Internal Audit Findings (Consumer Funds/Property) Fiscal Year 2019

Consumer Funds

During our reviews of consumers' personal funds, Internal Audit found that the Providers did not always manage these funds in accordance with DDSN directive 200-12-DD, "Management of Funds for Individuals Participating in Community Residential Programs." We found:

Allowable Costs

During our review of consumer disbursements, we noted several consumers were utilizing the services of a podiatrist which is a non-covered Medicaid service for individuals over the age of twenty-one. We requested a listing of all residential consumers who were receiving Podiatry services: 97 of the 126 individuals (77%) were receiving this service. For the 97 individuals receiving this service, 80 (82%) individuals were seen by one of two podiatrists. Internal Audit requested the Provider have a foot screening, by the Provider's clinical staff, to determine if this number was realistic given such a high percentage. This review was conducted by the Provider's Licensed Practical Nurse (LPN) and is discussed in more detail within this finding.

For the two podiatrists cited above, there were a number of discrepancies in how the service was provided:

- The consumers on the west side of the county paid $60 for the service. They received services from a podiatrist who was under contract with the Provider. The podiatrist would invoice and receive payment from the Provider. The Provider would then collect fees for services from each consumer.
- The consumers on the east side of the county paid $30 for the service. The Provider did not maintain a contract with this podiatrist. These consumers would bring a check with them from their individual checking accounts made payable to the podiatrist.

Consistencies with how the services were provided for the two primary podiatrists include:

- In all cases, the individuals were paying out of pocket for this service.
- In all cases, the individuals received services, in the respective day program of the Provider, not in the community at the podiatrist's office. Given the large number of consumers being seen by only two providers and the services not being provided in the community leads to a question of consumer choice and appears to contradict the requirements of the Final Rule (i.e. consumer choice, community integration, etc.).
- In cases where we reviewed treatment documentation, all treatments included toenails being clipped. This is part of personal grooming and hygiene and the Provider receives a residential payment which incorporates these services.

When we reviewed the foot screenings conducted by the Provider's LPN, we noted numerous cases where treatment could be provided by clinical providers who are Medicaid approved. For example, consumers with diabetes could be treated by a general practitioner (GP) or an endocrinologist; consumers with dystrophic nails could be treated by a GP or a dermatologist. Following is a breakdown of the screenings conducted by the Provider's LPN:

- Ten of 97 (10%) individuals had a negative screen requiring no podiatry services.
- Forty-three of 97 (44%) individuals had documented comments indicating dystrophic nails.

- Sixteen of 97 (17%) individuals were noted as having diabetes.
- For both, dystrophic nails and diabetes, fifty-nine of the 97 (61%) consumers screened had an issue that could have been treated by a dermatologist or GP and potentially be covered by Medicaid.

Numerous diagnoses on the foot screenings referenced dry skin and calluses. As noted above, part of the payment the Provider receives for residential services covers grooming and personal hygiene. Nursing and/or residential staff should be providing, and/or providing training in proper foot care with the individuals being served.

By providing the services required through their contract (hygiene, grooming) and by switching to Medicaid approved providers (GP, dermatologist) for the various medical issues, the Provider would be more in line with the mandates of the Final Rule and would ensure consumers' personal monies are not being expended for services that could be covered by Medicaid. Additionally, if consumers choose to have a pedicure for personal reasons (i.e., relaxation), the Provider should assist the consumers by ensuring the individuals know the services would be a personal expense and assist in their choice of a local provider.

