



April 1, 2013

Ms. Caryn Gratz
Managing Director of BHS
Public Health Management Corporation
260 South Broad Street, Suite 1800
Philadelphia, Pennsylvania 19102

Dear Ms. Gratz:

I am enclosing the final report of West Haven that was recently completed by this office. Your response has been incorporated into the final report and labeled as an Appendix.

I would like to extend my appreciation to all the courtesy extended to my staff during the course of fieldwork. I understand that you were especially helpful to Joseph Piccolo in expediting 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 contents. The staff from OMHSAS 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 David Bryan, Audit Resolution Section, at (717) 783-7217.

Sincerely,

Tina L Long, CPA
Director

c: Ms. Karen Deklinski
Mr. Dennis Marion
Ms. M. Kathryn Jacobs
Ms. Thomasina Bouknight
Ms. Sandy Vasko
Ms. Sharon Brown

bc: Mr. Alexander Matolyak
Mr. Daniel Higgins
Mr. David Bryan
Ms. Kenya Mann Faulkner
Ms. Shelley L. Lawrence
SEFO Audit File (S1204-H51)

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.



April 1, 2013

The Honorable Beverly D. Mackereth
Acting Secretary of Public Welfare
Health and Welfare Building, Room 333
Harrisburg, Pennsylvania 17120

Dear Ms. Mackereth:

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 the West Haven's Long Term Structure Residence (WH). The audit was requested to verify that residents received the proper amount of their Supplemental Security Income (SSI) or other benefits for the period July 1, 2009 to October 31, 2012 (Audit Period).

This report is currently in final form and therefore contains WH's views on the reported findings, conclusions and recommendations. Management's response to the draft report is included as an appendix hereto.

Executive Summary

The WH program is a Long Term Structure Residence Facility (LTSR) located in Philadelphia, Pennsylvania. The organization provides a 24 hour residential program for individuals with mental health disabilities. Placements to WH are referred by the Philadelphia and Delaware County Offices of Mental Health. WH has a licensed capacity of 16 beds and currently provides services to 14 residents.

The objective of the audit was to verify that individuals residing at WH received the correct amount of their disability payments after monthly living expenses are deducted. The report recommends that \$54,339 should be paid to WH residents or their beneficiaries. The report findings and recommendations for corrective action are summarized below:

FINDING	SUMMARY
Finding No. 1 – WH Could Not Account for \$54,339 in Resident Funds	WH's accounting records could not support the disbursement of resident funds to the proper individuals. Resident funds received by WH exceeded documented disbursements by \$54,339

**West Haven LTSR
July 1, 2009 Through October 31, 2012**

HIGHLIGHTS OF RECOMMENDATIONS

OMHSAS should:

- Ensure that WH reimburse residents, or their beneficiaries, the appropriate portion of the unaccounted for funds.
- Ensure that WH management implements adequate controls to safeguard resident's funds.

WH should:

- Ensure that residents, or their beneficiaries, are reimbursed their portion of the \$54,339 of unaccounted for resident funds.

FINDING	SUMMARY
Finding No. 2 – WH Needs to Improve its Accounting Controls and Record Retention Procedures for Residents' Funds.	The facility did not have the accounting controls and required documentation necessary to ensure that the funds were disbursed to the residents in accordance with 55 Pa. Code Section 5320.63. As a result, the errors noted within this report went undetected by WH.

HIGHLIGHTS OF RECOMMENDATIONS

OMHSAS should:

- Take steps to assist WH management to ensure that records are complete, accurate and that all of the necessary documentation for each individual residing at WH is kept in the resident's file in accordance with 55 Pa. Code Section 5320.63.

WH should:

- Implement accounting procedures to ensure that resident funds are maintained and disbursed in accordance with 55 Pa. Code Section 5320.63.
- Obtain receipts for all resident disbursements. These receipts should be maintained in such a way as to be easily traced back to the signed disbursements document.
- Reconcile resident accounts on a monthly basis.

PHMC should:

- Review all resident account reconciliations, at a minimum, on an annual basis.

