



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

JAN 23 2008

KEVIN M. FRIEL  
DIRECTOR

TELEPHONE  
(717) 772-2231  
FAX  
(717) 787-3560

Ms. Tiah Zacek, Administrator  
Delong East Side Manor Personal Care

Washingtonville, Pennsylvania 17884

Dear Ms. Zacek:

I am enclosing the final report of your agency as 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 of Public Welfare's (DPW) Adult Residential Licensing Office - Personal Care Homes, to begin the DPW resolution process concerning the report contents. Personal Care Home staff 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 my staff during the course of the fieldwork.

If you have any questions concerning this matter, please contact Tina Long, Director, Division of Financial Policy and Operations at (717) 705-2288 if you have any questions concerning this matter.

Sincerely,

A handwritten signature in cursive script that reads "Kevin M. Friel".

Kevin M. Friel

Enclosure

cc: Mr. Kevin Casey  
Ms. Karen Kroh  
Mr. Duane Valence



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Mr. Kevin T. Casey  
Deputy Secretary  
Department of Public Welfare  
Room 512 Health & Welfare Building  
Harrisburg, Pennsylvania 17105

Dear Mr. Casey:

In response to a request from the Northeast Region's Office of Adult Residential Licensing (ARL), the Bureau of Financial Operations (BFO) has completed a performance audit of resident funds at DeLong Green Acres Personal Care Home (DGA). The request for the audit resulted from concerns related to financial management of resident funds as identified by ARL staff during an August 22, 2007 licensing inspection. The audit was directed to determine the effectiveness of the administrative and internal controls in place to account for and safeguard the residents' funds. The audit addresses management of resident funds during calendar year 2007.

DGA elected not to have an exit conference. The DGA's written response has been incorporated into the final report and labeled Appendix A.

The audit identified resident funds were, at a minimum, temporarily used to pay for DGA expenses. The audit recommends DGA refund \$4,619 to a resident who was overcharged for room and board, make payment to Danville State Hospital for a \$6,471 hospital bill for a resident for whom DGA was representative payee, and transfer the representative payeeship to an outside organization for the eight residents for whom DGA acts as representative payee.

**Delong Green Acres  
Personal Care Home  
January 1, 2007 through September 26, 2007**

**Delong Green Acres Personal Care Home  
Executive Summary**

Delong Green Acres Personal Care Home (DGA) is a privately owned and operated personal care home. DGA is subject to Title 55 Chapter 2600 regulations with respect to its licensing as well as management of resident funds. DGA is also subject to Social Security Guidelines for those residents for which DGA acts as representative payee. DGA had a census of 35 residents as of September 13, 2007, of which it was representative payee for eight residents.

FINDINGS	SUMMARY
<b><i>Finding No. 1 – Resident Funds were Commingled with DGA and/or Owner’s Personal Funds.</i></b>	During the period January 2007 through August 2007, resident funds were commingled with DGA payroll and operating accounts and/or potentially with the owner’s personal funds. Resident funds were also at least temporarily used to pay for DGA expenses.

HIGHLIGHTS OF RECOMMENDATIONS
DGA should not: <ul style="list-style-type: none"> <li>• commingle resident funds with DGA and/or owner personal funds or use resident funds to pay for DGA expenses.</li> </ul>

FINDINGS	SUMMARY
<b><i>Finding No. 2 – DGA Does Not Amend Resident Home Contracts for Rate Changes</i></b>	Room and board rates were increased without a new contract or addendum issued, and rates paid by certain residents were not listed on DGA’s fee schedule. One resident’s contract was altered to increase the room and board charge. This resident was overcharged \$4,619 for room and board.

**Delong Green Acres  
Personal Care Home  
January 1, 2007 through September 26, 2007**

**HIGHLIGHTS OF RECOMMENDATIONS**

DGA should:

- issue a new contract or complete an addendum to an existing contract for all rate changes.
- refund \$4,619 to the resident who was overcharged for room and board.

<b>FINDINGS</b>	<b>SUMMARY</b>
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<p><b><i>Finding No. 3 - DGA Did Not Satisfy a \$6,471 Resident Balance Due to Danville State Hospital</i></b></p>	<p>DGA received \$7,072 from Social Security that should have been used to pay a resident's \$6,471 bill due to Danville State Hospital (DSH). DGA, as representative payee, did not make payment to DSH. The funds were used to pay room and board at a private pay rate that was \$558 higher than the SSI rate.</p>
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**HIGHLIGHTS OF RECOMMENDATIONS**

DGA should:

- use its own funds to satisfy the resident's \$6,471 obligation due to DSH.