Cash on Hand

- Four of six (67%) consumers' cash-on-hand ledgers did not contain documentation of a monthly cash count by someone who does not receive or disburse cash.
- Two of six (33%) consumers' cash-on-hand ledgers and actual cash-on-hand were maintained in the same location.
- For three of three (100%) consumers, COH transactions were improperly being netted. Instead of reflecting how much money was withdrawn and residual change being deposited back into the fund, the ledger showed the actual costs from the receipts. This method of record keeping does not show all of the additions and uses of the consumers' cash on hand.
- Three of three (100%) consumers' COH funds were not counted and/or reviewed by someone other than the person authorized to disburse or receive COH according to the documentation on file.
- Three of 14 (21%) consumers' cash-on-hand ledgers did not contain documentation of a monthly cash count by someone who does not receive or disburse cash.
- For three of five (60%) consumers who have Cash on Hand maintained by staff at the home, the COH ledger was not properly maintained. The actual COH did not agree to the ledger.
- For five of five (100%) consumers, COH transactions were improperly being netted. Instead of reflecting how much money was withdrawn and residual change being deposited back into the fund, the ledger showed the actual costs from the receipts. This method of record keeping does not show all of the additions and uses of the consumers' cash on hand.
- Three of five (60%) consumers' COH funds were not counted and/or reviewed by someone other than the person authorized to disburse or receive COH according to the documentation on file.

DDSN directive 200-12-DD requires certain controls be established and followed for handling consumers' personal funds to ensure that funds are properly accounted for and adequately safeguarded. With regard to cash on hand, records must be sufficient to show, at any given point in time, the amount of cash that held that belongs to each individual in the residence and all additions and uses of cash. All cash held by staff should be counted at least monthly by a staff member who does not have authority to receive or disburse cash. The count should agree to the records and be documented in the cash record.

Collective Account

- For three of three (100%) consumers, our review revealed the account ledgers were not maintained appropriately to reflect all activity in the consumer accounts documenting actual cash balances and checks written. For example, a single check was used for numerous transactions on the ledger and did not reflect the actual amount of the check. Additionally, the ledger included transactions for fees, activities and purchases reimbursable to the provider but not yet paid by the consumer.
- Our review of the adequacy of controls surrounding consumers' personal funds maintained in a Collective Account found that the Provider did not manage them in accordance with Social Security Administration's (SSA's) Guide for Organizational Representative Payees and DDSN directive 200-12-DD, "Management of Funds for Individuals Participating in Community Residential Programs." We found Provider staff did not have any written documentation to support that SSA and DDSN had approved the Provider to establish and maintain a collective account for consumers' personal funds.

The Social Security Administration's Guide for Organizational Representative Payees and DDSN directive 200-12-DD requires certain controls be established and followed for handling consumers' personal funds to ensure that funds are properly accounted for and adequately safeguarded.

Consumer Accounts

- Two of four (50%) consumers' bank signature cards had a former staff member still listed as a co-signature on their bank account.
- For four of four (100%) consumers, no original or imaged copies of checks were returned with their monthly bank statements.
- For four of four (100%) consumers, assigned staff did not always record the payee and/or the source of deposits in their check registers.
- One of four (25%) consumers who works and receives earned income did not have the net pay deposited into their bank account. Instead, the work check was cashed and the money was given to the consumer. There was nothing documented in the consumer's financial plan about cashing paychecks.
- Five of 60 (8%) disbursements contained checks written from the consumers' accounts that did not contain the required signatures. (i.e., checks were missing the signature of an authorized staff member or the consumer's signature).
- Three of three (100%) consumers' bank signature cards had a former staff member still listed as a co-signature on their bank account.
- Three of three (100%) consumers' cancelled checks copies (back and fronts) were not always attached to the consumers' monthly bank statements.
- For six of fourteen (43%) consumers, account ledgers were not maintained appropriately. Ledgers reflected aged items requiring resolution, checks listed out of sequence or missing information.

Internal Audit Findings (Consumer Funds/Property) Fiscal Year 2019

DDSN directive 200-12-DD requires certain controls be established and followed for handling consumers' personal funds to ensure that funds are properly accounted for and adequately safeguarded. In addition, appropriate documentation should be obtained and retained on file to support the use of the person's personal funds.