Background

The WH program is administered by the Public Health Management Corporation (PHMC), a Pennsylvania not-for-profit 501 (c) (3) public health organization which has served the Greater Philadelphia region since 1972. WH serves adults with serious mental illness in its LTSR. An LTSR is a highly structured therapeutic residential mental health facility designed to serve persons 18 years of age or older who are eligible for hospitalization yet can receive adequate treatment in a different care setting. WH's licensed capacity is 16; currently 14 adults reside at WH.

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During the Audit Period, 20 residents were under WH's care. There were 15 whose finances were managed by a representative payee, 4 were managed by a family member and 1 who managed her own finances. Confirmation letters were sent to all the representative payees to determine the total SSI or other benefits given to WH for the residents' needs.

Objective/Scope/Methodology

The audit objective was:

- To determine if WH has adequate documentation to substantiate its disbursement of residential funds.

In pursuing this objective, the BFO interviewed WH management, inspected financial records, bank statements and participant financial records for weekly spending documentation, sent third party confirmation letters, and analyzed other pertinent data necessary to pursue the audit objective.

The criteria used to ascertain the adequacy of supporting documentation was 55 Pa. Code Section 5320.63. The regulatory provision requires, among other things, that the facility maintain separate and current individual records of financial transactions made on behalf of all residents, written receipts and quarterly statements of all transactions. Additionally, the provider must obtain written acknowledgment by the resident when the resident receives funds.

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 in record retention came to our attention. Areas where we noted an opportunity for improvement in management controls are addressed in the findings of this report.

BFO 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 appropriate 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.

The BFO's fieldwork was conducted intermittently from November 5, 2012 to January 4, 2013 and was performed in accordance with GAGAS. This report is available for public inspection.

Results of Fieldwork

Finding No. 1 – WH Could Not Account for \$54,339 in Resident Funds

WH's accounting records could not support the disbursement of resident funds to the proper individuals. Documentation supporting disbursements was either missing or incomplete. Resident funds received by WH exceed documented disbursements by \$54,339.

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WH's records should have been maintained in accordance with 55 PA Code Section 5320.63. The regulatory provision requires, among other things, the maintenance of separate and current individual records of financial transactions, written receipts and quarterly statements of all transactions. Additionally, the provider is required to obtain a written acknowledgment by residents when they receive funds.

Confirmation letters were sent to representative-payees to verify funds forwarded to WH on behalf of the residents. The appropriate revenue amounts were then compared to the resident expenses for the same period. As a result, \$54,339 in resident funds could not be accounted for by WH. This discrepancy can be attributed to the missing or incomplete documents supporting disbursements.

WH management acknowledged that due to staff turnover and the lack of program oversight, resident financial records were not properly maintained. As a result, WH management was unable to document expenses made on behalf of its residents.

Recommendations

The BFO recommends OMHSAS monitor WH to ensure resident accounts are properly reimbursed and that the funds are returned promptly.

The BFO also recommends that OMHSAS assist WH management in implementing adequate controls over resident funds to ensure proper safeguards are in place.

Finally, the BFO recommends that WH reimburse residents, or their beneficiaries, the unaccounted for funds totaling \$54,339.

Finding No. 2 – WH Needs to Improve Its Record Retention Procedures for Residents' Funds.

WH did not maintain accurate documentation related to funds received and disbursed on behalf of its residents. WH uses a document called "Participant Financial Record for Weekly Spending". This document details the funds disbursed to each resident, the date of the disbursement, the purpose of the disbursement and contains the resident's signature indicating receipt. However, there were instances where the documents were missing and other instances where the information was incomplete. In addition, at times the documents were difficult to read, and did not always indicate the nature of the disbursement.

It did not appear that WH performed any periodic reconciliation of the resident's financial accounts, nor did PMHC provide adequate oversight. Additionally, during the Audit Period, WH did not require receipts to be maintained by the staff that disbursed the resident's funds as required by 55 PA Code Section 5320.63. As a result, the errors noted within this report went undetected.

As of November 2012, WH management began requiring staff to obtain receipts for resident expenses as mandated by the regulations cited above.

