



COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF PUBLIC WELFARE  
BUREAU OF FINANCIAL OPERATIONS  
Room 525 Health and Welfare Building  
Harrisburg, Pennsylvania 17105-2675

KEVIN M. FRIEL  
DIRECTOR

JUN 16 2010

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

Ms. Pamela Kuhno  
Area Director for Eastern Program Operations  
Bureau of State Operated Facilities  
Hamburg Center  
3560 Old Route 22  
Hamburg, Pennsylvania 19526

Dear Ms. Kuhno:

I am enclosing the final report of the White Haven Center Guardian Office that was recently completed by this office. The response to issues applicable to the Center has been prepared by Mr. Fred Lokuta, Facility Director, and incorporated into the final report and labeled as an Appendix.

The final report will be forwarded to the Bureau of Financial Operations, Audit Resolution Section (ARS) to begin the Department's resolution process concerning the report contents. The staff from the ARS may be in contact with you to follow-up on the action taken to comply with the report's recommendations.

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

If you have any questions concerning this matter, please contact Alexander Matolyak, Audit Resolution Section, at (717) 783-7786.

Sincerely,

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

Kevin Friel

c: Mr. Michael Stauffer  
Mr. Gerald Gillingham  
Mr. Fred Lokuta



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KEVIN M. FRIEL  
DIRECTOR

JUN 16 2010

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

Mr. Gerald Gillingham, Division Leader  
Office of Administration  
Bureau of Administrative Services  
Health and Welfare Building, Room 627  
Harrisburg, Pennsylvania 17105

Dear Mr. Gillingham:

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

The final report will be forwarded to the Bureau of Financial Operations, Audit Resolution Section (ARS) to begin the Department's resolution process concerning the report contents. The staff from the ARS may be in contact with you to follow-up on the action taken to comply with the report's recommendations.

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

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Sincerely,

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

Kevin Friel

c: Mr. Michael Stauffer  
Ms. Dena K. Smith-Reichley  
Mr. Fred Lokuta  
Ms. Pamela Kuhno



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TELEPHONE NUMBER  
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FAX NUMBER  
(717) 705-9094

KEVIN M. FRIEL  
DIRECTOR

Mr. Michael Stauffer  
Acting Deputy Secretary  
Room 234 Health and Welfare Building  
Harrisburg, Pennsylvania 17120

Dear Mr. Stauffer:

In response to a request from the Director of the Division of Guardianship Programs, the Bureau of Financial Operations (BFO) has completed a performance audit of the White Haven Center Guardian Office (WHC-GO). The audit was conducted in response to Office of Administration (OA) concerns that the Guardian Office functions have a great risk of exposure to fraud and abuse. The audit was primarily directed towards determining the effectiveness of administrative and internal controls in place to account for, handle and safeguard WHC-GO client funds and to determine compliance with DPW policy, procedures and regulations. The audit also addresses client fund issues identified during site visits conducted at select units at White Haven Center (Center) for which the Center is responsible for taking corrective actions. This audit covered the period July 1, 2008 through June 30, 2009.

The report is currently in final form and therefore contains the WHC-GO and Center views on the report findings, conclusions or recommendations. The data used to prepare the report was discussed at separate closing conferences held with staff from the WHC-GO and with the Center's Director.

The audit identifies internal controls and compliance with established policies and procedures which could be further improved in the safeguarding of client funds. The report also provides recommendations for improvement in the provision and monitoring of guardian services provided to legally incapacitated clients residing at the Center under the auspices of the Division of Guardianship Programs.

**White Haven Guardian Office**  
**Executive Summary**

White Haven Center, located at 837 Oley Valley Road, White Haven, PA, is one of five state-operated mental retardation facilities providing residential care and services for people with intellectual disabilities. The Guardian Office, governed by Title 55 of the

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Pennsylvania Code, is an autonomous office having “the authority to implement and administer a system of patient money management” (55 Pa. C.S. § 11.11). It serves as a court-appointed guardian or representative payee for fiscally incompetent residents (“guardian clients”), performs services for residents who have outside guardians or outside representative payees, and assists fiscally competent clients in managing their funds through a centralized accounting system named Guardian Office Automated Accounting System (“GOAAS”).

