asset purchases pursuant to the regulations.
Status: Not corrected as of 12/31/07.

Commercial Lease Agreement
Between
Michael E & Dottie L Weiblinger
And
Weiblinger's Residential Care, Inc.

This lease agreement is made and entered into, July 1, 2008, by and between Michael E. & Dottie L. Weiblinger, hereinafter referred to as "Lessor", and Weiblinger's Residential Care, Inc., hereinafter referred to as "Lessee".

Lessor, in consideration of the rents to be paid and the covenants and agreements to be performed and observed by the Lessee, does hereby lease to the Lessee and the Lessee does hereby lease and take from the Lessor the property located at [REDACTED] Buena Vista Street, Pittsburgh, Pennsylvania, 15212.

This lease is for a period of five years, commencing July 1, 2008 and ending June 30, 2013.

The Lessee agrees to the following:

1. To use the property described above as a residential care home.
2. To pay the lessor \$1,277.50 as rent for premises. The checks shall be made payable to the Lessor and are due the first day of each month during the term of the lease. If the rent is not paid by the third day of the month, late fees in the amount of \$50 would be incurred by lessee.
3. To pay all utilities, including, but not limited to, electricity, gas, water, sewage, and telephone.
4. To obtain adequate general liability insurance.
5. To repair and maintain the premises in good order and condition, except for reasonable wear and tear, including maintenance or replacement necessitated as the result of the act or omission or negligence of the Lessee or its employees.
6. To use premises during the term of the lease, for no other purposes than specified above.
7. To permit lessor to have free access to premises to examine or exhibit same, or to make any necessary repairs or alterations of premises, and to place "For Sale", and/or "To Rent" signs on premises.
8. Not to assign this lease, nor sublet premises, or any part thereof without written consent of the lessor.
9. To permit lessor to take immediate possession if premises vacated by lessee during term of lease, and to permit lessor to re-let premises and apply proceeds on lease, lessee remaining liable for unpaid balance of rent to extent of any deficiency from re-letting.

Commercial Lease Agreement
Between
Michael E & Dottie L Weiblinger
And
Weiblinger's Residential Care, Inc.

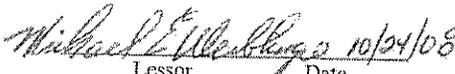
10. To permit lessor to enter premises for default of 60 days in payment of any installment of rent or for breach of any agreement of lessee contained herein.
11. At expiration of term of this lease, on June 30, 2013, to deliver to lessor, lessor's agents or assigns, without any notice from lessor, possession of premises.

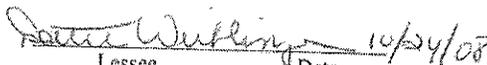
It is further provided that:

1. If the mortgage payment, paid by the Lessor, should become less than the lease payment denoted above, both parties agree that the lease payment would be reduced to the amount of the mortgage payment required to be made by the lessor.
2. The Lessee will charge the "Loan from shareholder" account for the building insurance included in the Property Insurance Premium paid by the Lessee relative to the property located at [REDACTED] Buena Vista Street. Once the insurance premium paid by the Lessee is adjusted to eliminate the building insurance portion, this adjustment will no longer be required.
3. The foregoing agreements shall inure to benefit of and be binding on the respective heirs, devisees, personal representatives, successors, and assigns of the parties hereto, except as herein otherwise provided.
4. If the premises are rendered unfit for use by fire or other casualty, lessor may either terminate the lease, or repair premises within 180 days.
5. The parties hereto may elect to extend this Agreement upon such terms and conditions as may be agreed upon in writing and signed by the parties at the time of any such extension.

In witness whereof, the parties hereto have executed this Lease the day and year first above written or have caused this Lease to be executed by their respective officers thereunto duly authorized.

Signed by:


Lessor Date 10/24/08


Lessee Date 10/24/08

Commercial Lease Agreement
Between
Michael E & Dottie L Weiblinger
And
Weiblinger's Residential Care, Inc.

10. To permit lessor to enter premises for default of 60 days in payment of any installment of rent or for breach of any agreement of lessee contained herein.
11. At expiration of term of this lease, on June 30, 2013, to deliver to lessor, lessor's agents or assigns, without any notice from lessor, possession of premises.