West Haven LTSR
July 1, 2009 Through October 31, 2012

Recommendations

The BFO recommends that OMHSAS assist WH management to ensure that records are complete, accurate and that all of the necessary documentation for each individual residing at WH is kept in the resident's file in accordance with 55 Pa. Code Section 5320.63.

The BFO also recommends that WH review its procedures on resident funds to ensure that documentation is maintained in accordance with 55 Pa. Code Section 5320.63.

Additionally, the BFO recommends that WH begin obtaining receipts for disbursements. These receipts should be maintained in such a way as to easily be traced back to the disbursements document signed for by the resident.

The BFO further recommends that WH should reconcile resident's accounts on a monthly basis.

Finally, the BFO recommends that PMHC, review all resident account reconciliations annually at a minimum.

Exit Conference

An exit conference was held on March 27, 2013. In attendance were representatives from PHMC, The City of Philadelphia, OMHSAS and BFO. It was agreed all funds will be repaid as follows:

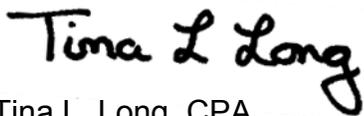
- First to the consumer or consumer's representative payee;
- If the consumer is deceased, to the family beneficiary;
- If the first two options (consumer and family) are not available, funds will be donated to a supports agency designated by OMHSAS.

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

RA-pwauditresolution@pa.gov

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

Sincerely,



Tina L. Long, CPA
Director

c: Ms. Karen Deklinski
Mr. Dennis Marion
Ms. Caryn Gratz

Ms. M. Kathryn Jacobs
Ms. Thomasina Bouknight

Ms. Sandy Vasko
Ms. Sharon Brown

bc: Mr. Alexander Matolyak
Mr. Daniel Higgins
Mr. David Bryan
Ms. Kenya Mann Faulkner
Ms. Shelley L. Lawrence
SEFO Audit File (S1204-H51)

**PUBLIC HEALTH MANAGEMENT CORPORATION
WEST HAVEN'S RESPONSE TO THE DRAFT REPORT**

APPENDIX A

Mr. Daniel Higgins, Audit Manager
Division of Audit and Review
Bureau of Financial Operations
Department of Public Welfare
801 Market St. Suite 5040
Philadelphia PA. 19107

March 25, 2013

Dear Mr. Higgins,

The Public Health Management Corporation (PHMC) is in receipt of the performance audit report of Westhaven's Resident Funds covering the time period of July 1, 2009 to October 31, 2012. PHMC has taken the results of the audit findings seriously and has developed and implemented accounting procedures to ensure that resident funds are maintained and disbursed in accordance with 55 PA. Code Section 5320.63. In reference to the specific findings please note the following:

Finding No. 1-Westhaven could not account for \$54,339 in Resident Funds

PHMC/Westhaven confirms that we were unable to provide resident confirmed documentation (i.e. signed resident receipts) to firmly support that resident funds were properly disbursed. It is important to note that Westhaven's own internal documentation, through Quickbooks entries, does support that monies were properly distributed to Westhaven residents. Unfortunately we were unable to produce client receipts to support the entries in our internal accounting practice. We understand that without the residents sign off for monies received, that the documentation provided does not meet acceptable accounting practices. Westhaven has revised their accounting practices so that receipts can be easily traced back to the signed disbursement document. Please see the attached Client Funds Policy. PHMC/Westhaven will ensure that residents, or their beneficiaries, are reimbursed their portion of the \$54,339 of unaccounted for resident funds.

Finding No. 2-PHMC/Westhaven needs to improve its accounting controls and record retention procedures for resident funds

PHMC has implemented accounting procedures to ensure that records of client fund disbursement are accurate and complete, in accordance with 55 PA. Code Section 5320.63. Please see the attached Client Funds Policy. PHMC agrees with the recommendations from the audit finding and has implemented measures to ensure future compliance. As part of this new protocol, all resident accounts are reconciled on a monthly basis. Additionally, as part of PHMC's ongoing fiscal oversight, PHMC's internal auditor will review all resident account reconciliations, at a minimum, on a yearly basis.