The WHC-GO staff is comprised of a Guardian Officer, who also oversees the Guardian Office at Clarks Summit State Hospital, and a Fiscal Assistant who reports to the Guardian Officer and processes most of the GOAAS encumbrances, receipts, disbursements and petty cash reimbursements. As of July 30, 2009 the WHC-GO provided guardian services to 170 clients, of which 61%, or 103 clients, were classified as either Guardian clients or Representative Payee clients, the two groups needing the greatest amount of assistance with their finances.

FINDING	SUMMARY
<p><b><i>Finding No. 1 - Internal controls need to be improved.</i></b></p>	<p>The review of Client Account Withdrawal Orders (CAWOs) and related financial data identified no material weaknesses or significant deficiencies in the safeguarding of client funds.</p> <p>We did identify a limited number of internal controls that should be strengthened, along with instances of non compliance with WHC-GO and Center policies and procedures. These deficiencies could adversely affect the safeguarding of WHC-GO’s client funds.</p> <p><u>GOAAS Accounting Software</u> – The 20-some-year-old software does not have the internal control safeguards available through current market software. A critical weakness in the system is the inability to identify the specific individual who enters actions/transactions into the system.</p> <p><u>Client Account Withdrawal Orders</u> – Required information including but not limited to dates, justifications, vendor information, and items purchased were sometimes missing from CAWOs and related unit paperwork. Additionally, alternates selected for trips were not fully documented on the CAWOs tested. This did not allow a definitive determination to be made if certain CAWOs and related forms were compliant with WHC-GO and Center policies and procedures.</p>

**White Haven Center  
Guardian Office  
July 1, 2008 through June 30, 2009**

***Continued –***

***Finding No. 1 - Internal controls need to be improved***

Petty Cash Fund

Testing of five petty cash reimbursements revealed WHC-GO was not in compliance with the Guardian Office Manual regarding dollar threshold and timeliness of replenishment requirements.

Subsequent event: Effective 10/13/2009, the Petty Cash Fund was reset from \$600 to \$400 which should promote compliance with established policies.

Cash Received from Outside Sources - The Schedule of Cash Donations (SO-104) form was not being routinely prepared and distributed.

**HIGHLIGHTS OF RECOMMENDATIONS**

The Division of Guardianship Programs should:

- Ensure Division of Guardianship Programs and Guardian Office employees be assigned individual and secure logons when the replacement accounting system is installed.
- Ensure Guardian Officers and staffs comply with CAWO, cash donation, and petty cash replenishment requirements included in the Guardian Office Manual.

The WHC-GO should:

- Replenish the Petty Cash Fund per requirements of the Guardian Office Manual.
- Abide by and monitor time lines specified in Center Policy/Procedure No. 103-510.
- Monitor CAWOs and related forms after completion of trips, shopping, and disbursement of weekly spending money to ensure they are legible, complete, and compliant with time frames specified in Center policies.
- Monitor the completion of the Schedule of Cash Donations prepared by unit staff and follow up on donations received without issuance of a temporary acknowledgement.

Center Administration should:

- Monitor Policy/ Procedure No. 103-510, Section 3 ("Request for Cash") to minimize the risk of misappropriation of client funds.
- Monitor for compliance the requirements unit staff return receipts and unspent funds to the WHC-Go within two business days, obtain and document approvals for all alternates in advance of trips, and prepare legible and complete Community Trip Forms ("Trip Sheets") and CAWOs.
- Ensure, for all client purchases, Client Inventory Sheets/Control Logs are prepared by unit staff and copies are forwarded to the Guardian Office.
- Revise the Community Trip Form and three-part temporary acknowledgement form.

**White Haven Center  
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**Background**

An Order of Court in the case of *Vecchione v. Wohlgemuth* (C.A. No. 73-162 [E.D. Pa.], entered June 30, 1978) resulted in the finding that one office was responsible for receiving all the clients' benefits and paying the facility. Further, it was understood representation on behalf of the clients was also needed. Subsequently, the Guardian Office was created so there would be an entity to advocate for mentally retarded residents and residents having mental illnesses.

Each Guardian Officer maintains accounts at banks covered by the Federal Deposit Insurance Corporation and approved by the State Treasurer. The primary asset account is an interest-bearing money market account containing commingled client funds accounted for through a centralized accounting system named GOAAS which can be accessed on-site or remotely. Interest earned by this account is prorated and posted to clients' accounts monthly. Other accounts may be maintained which contain conserved funds for clients.