<b>FINDINGS</b>	<b>SUMMARY</b>
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<p><b><i>Finding No. 4 – DGA Should Obtain an Outside Organizational Representative Payee for Its Residents</i></b></p>	<p>DGA failed to fulfill its fiduciary responsibility and did not comply with certain DPW and Social Security requirements regarding representative payee services.</p> <p>The DGA owner acknowledged that staff do not have the time and expertise to provide these services and supports the transfer of representative payeeships to an outside organization.</p>
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**HIGHLIGHTS OF RECOMMENDATIONS**

DGA should:

- contact Social Security and an outside organization to initiate an orderly transfer of the responsibility for these funds to an agency who provides representative payee services.

ARL should:

- monitor the status of corrective action taken to implement the report recommendations.

**Delong Green Acres  
Personal Care Home  
January 1, 2007 through September 26, 2007**

**Background**

DGA is a personal care home located at [REDACTED] Washingtonville, Pennsylvania. DGA is privately owned and operated since its inception in May of 2005. DGA is subject to Title 55 Chapter 2600 Regulations with respect to its licensing as well as management of resident funds. DGA is also subject to Social Security Guidelines for those residents for which DGA acts as representative payees. DGA had a census of 35 residents on September 13, 2007. Based on representation made by the DGA owner, DGA was representative payee for eight of these residents. The remaining residents had either a family member or outside organization act as their representative payee, or handled their own funds.

**Objective, Scope and Methodology**

The primary objective of our audit was to determine how DGA manages the funds held on behalf of the residents. The scope of our audit focused on the residents for whom DGA was representative payee and covered the procedures utilized in performing representative payee duties and obligations for the residents. Accordingly, the audit objective is as follows:

- To determine the effectiveness of the administrative and internal controls in place to account for and safeguard the residents' funds in accordance with DPW and Social Security requirements.

In pursuing our objective, we interviewed the DGA owner and the administrator, talked to collections staff at Danville State Hospital, reviewed fiscal and accounting records, reviewed resident contracts, and reviewed residential financial transactions to verify the total amount of resident funds held by DGA.

Our fieldwork was conducted on September 13, and September 26, 2007. Our work was conducted in accordance with generally accepted government auditing standards. A closing conference was conducted on September 26, 2007 with DGA's owner. At the closing conference, the owner was informed the audit could not be completed pending receipt of 11 DGA operating account checks requested for review. A copy of the checks requested was received by fax on November 14, 2007. This report, when presented in its final form, is available for public inspection.

**Delong Green Acres  
Personal Care Home  
January 1, 2007 through September 26, 2007**

**Finding No. 1 - Resident Funds Were Commingled With DGA and/or Owners  
Personal Funds**

During the period January 2007 through August 2007, resident funds were commingled with DGA payroll and operating accounts and/or potentially with the owner's personal funds. Resident funds were also at least temporarily used to pay for DGA expenses. According to the DGA owner, resident funds were first deposited in DGA's home bank account. The funds were subsequently transferred to a safe located at his personal residence to safeguard and not commingle the resident and DGA home funds.

Resident Funds Used for DGA Expenses

The commingling of resident and DGA funds resulted in use of resident funds to pay for DGA expenses. We reviewed DGA bank statements from March through May 2007 to analyze a transaction for which resident [REDACTED] received an \$11,138 inheritance. DGA was representative payee for resident [REDACTED]. The \$11,138 was deposited in the DGA operating/payroll account on March 23, 2007. According to the DGA owner, within a few weeks of deposit, the \$11,138 was transferred from the DGA bank account to a safe located at his personal residence. The transfer occurred through DGA checks payable to himself or cash. He identified nine negotiated checks totaling \$ 12,500 listed on the March and April 2007 DGA home bank statements as the checks used to transfer the resident funds from the DGA bank account to the safe.

On November 14, 2007, we were provided by fax, a copy of the nine checks. The checks were written over a 15 day period. Two checks totaling \$3,500 were payments for owner/DGA expenses. The remaining checks were payable to the owner. We also determined the DGA bank balance was overdrawn prior to negotiation of the ninth check. These circumstances document resident funds were at least temporarily used to pay for DGA expenses.