It is further provided that:

1. If the mortgage payment, paid by the Lessor, should become less than the lease payment denoted above, both parties agree that the lease payment would be reduced to the amount of the mortgage payment required to be made by the Lessor.
2. If the mortgage payment, paid by the Lessor, should become more than the lease payment denoted above, both parties agree that the lease payment would be increased to the amount of the mortgage payment required to be made by the Lessor, but not more than the Fair Market Value determined by Howard Hanna.
3. The Lessee will charge the "Loan from shareholder" account for 10% of the following payments made, relative to the property located at 2809 Espy Avenue, as long as the Lessor maintains a residence on the third floor:
 - a. Rent
 - b. Gas
 - c. Electric
 - d. Water
 - e. Sewage
4. The Lessee will charge the "Loan from shareholder" account for the building insurance included in the Property Insurance Premium paid by the Lessee relative to the property located at [REDACTED] Espy Avenue. Once the insurance premium paid by the Lessee is adjusted to eliminate the building insurance portion, this adjustment will no longer be required.
5. Should the Lessor vacate the third floor of the property located at [REDACTED] Espy Avenue, the Lessee shall not have access to the third floor, unless agreed to by the Lessor, and a proper fire escape is added to the building.
6. The foregoing agreements shall inure to benefit of and be binding on the respective heirs, devisees, personal representatives, successors, and assigns of the parties hereto, except as herein otherwise provided.
7. If the premises are rendered unfit for use by fire or other casualty, lessor may either terminate the lease, or repair premises with 180 days.

Commercial Lease Agreement
Between
Michael E & Dottie L. Weiblinger
And
Weiblinger's Residential Care, Inc.

This lease agreement is made and entered into, July 1, 2008, by and between Michael E. & Dottie L. Weiblinger, hereinafter referred to as "Lessor", and Weiblinger's Residential Care, Inc., hereinafter referred to as "Lessee".

Lessor, in consideration of the rents to be paid and the covenants and agreements to be performed and observed by the Lessee, does hereby lease to the Lessee and the Lessee does hereby lease and take from the Lessor the property located at [REDACTED] Espy Avenue, Pittsburgh, Pennsylvania, 15216.

This lease is for a period of five years, commencing July 1, 2008 and ending June 30, 2013.

The Lessee agrees to the following:

1. To use the property described above as a residential care home.
2. To pay the lessor \$1,747.76 as rent for premises. The checks shall be made payable to the Lessor and are due the first day of each month during the term of the lease. If the rent is not paid by the third day of the month, late fees in the amount of \$50 would be incurred by lessee.
3. To pay all utilities, including, but not limited to, electricity, gas, water, sewage, and telephone.
4. To obtain adequate general liability insurance.
5. To repair and maintain the premises in good order and condition, except for reasonable wear and tear, including maintenance or replacement necessitated as the result of the act or omission or negligence of the Lessee or its employees.
6. To use premises during the term of the lease, for no other purposes than specified above.
7. To permit lessor to have free access to premises to examine or exhibit same, or to make any necessary repairs or alterations of premises, and to place "For Sale", and/or "To Rent" signs on premises.
8. Not to assign this lease, nor sublet premises, or any part thereof without written consent of the lessor.
9. To permit lessor to take immediate possession if premises vacated by lessee during term of lease, and to permit lessor to re-let premises and apply proceeds on lease, lessee remaining liable for unpaid balance of rent to extent of any deficiency from re-letting.

Commercial Lease Agreement
Between
Michael E & Dottie L Weiblinger
And
Weiblinger's Residential Care, Inc.

8. The parties hereto may elect to extend this Agreement upon such terms and conditions as may be agreed upon in writing and signed by the parties at the time of any such extension.

In witness whereof, the parties hereto have executed this Lease the day and year first above written or have caused this Lease to be executed by their respective officers thereunto duly authorized.

Signed by:

Michael Weiblinger 10/24/08
Lessor Date

Dottie Weiblinger 10/24/08
Lessee Date

\$40 per card

Weibinger's Residential Care, Inc.

GIFT CARD TRACKING GRID

Date of Purchase	Name of Gift Card	Gift Card TO:	Reason for Gift Card	# and Amount listed on Gift Card	Signature of Receipt
12/6/10	WAL-MAR	[REDACTED]	Christmas	5C8745600201234956	Mailed Oct 12, 10/10
		[REDACTED]		4000	
		[REDACTED]		2000	
		[REDACTED]		1999	
		[REDACTED]		5C8745600201473667	
		[REDACTED]		8100	
		[REDACTED]		3400	
		[REDACTED]		1999	
		[REDACTED]		7110	
		[REDACTED]		4244	
		[REDACTED]		5112	
		[REDACTED]		1400	
		[REDACTED]		4400	
		[REDACTED]		0134	
		[REDACTED]		3756	
		[REDACTED]		0820	
		[REDACTED]		3561	
		[REDACTED]		7609	
		[REDACTED]		4900	
		[REDACTED]		(Cancelled) 45969 - 5C8745600201544243 (NEW)	
		[REDACTED]		0145	
		[REDACTED]		03836	
		[REDACTED]		2500	
		[REDACTED]		7121	
		[REDACTED]		3620	
		[REDACTED]		30257	
		[REDACTED]		5C8745600201305317	
		[REDACTED]		8045	