Guardian clients receive monetary benefits from a variety of agencies including Social Security, Veterans' Administration, Blind Pension, Black Lung and Civil Service, which are direct-deposited into the Guardian Office's bank account on a monthly basis. Clients are entitled to \$60 spending money each month. Facility Reimbursement Reports are prepared on a monthly basis to account for incoming and outgoing funds. Clients are billed for their room and board and for the services they receive at the institutions. Under the current Medical Assistance regulations, approximately 99% of MR and MH clients are eligible for MA services.

Over the years, Guardian Office staffs have decreased, creating separation of duties issues which can present challenges in accounting situations. In an effort to minimize potential risks arising from internal control weaknesses, the Division of Guardianship Programs has taken proactive steps to revise their Guardian Office Manual, and the Center's Administration has likewise revised two Guardian Office related procedures in their Policy/Procedure Manual. Additionally, the Guardian Officer and Area Manager occasionally perform data entry duties and spot check the work completed by the Fiscal Assistant. Excel reports are routinely generated with GOAAS batch postings. Manual logs required by the Guardian Office Manual have been revised with additional safeguards to deter potential fraudulent activities.

**Objective, Scope and Methodology**

The audit objectives were:

- To determine the effectiveness of administrative and internal controls in place to account for, handle and safeguard the Center's client funds.
- To determine compliance with DPW policy, procedures and regulations.

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In pursuing these objectives, the BFO interviewed staff from the White Haven Guardian Office, Area Managers for the Eastern and Central Regions, the Guardian Office Accountant and several of the Center's unit managers and staff. We also reviewed CAWOs, receipts and disbursements, Guardian Office and Center Policy and Procedure Manuals, client ledgers, payroll reports, bank statements, client files, the Guardian Officer's financial statements, and other pertinent data necessary to complete our objectives. Our review covered the period July 1, 2008 through June 30, 2009.

We conducted this performance audit in accordance with generally accepted government audit standards. 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 objectives.

Government auditing standards also 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, a number of deficiencies were identified. These deficiencies and other areas where we noted an opportunity for an improvement in management's controls are addressed in the finding of this report.

The audit fieldwork was completed on November 18, 2009. The report, when presented in its final form, is available for public inspection.

**Finding No. 1 – Internal Controls Need To Be Improved**

Internal control is defined as the plan of organization and all of the coordinate methods and measures adopted within an entity to safeguard its assets, check the reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. Based on our review of CAWOs and other financial data, we identified no material weaknesses or significant deficiencies in the safeguarding of client funds. We did, however, identify a limited number of internal controls that should be strengthened, along with instances of non compliance with WHC-GO and Center policies and procedures. These deficiencies could adversely affect the safeguarding of WHC-GO's client funds.

**GOAAS Accounting Software**

The software is approximately 20 years old and does not have the internal control safeguards available through current market software. A critical weakness in the system is the inability to identify the specific individual who enters actions/transactions into the system. Each Guardian Office is assigned a logon user ID and password which is shared by its staff. Best business practices and Commonwealth of Pennsylvania policy require effective monitoring of employee performance as well as an auditable way of tracing an action to its source. Secure individual logons provide an audit trail of the user's actions and protect non involved employees if an accounting discrepancy or misappropriation would occur. We were informed efforts were underway to identify options from purchasing software upgrades through replacing the entire system. We

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recommend that the option selected must offer individualized logons and tracking mechanisms that would provide complete audit trails.

Subsequent Event: At the Closing Conference held on December 17, 2009 we were informed the accounting software selected to replace GOAAS will offer individualized logons and tracking mechanisms.

Client Account Withdrawal Orders

CAWOs are required for all disbursements and are initiated and prepared by Guardian Office staff, unit staff, and competent clients. Our sample of CAWOs proved to be mathematically accurate, appropriately authorized, with no apparent alterations to the dates or amounts. However, required information including but not limited to dates, justifications, vendor information, and items purchased were sometimes missing from CAWOs and related unit paperwork. This did not allow a definitive determination to be made if certain CAWOs and related forms were compliant. Weaknesses identified in our testing of CAWOs include:

- Trip Sheet documentation was inconsistent regarding clients or approved alternates who actually attended the events. The names of alternates found on Trip Sheets could not be found on the matching CAWOs in two instances tested.
- The Amount Requested fields on the Trip sheets were left blank or reported amounts were substantially higher or lower than the CAWO amounts. Additionally, only 2 out of the 8 examined had dates under Dates Requested that matched the CAWO Requestor Dates.
- Justification for purchases, specific items to be purchased, individual amounts and unit locations were not always included on the CAWOs.
- Client numbers, product brand/label names, store/vendor names, quantities purchased, and cost breakdowns for individual items purchased were missing from unit control logs.