DPW and Social Security Requirements Do Not Allow Commingling of Resident Funds

Pennsylvania Code Title 55 Public Welfare Chapter 2600 Personal Care Home Licensing regulations address the financial management procedures a facility should employ to protect an individual's assets placed in safeguard with the facility. Regulation 2600.20(5) prohibits commingling of resident funds and home funds. The use of one account for all resident funds is acceptable if a separate accounting is maintained for each resident. This issue is also addressed in the Social Security Guide for Representative Payee, which states "do not mix the beneficiary's funds with your own or other funds". Additionally, it is recommended that funds be held in a checking or savings account and the account must show the beneficiary as the only owner. In the case of DGA, resident funds were not invested or separately maintained, were not

**Delong Green Acres  
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readily available for independent verification prior to September 2007, and when the resident bank accounts were opened in September 2007, the accounts did not show the beneficiary as the only owner.

Account Balance of Resident Funds

Based on discussions held in late August 2007 between the DGA owner and Regional ARL licensing staff, the owner opened two resident bank accounts in September 2007. Resident funds allegedly held in a safe at the owner's residence were then transferred to the bank accounts.

One non-interest bearing account specific to resident [REDACTED] was opened in the amount of \$5,000 in the name of the owner and resident. The second non-interest bearing account was opened in the amount of \$16,796 in the name of Delong PCH Resident Checks. This account is used to hold personal funds for all residents except [REDACTED], plus current month's room and board checks. Our review of the September 13, 2007 resident account balances for all residents for whom DGA provides fiscal management services identified \$6,377 of the \$16,796 bank balance should represent resident personal funds. The DGA did not maintain a formal accounting of the cumulative balance of resident funds included in this account and did not perform a periodic reconciliation of the account balance to individual resident accounts to identify an accurate accounting of resident funds and room and board included in the account.

Included in the \$6,377 resident personal funds was \$2,221 representing the funds held for the following eight clients for whom DGA was representative payee:

[REDACTED]	-	\$ 838
[REDACTED]	-	\$ 475
[REDACTED]	-	\$ 431
[REDACTED]	-	\$ 273
[REDACTED]	-	\$ 159
[REDACTED]	-	\$ 50
[REDACTED]	-	\$ 21
[REDACTED]	-	\$ (26)
Total		<u>\$2,221</u>

Recommendations

The BFO recommends that under no circumstances should resident funds be commingled with DGA and/or owner personal funds or be used to pay for DGA expenses.

**Delong Green Acres  
Personal Care Home  
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The BFO also recommends that if DGA continues to provide representative payee services, an interest bearing account be established to account for resident personal funds which is separate from the account used for room and board payments. Resident accounts must show the beneficiary as the only owner. A recommended bank account title for a collective account would be DGA, representative payee for Social Security and SSI beneficiaries. For an individual account, a recommended title would be DGA, representative payee for the specific resident.

The BFO finally recommends that at least monthly, the balance included in the resident collective account be reconciled to the individual resident accounts balances.

**Finding No. 2 - DGA Does Not Amend Resident Home Contracts for Rate Changes**

We sampled current resident files and identified instances in which room and board rates were increased without a new contract or addendum issued. We also identified room and board rates paid by certain residents were not listed on DGA's fee schedule.

Title 55, Regulation 2600.25(a), 2600.25(c) (2), and 2600(c) (10) require that upon a rate change, a new contract or addendum to the current contract must be developed in accordance with the regulations. The contract shall include a fee schedule that lists the actual amount of allowable resident charges for each of the services available to the resident. Additionally, the resident is entitled to receive at least a 30 day advance notice, in writing, of a rate change.

For resident [REDACTED] for whom DGA was the resident's representative payee, we obtained two home contracts having different room and board rates. One contract listed room and board as \$1,042.30 a month while the second contract dated the same day was \$1,600 a month. An inspection of the \$1,600 contract identified the \$1,600 as being written over the rate of \$1,042.30, which had been whited-out. There was no addendum or written acknowledgment by the home or the resident of the rate increase to \$1,600.

According to the DGA owner, the \$1,042.30 rate in the contract signed by the home and resident was an error. Prior to admittance to DGA, the resident received an inheritance from a family member. The inheritance resulted in the resident being ineligible for SSI due to excess resources, and the DGA considered the resident as private pay. He instructed a former DGA administrator to correct the error. We could not determine if and when a rate change was made to the original contract rate of \$1,042.30 signed by the home and resident.