Thank you for the opportunity to respond to BFO audit findings. As previously stated, PHMC/Westhaven does not take these findings lightly and has responded to the concerns in an effort to ensure that current client fund are properly managed. PHMC/Westhaven is confident that it has successfully addressed the identified issues and has implemented accounting practices that will ensure ongoing compliance.

Thank you.

Sincerely,

Caryn Gratz

Managing Director of BHS

[REDACTED]
[REDACTED]
[REDACTED]

ATTACHMENT TO APPENDIX A

**Public Health Management Corporation/WestHaven LTSR
Procedure for Distribution and Accounting of Resident Funds**

Every Month, each resident at WestHaven-LTSR, receives money from his or her payee or its representative payee which is used to cover the following items:

1. **Rent, and**
2. **Resident spending money**

Rent is in the amount of \$400 per month, per resident, and is payable to Public Health Management Corporation/WestHaven – LTSR.

In accordance with PHMC/WH policy, the procedures for rent are as follows:

- All Checks are received by PHMC/WestHaven and forwarded to The Community Integration Specialist (CIS) who is responsible for:
 - Copying all rental checks,
 - Completing appropriate deposit slip documentation, and
 - Depositing funds into PHMC/West Haven’s Citizen’s Bank Account.
- The Program Director is then responsible for :
 - Recording the amount of rent paid for the month onto the Resident’s Rent Record,
 - Prepare a check, no later than the 7th day of the following month, representing resident’s rent aid for previous month, and
 - Submit a detailed account of each resident’s payment to PHMC’s Accounting Department for deposit.

Resident spending money varies by resident, and is dependent upon how much they receive from their representative payee each month. The resident chooses how he or she would like to spend this money. The average amount per resident is between \$280, and \$300 per month.

In accordance with PHMC/WH policy, the procedures for Resident Spending Money are as follows:

- Checks are forwarded to PHMC/WH in care of Resident,
- Checks are then given to Community Integration Specialist who deposits all resident funds into PHMC/WH Citizen’s Bank account,
- Deposit and or Withdrawal slips are completed for each individual making a deposit/withdrawal and is documented on individual residents internal financial record,
- Records are reviewed by Resident, Community Integration Specialist and, if requested, the Representative Payee, on a monthly basis,
- Forms are then placed into each resident’s record for auditing purposes.
- Funds are then placed into individual pouches which are identified by the resident’s name and verified by the Program Director. These “pouches” are kept secure in a safe located within the Program Director’s office and only accessible by Program Director and Community Integration Specialist.
- Residents meet with the Community Integration Specialist on Monday, Wednesday and Friday where they are given money management skills and the opportunity, if they like, to withdrawal funds in \$20 increments. Whenever residents receive funds, he or she will sign a log indicating the date and amount received. Requests for funds in excess of \$20 must be made in

advance. Residents must present receipts for monies spent in excess of \$20 to the community Integration Specialist.

If a resident's accumulated cash assets exceed \$200 at the end of two consecutive months, the resident will be educated on the importance of opening an interest-bearing account. The resident will then fill-out a form stating the level of their interest or lack thereof in opening a bank account. If interested, the resident will be assisted with researching various banking institutions in their community until a bank of their choice is located. For residents who are not interested in opening their own account, a PHMC Umbrella account has been established, in which residents will receive individualized statements monthly to review their account balances. Residents who are under the PHMC Umbrella account will continue to receive money/budget management and be educated on the importance of opening their own bank accounts until they are willing and/or able to do so.

Resident Training:

In addition to overseeing the distribution and accounting of resident funds, PHMC/ WestHaven also provides resident training and education in the management of their financial affairs. Residents are encouraged to open an account within their own name, and participate (at the Bank) in the deposit and withdrawal processes at least once per month.

Resident Reporting:

Upon request of the resident or their Representative Payee, a detailed list of financial transactions will be made available.

Resident Termination:

Upon termination from the program, the residents or Representative Payees will receive the following via certified, registered mail:

- Balance Amount via check made payable to Resident/Representative Payee
- Detailed statement

At a minimum, annually, the Internal Auditor from the PHMC Accounting Department will conduct an audit to ensure that all resident fund procedures outline above are being followed and that resident account balances are correct. Also, two to three times a year, the Westhaven controller will complete a detail review.