Subsequent event: The Center's Policy/Procedure Manual No. 103-510 revised 08/04/2009 now requires the Shopper to complete and forward a Client Inventory Sheet/Control Log to the WHC-GO along with receipts and returned money.

- CAWOs expiring in one week but held weeks after scheduled shopping dates to wait for sufficient funds did not contain documentation explaining reasons for the delays.
- Purchase authorization stamps, which show requests have been authorized and specify CAWO expiration dates, were not found on purchase documents tested.

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Petty Cash Fund

For the five (5) petty cash replenishments tested:

- The fund was allowed to drop below the 20% minimum threshold, established per the Guardian Office Manual, in four of the five sampled transactions.
- None of the five replenishments tested was performed at the end of the month as required by the Manual.

Subsequent event: The Guardian Officer informed the BFO on 10/13/2009 the Petty Cash Fund was being reduced from \$600 to \$400 which should promote compliance with established policies.

Cash Received from Outside Sources

The BFO tested compliance with policies and procedures governing the safeguarding and accounting for cash provided directly to unit staff by family members. Form SO-104 Schedule of Cash Donations and the temporary acknowledgement form must be completed by unit staff and forwarded to the guardian Office when they receive checks or cash from visiting family or friends. Unit staff that were interviewed were generally not familiar with these forms. According to the WHC-GO records total outside funds deposited was limited to \$925.00.

**Recommendations**

The BFO recommends all Division of Guardianship Programs and Guardian Office employees be assigned individual and secure logons when the replacement accounting system is installed. The Division of Guardianship Programs should ensure Guardian Officers and staffs comply with CAWO, cash donation, and petty cash replenishment requirements. Further, the Division of Guardianship Programs should consider adding "All Fields Must Be Legible and Complete" to all forms and templates related to client funds. The BFO also recommends the Division of Guardianship Programs evaluate whether the requirement to use purchase authorization stamps should remain in force, and, if so, if the stamp should be used for purchases using cash, charge cards, or both.

The BFO also recommends the WHC-GO replenishes the Petty Cash Fund per requirements of the Guardian Office Manual and abides by and monitors time lines specified in White Haven Center Policy/Procedure No. 103-510 (revised 08/04/09). The WHC-GO should also ensure all required forms are returned and are legible and complete after completion of trips, shopping and disbursement of weekly spending money. If verbal approvals of alternates or extensions of time are provided to unit staff, WHC-GO staff must document the details on the CAWO. The WHC-GO must monitor the completion of Schedules of Cash Donations prepared by unit staff and follow up on donations received without issuance of a temporary acknowledgement.

The BFO further recommends Center Administration monitor Policy/ Procedure No. 103-510, Section 3 ("Request for Cash," revised 08/04/09) to minimize the risk of misappropriation of client funds. The requirements for unit staff to return receipts and unspent funds to the WHC-GO within two business days, to obtain and document

**White Haven Center  
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approvals for all alternates in advance of trips, and to ensure Trip Sheets and CAWOs are legible and complete must also be monitored for compliance.

The BFO further recommends Center Administration revise the Community Trip Form. In the Money Requested section under Preplanning, fields should be added for unit staff to specify funds requested for the trip and funds requested for the meal. In the Trip Details section on Side 2 fields for Approved/Denied and Attended/Did Not Attend should be added.

The BFO finally recommends Center Administration ensure a copy of the Client Inventory Sheet/Control Log be forwarded to the Guardian Office for all client purchases. Administration should revise the three-part temporary acknowledgement form to include checkboxes for staff receiving donations to identify if funds are to be used for client needs at the unit or if they are to be deposited into the Guardian Office account.

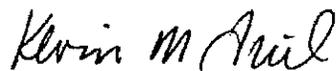
The Division of Guardianship Programs and the White Haven Center did not request a formal exit conference. In lieu of an exit conference, the data used to prepare the report was discussed in detail in separate closing conferences held with the White Haven Guardian Office staff and the Center's Director. The Division of Guardianship Programs response to the audit dated March 24, 2010, has been included in the final report and is labeled Appendix A. The White Haven Center response has also been included and is labeled Appendix B.