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Contract Rate Not Representative of Living Situation

Both the original and altered contracts did not include a room and board rate representative of resident [REDACTED]'s living situation. The resident was transferred with three other residents from another personal care home that ceased operation. The four residents resided in a four person bedroom at DGA. The DGA contract rate schedule includes three rates as follows: \$2,000 for a private room; \$1,800 for a semi-private room and \$1,400 for a three person bedroom. There was no rate for a four person room. The other three residents were SSI recipients, therefore their rate was the default SSI rate.

In response to questions about the \$1,600 monthly rate, we were provided with a document with resident's [REDACTED] signature stating [REDACTED] was offered a semi-private room at a rate of \$1,600. She refused because she wanted to stay in the room with the other women she came with, agreed to pay the \$1,600 a month for rent (private pay)". The \$1,600 rate charged to [REDACTED] for a room with four beds was not included on the rate schedule and was higher than the \$1,400 rate for a three person bedroom.

Basis for Contract Overcharge

Since a notice of the contract rate increase from \$1,042 to \$1,600 was never provided to the resident in writing, and a contract with a new rate was not acknowledged in writing by the home and resident, the resident room and board should be the \$1,042.30 rate identified in the original signed contract. As of September 30, 2007, we calculated resident [REDACTED] was overcharged by \$3,903.90 ( $\$1,600 - \$1,042.30 \times 7$  months). The monthly overcharge would continue until the resident was provided with a 30 day advance notice in writing of a change in the contract rate. Subsequent to completion of field work the Regional ARL licensing staff informed us the resident's room and board charge was reduced to \$1,400 for October and November 2007. This would result in a monthly overcharge of \$357.70 ( $\$1,400 - \$1,042.30$ ) for October and November. The cumulative nine month overcharge would increase from \$3,903.90 to \$4,619.30.

Recommendations

The BFO recommends DGA issue a new contract or complete an addendum to the existing contract for all rate changes. The home contract should contain a current all inclusive fee schedule representative of all living situations as well as all the requirements listed under Title 55, Regulation 2600.25. The owner or administrator should complete the contract and explain its contents to the resident and the designated

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person or representative payee prior to signature of the contract or addendum. In the case of a rate change, the resident is entitled to receive at least a 30 day advance notice of the change, in writing.

The BFO also recommends DGA refund \$3,903.90 to resident [REDACTED] for the period March through September 2007 plus \$357.70 for each additional month resident [REDACTED] was overcharged prior to being provided with a 30-day written notice of a rate change. As of November 2007, the cumulative amount to be refunded is \$4,619.30. The new rate charged to resident [REDACTED] should represent the rate for a four person bedroom.

**Finding No. 3 - DGA Did Not Satisfy a \$6,471 Balance Due to Danville State Hospital for Resident [REDACTED]**

We identified resident [REDACTED] had an outstanding balance of \$6,471 due to Danville State Hospital (DSH). The \$6,471 balance was confirmed by the DSH reimbursement officer. The officer explained DSH received \$7,072 from Social Security for the patients care and maintenance while at DSH. However, due to legal restrictions, the DSH guardian officer, acting as the patient's representative payee, could set aside the Social Security funds but not use the funds to pay the hospital bill. DSH returned the \$7,072 to Social Security who would forward the \$7,072 to a new representative payee for payment of the hospital bill.

**DGA Becomes Representative Payee for Resident [REDACTED]**

DGA applied for and became the representative payee for resident [REDACTED] at the time the resident was discharged from DSH and admitted to DGA. DGA received the \$7,072.12 lump sum that had been returned to Social Security by DSH. The \$7072.12 was sufficient to cover the resident's \$6,471 outstanding obligation due to DSH. Rather than satisfy the \$6,471 obligation which would allow the recipient to be eligible for Supplemental Security Income (SSI), DGA as representative payee elected to retain the \$6,471 and consider the resident as private pay. This benefited DGA by allowing it to charge the resident \$1,400 per month for room and board rather than the \$1,042 SSI maximum. By July, 2007, the \$7,072 was spent down to \$273.

**DGA Had a Fiduciary Responsibility To Make Payment to DSH.**

Since DGA was representative payee for [REDACTED], it had a fiduciary responsibility to use the benefits to first make sure the beneficiary's day-to-day needs for food and shelter were taken care of and then for any obligations that may arise. Prior to the patient's hospital discharge to DGA, DSH informed the DGA administrator of the \$6,471 obligation due to DSH.

