



COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF PUBLIC WELFARE  
**BUREAU OF FINANCIAL OPERATIONS**

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FEB 06 2007

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JOHN H. BUNGO, CGFM, CFS  
DIRECTOR

Ms. Karen Kroh, Director  
Personal Care Home Licensing  
Room 423 Health and Welfare Building  
Harrisburg, Pennsylvania 17105

Dear Ms. Kroh:

In response to a request from the Western Field Office Administrator, the Bureau of Financial Operations (BFO) conducted a performance audit of the resident funds financial management practices of Rebecca's Personal Care Home (RPCH). The BFO's mission, accomplished through its audit and review activities, is to assist Department of Welfare (DPW) management to administer human service programs of the highest quality at the lowest price with integrity.

The request for this audit was prompted by a complaint that indicated RPCH had engaged in questionable practices in managing a specific resident's funds. Licensing staff investigated the circumstances pertinent to that case on October 23, 2006 and generated a violation report dated November 8, 2006. Subsequently, the Field Office Administrator requested that BFO accompany licensing staff on an additional visit to audit RPCH's overall practices and procedures for managing its residents' funds.

**Background:**

RPCH is a privately owned and operated facility located at 47 West Street, North East, Pennsylvania. At the time of the BFO visit, RPCH had 47 residents. It serves as representative payee for 14 residents. Management estimates that over the course of time, it provides some sort of financial management services to nearly all its residents.

RPCH management and staff have not attended training in resident funds financial management.

**Objective, Scope and Methodology:**

The BFO audit addressed the following objective:

Determine whether Rebecca's Personal Care Home complies with DPW regulations regarding the Agency's financial management practices as they related to residents' funds.

**Objective, Scope and Methodology (Continued):**

The scope of the BFO audit was limited to those procedures determined necessary to accomplish this objective.

In pursuing the objective, the BFO reviewed resident funds transaction records, interviewed the owner/operator, and conducted cash counts.

Government auditing standards require that auditors 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 BFO assurance of compliance with generally accepted accounting principles. Based on the BFO understanding of the controls, no significant deficiencies came to attention other than those described in Issue No. 1 of this report.

The BFO fieldwork was conducted on November 16, 2006, and was performed in accordance with generally accepted auditing standards. This report, when presented in its final form, is available for public inspection.

**Results of Fieldwork:**

After the October 23, 2006 licensing inspection visit, RPCH significantly changed its resident funds management practices and procedures in an effort to comply with DPW regulations as the owner/operator understood them. It began to deposit client funds in interest-bearing accounts. It also made an effort to update residents' transaction records. At the time of our visit, however, RPCH was still out of compliance with DPW regulations.

A major concern expressed in the November 8, 2006 violation report was the commingling of funds belonging to a specific resident with RPCH's funds. This circumstance may have been unique to the individual resident whose assets were the subject of the original complaint. RPCH's corrective action, however, has involved implementation of policy that will enhance the security of other residents' funds.

Now, RPCH's policy is to deposit resident funds in excess of short-term needs in interest-bearing accounts. The accounts are in the name of individual residents. This policy was implemented after the October 23, 2006 licensing visit. By November 16, 2006, accounts had been established for ten of the seventeen residents for whom RPCH served as representative payee.

RPCH's financial management services are performed by the owner/operator, her husband, and/or her daughter. In several cases, RPCH is the representative payee for SSI purposes. In many other cases, this service is provided by relatives or institutions. In virtually all cases, RPCH manages residents' short-term funds. This amount, typically \$60 per month, is maintained in a locked cash box with each resident's money in a separate envelope.

RPCH's violations on November 16, 2006, are addressed in Issue No. 1 of this report.

**Results of Fieldwork (Continued):**

The RPCH owner/operator commented that it is prohibitively expensive to fully comply with the new regulations. The BFO did not expand scope to consider this potential. However, certain inefficiencies in the RPCH practices and procedure are addressed in Issue No. 2 of this report.

**Issue No. 1 – RPCH Has Recently Violated Regulations Pertaining to Residents' Funds**

Although RPCH has implemented changes to bring its management of residents' funds into compliance with Departmental regulations, current practices continue to violate regulations. The Home has failed to fully and accurately document some transactions involving residents' funds. It has also failed to obtain written receipts from residents for some cash disbursements and from vendors for some transactions made on residents' behalf.