In accordance with our established procedures, separate audit response matrices will be provided to your office and to the Office of Developmental Programs, Bureau of State Operated Facilities. Once received, please complete the matrices within 60 days and email the Excel files to the DPW Audit Resolution Section at:

[RA-pwauditresolution@state.pa.us](mailto: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.

Sincerely,



Kevin M. Friel

**WHITE HAVEN CENTER GUARDIAN OFFICE  
DIVISION OF GUARDIANSHIP PROGRAMS  
RESPONSE TO THE DRAFT REPORT**

**APPENDIX A**



COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF PUBLIC WELFARE  
BUREAU OF ADMINISTRATIVE SERVICES  
DIVISION OF GUARDIANSHIP PROGRAMS  
P.O. Box 2675  
Harrisburg, PA 17105

Gerard A. S. Gillingham  
Director

Telephone Number  
(717) 787-1109

March 24, 2010

Mr. John Hoover, Audit Manager  
Division of Audit Review  
Bureau of Financial Operations  
Department of Public Welfare  
Room 325 Scranton State Office Building  
100 Lackawanna Avenue  
Scranton, Pennsylvania 18503

Dear Mr. Hoover,

Below is the Division of Guardianship Programs' response to the findings issued by the Bureau of Financial Operation's audit of the White Haven Center Guardian Office for the period July 1, 2008 through June 30, 2009:

Finding No. 1: Internal controls need to be improved.

Recommendations:

- A. Ensure Division of Guardianship Programs and Guardian Office employees be assigned individual and secure logons when replacement accounting system is installed.
- B. Ensure Guardian Officers and staffs comply with CAWO, cash donation, and petty cash replenishment requirements included in the Guardian Office Manual.

Response:

The Division of Guardianship Programs agrees with this finding and we will comply with recommendations A and B as listed above.

The new Guardian Office software will track transactions by User id and employees will be given individual and secure logons. Area Managers will be scheduling additional quality control visits beginning in April 2010 to ensure that all Guardian Offices comply with the new procedure manual

and specifically CAWO, cash donation, and petty cash replacement requirements.

I want to thank the Bureau of Financial Operations for conducting the audit of the White Haven Center Guardian Office.

Sincerely,



Gerald A. S. Gillingham

C: Mr. Glenn Willams  
Ms. Dena Smith-Reichley

**THE WHITE HAVEN CENTER'S  
RESPONSE TO THE DRAFT REPORT**

**APPENDIX B**



COMMONWEALTH OF PENNSYLVANIA  
WHITE HAVEN CENTER  
827 Oley Valley Road  
White Haven, Pennsylvania 18661-9602

Fred C. Lokuta  
Facility Director

Telephone: 570-443-4200  
FAX: 570-443-4225

May 14, 2010

Mr. John Hoover, Audit Manager  
Division of Audit Review  
Bureau of Financial Operations  
Department of Public Welfare  
Room 325 Scranton State Office Building  
100 Lackawanna Avenue  
Scranton, Pennsylvania 18503

Dear Mr. Hoover,

In response to the Division of Audit and Review (DAR) findings on the Guardian Office Audit for the period July 1, 2008 through June 30, 2009, White Haven Center has corrected its current policy and procedure to coincide with the Guardian Office's Policy Manual. Listed below are the corrected actions that were taken by White Haven Center. This does not reflect the corrected actions for the Guardian Office staff.

Finding No. 1: Internal controls need to be improved.

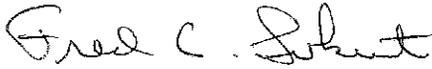
White Haven Center updated their internal policy #103-510, Guardian Office Procedures, for employees to complete the Client Account Withdrawal Orders (CAWOs) accurately. These updates stressed the need for completed forms, legible entries, client numbers, matching requesting dates for trip sheets, cost breakdowns for individual items and explanation for delays in scheduled shopping dates. In-service has been scheduled to train staff on the proper way for completing the forms.

Mr. John Hoover

-2-

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Fred C. Lokuta".

Fred C. Lokuta  
Facility Director

FCL/lsm

c: Mr. Gerald A. S. Gillingham  
Ms. Andrea Tirpak