**DeLong Green Acres  
Personal Care Home  
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In January 2007, DGA received the first of monthly written bills from DSH notifying DGA of the \$6,471 obligation due to DSH. At the time the first bill was received, DGA had paid itself \$1,400 for resident [REDACTED]'s room and board for December 2006 and January 2007, with [REDACTED] having a \$4,806 balance remaining from the \$7,072 Social Security check. The payment of the \$6,471 obligation to DSH, or the remaining \$4,806 account balance at the time the first bill was received from DSH would have made [REDACTED] eligible for SSI and reduced the outstanding DSH balance to \$1,665.(\$6,471-\$4,806).

**Recommendations**

The BFO recommends since DGA was the resident [REDACTED]'s representative payee, it is their fiduciary responsibility to ensure the resident's \$6,471 obligation to DSH is met. The resident does not have the resources to make payment on the obligation and should not be liable for payment using future benefits.

The BFO also recommends DGA use its own funds to satisfy the DSH obligation. The DGA should pay a minimum of \$4,806 to DSH which was the resident's account balance at the time the first written bill was received by DGA. DGA should also review the resident's current financial status with DSH to determine if based on DGA making a \$4,806 payment, the remaining \$1,665 balance could be abated.

**Finding No. 4 - DGA Should Obtain an Outside Organizational Representative Payee for Its Residents**

Based upon the findings included in this report, DGA failed to fulfill its fiduciary responsibility and did not comply with certain requirements of Title 6200.20, Financial Management, 2600.25, Resident-Home Contract, and Social Security Representative Payee requirements.

To best protect and help the residents manage their benefits, DGA should obtain the services of an outside organizational representative payee agency who has expertise in this area to provide representative payee services to its residents. This will better serve both the residents and DGA.

Discussions with the DGA owner resulted in DGA fully supporting the recommendation to transfer representative payee ship to an outside organization. The DGA owner acknowledged DGA staff do not have the required time and expertise to provide these services. Additionally, he believes it subjects DGA to unreimbursed administrative costs as well as risk of personal liability in management of resident benefits.

**Delong Green Acres  
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January 1, 2007 through September 26, 2007**

**Recommendations**

The BFO recommends DGA contact both Social Security and an outside organizational representative payee to transfer the representative payee responsibility from DGA to an outside agency for residents for whom DGA acts as representative payee.

The BFO also recommends DGA refer any new resident who requires a representative payee to the outside organization.

The BFO finally recommends ARL monitor the status of corrective action taken to implement the report recommendations with emphasis on the refund of the room and board overcharge to resident [REDACTED], resolution of the DSH obligation for resident [REDACTED], and transfer of representative payee ships to the outside organization.

**Subsequent Event**

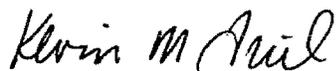
On November 27, 2007, the Advocacy Alliance, a mental health association that specializes in consumer financial management and representative payee services, contacted BFO to inform us the process to transfer representative payee responsibility from DGA to the Advocacy Alliance was in progress. Paperwork for four of the eight residents for whom DGA was representative payee in September 2007 had been received and was being submitted to Social Security for approval.

DGA elected not to have an exit conference. DGA's written response has been incorporated into the final report and labeled Appendix A.

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 the report recommendations are implemented.

Please contact Tina Long, Director, Division of Financial Policy and Operations at (717) 705-2288 if you have any questions concerning the audit or if we can be of any further assistance.

Sincerely,



Kevin M. Friel

Attachment

cc: Ms. Karen Kroh  
Mr. Duane Valence  
Ms. Tiah Zacek

**AUDITEE'S RESPONSE**

**APPENDIX A**

*DeLong Green Acres Personal Care Home*

[REDACTED]  
P. O. Box 243  
Washingtonville, PA 17884  
(570) 437-3347  
[REDACTED]

*A Minimal care assisted living community*



January 18, 2008

Dear Mr. Hoover

This letter is a written response to the transmittal letter dated December 5, 2007. DeLong Green Acres has followed all your recommendations that are addressed in this letter. Residents: [REDACTED] and [REDACTED] Rep-Payee is now handled by CSMU/Hope Enterprise. [REDACTED] brother [REDACTED] has taken over as [REDACTED] Rep-Payee. All other residents funds that DeLong green acres has been responsible for are to be handled by The Advocacy Alliance. If you have any other question regarding this please feel free to call me at (570) 437-3347

Sincerely

Tiahmane Zacek  
Administrator

APPENDIX A  
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