RPCH's owner/operator stated that on numerous recent occasions she initialed transaction records on residents' behalf. The documents do not include residents' marks testifying to the validity of the records. The owner/operator used the residents' initials, but did not make a notable effort to mimic the residents' handwriting. She indicated that she was trying to make the transaction records appear to comply with regulations. She further indicated that the transactions were faithfully documented.

By initialing transaction records on behalf of residents without other documented indication of their approval, the owner/operator has violated DPW regulations. §2600.20 requires that, "The home shall obtain a written receipt from the resident for cash disbursements at the time of the disbursement." The practice also raises concern regarding the overall integrity of RPCH's financial management services. Inspectors should remain alert to the possibility of similar irregularities in the future.

One transaction involving a resident's funds was not properly documented. A resident who does not leave the home requested some snacks and blank videocassette tapes. An authorized resident funds custodian took \$10 from the individual's spending money, purchased the items for an amount less than \$10, and gave the purchases and the change to the resident. This transaction was documented by a single entry indicating a disbursement of \$10 to the resident. It should have been documented by two different entries: one for the purchase by RPCH and another for the cash disbursement to the resident.

RPCH does not have receipts for some medications it purchased for residents. The purchases in question were made by mail and involved co-payments made with the residents' funds. The transactions were documented in the residents' accounts, but RPCH's proprietor could not locate the receipts. She suggested that the pharmacy may not send receipts as a matter of course.

**Results of Fieldwork (Continued):**

**Recommendation:**

The BFO recommends that RPCH:

- Fully record all transactions involving residents' funds,
- Obtain and retain written receipts for all transactions with resident's funds, and,
- Cease the practice of initialing transaction records on behalf of residents.

**Issue No. 2 – RPCH Can Simplify Its Resident Funds Management Processes**

Management's current resident funds management processes can be simplified to enhance efficiency, minimize errors, and increase the likelihood that errors will be detected promptly. Appropriate changes would include avoiding duplicate transaction records, combining spending money transaction records into a single binder, and developing a system that would conveniently track asset balances of the SSI recipients for which RPCH is representative payee.

RPCH management duplicates its residents' funds transaction history. One of the two client-specific forms is intended to serve as a record of transactions on behalf of the resident, the other as a record of cash distributions to the resident. RPCH records all transactions, those on behalf of residents and those with residents, on both forms.

Management maintains its residents' spending money account transaction records in the individual residents' record binders. Accordingly, management needs to access 47 different binders in order to fully review its resident funds performance.

Combining the various individual residents' spending money account transaction records in a single binder would facilitate more efficient record reviews by management. Note that the combined binder must provide separate records for each resident.

Management does not have a system to conveniently track balances of the SSI recipients for whom it serves as representative payee. The individuals' funds are typically located at two places: spending money is maintained at RPCH and the bulk of the funds are on deposit in a bank account. Management does not track the combined balances. As representative payee, management needs to be aware of residents' asset balances in order to fulfill its commitments to the Social Security Administration and to the residents.

On November 16, 2006, the records BFO reviewed indicated that no recipients had accumulated assets close to the allowable maximum. Several clients' spending patterns, however, show the potential to reach that level in the future.

**Recommendation:**

The BFO recommends that RPCH promote efficiency in its management of residents' funds by:

**Results of Fieldwork (Continued):**

- Eliminating duplicate transaction records,
- Accumulating all resident funds transaction records in a single binder, and,
- Tracking the asset balances of residents for whom it serves as the SSI representative payee.

The contents of this report were fully discussed with the owner/operator of RPCH at a closing conference on November 16, 2006.

In accordance with our established procedures, please provide a written response within 60 days to the Audit Resolution Section concerning the actions to be taken to ensure the report recommendations are implemented.

If you have any questions concerning the audit or if we can be of any further assistance in this matter, please contact Mr. Richard Polek of the Audit Resolution Section at (717) 787-6529.

Sincerely,



John H. Bungo, CGFM, CFS

cc: Mr. Kevin Casey  
Mr. Joseph Church  
Ms. Diane Kutzer  
Mr. John Pinchotti