Disbursements

- For nine of 22 (41%) disbursements, the check was made payable to Cash/Consumer/Director of Residential Services which was cashed, and the cash was given to the lead staff for consumer purchases.
- For 13 of 22 (59%) disbursements involving three consumers, the consumers did not sign their checks.
- For five of 22 (23%) disbursements involving two consumers, there were residual funds totaling \$96.41 (Consumer A – \$95.85 from four different disbursements; and Consumer B - \$0.56 from one disbursement) from purchases made that remain unaccounted for. The consumers' financial plans did not address any residual funds being kept by them.
- Two of four (50%) consumers' residual funds were maintained for several months in cash at the consumer's residence which was actually cash on hand maintained by staff without being counted at least once every month. In addition, when one consumer's residual funds were returned to finance staff to be deposited into the collective account at the bank, residential staff did not receive a cash receipt immediately for the consumer to account for the flow of money between hands.
- For one of four (25%) disbursements for a consumer, back rent was inappropriately paid for seven months at one time instead of one month at a time. There was no documentation found to determine whether a called team meeting (CTM) was held to discuss this decision or that the Social Security Administration (SSA) was contacted to obtain approval to pay back rent.
- Four of 17 (24%) consumers' checks were not always written payable to the individual person or entity, but written payable to cash or cash withdrawals (total of \$ 255.00).
- Seventeen of 17 (100%) disbursements contained checks written from the consumers' accounts that did not contain the required consumer's signature.
- For 10 of 152 (7%) disbursements, the check register entry did not match the payee on the actual check.
- One of 152 (1%) consumer disbursements was questionable for the individual. The individual had Medicaid and Medicare but paid \$45 for the purchase of a nebulizer.
- Twenty-three of 162 (14%) disbursements contained checks written from the consumers' accounts that did not contain the required signatures. (i.e., checks were missing the signature of an authorized staff member or the consumer's signature)
- For ten of 162 (6%) disbursements, the check register entry did not match the payee on the actual check.
- Thirty-one of 162 (19%) disbursements did not have supporting documentation and/or original receipts attached. Missing receipts totaled \$ 4,413.
- Eleven of 162 (7%) disbursements resulted in the consumers' paying late fees, non-sufficient funds fees or returned payment fees totaling \$325.

- Two consumers shared housing expenses for which lawn care appeared to be excessive. For example, lawn care for a duplex property cost these consumers $ 885.00.
- Two of 162 (1%) consumer disbursements were questionable for the individual. For example, the consumer purchased diabetic test strips in the amount of $164.

DDSN directive 200-12-DD requires certain controls be established and followed for handling consumers' personal funds to ensure that funds are properly accounted for and adequately safeguarded. In addition, appropriate documentation should be obtained and retained on file to support the use of the person's personal funds.

Fidelity Bond Coverage

- The Provider's fidelity bond coverage does not meet the requirements as outlined in its contractual agreement with DDSN. DDSN was not named as co-loss payee on the fidelity bond. The Provider is the only agency listed as the insured.

DDSN directive 200-12-DD, "Management of Funds for People Participating in Community Residential Programs" Section V, Financial Management, requires Providers with staff having access to individual funds are bonded. The Provider's captiated contract requires DDSN must be named as co-loss payee.

Financial Plans

- Two of seven (29%) consumers did not have updated financial plans on file in that not all Financial Plans contained all financial resources.
- For one of eight (13%) consumers, the Financial Plan did not contain pertinent information regarding the consumer's ability to manage large sums of money, nor did it note any exceptions granted to the consumer in regards to the consumer's signature being required on checks written on/from their account. (i.e., the consumer had taken several trips in which large sums of spending money was given to the consumer for which no receipts were returned. In addition the consumer is not signing checks being written from the account.)

  DDSN directive 200-12-DD requires certain controls be established and followed for handling consumers' personal funds to ensure that funds are properly accounted for and adequately safeguarded. This includes updating the individuals' Financial Plans as changes occur in income and/or spending habits.

- Three of three (100%) consumers were not receiving their weekly spending allowances as authorized in their financial plans.
- Three of fourteen (21%) consumers had financial plans that were not signed and/or updated to reflect changes to financial obligations. One consumer overpaid $3,464 for rent from February 2018 to September 2018.
- Two of fourteen (14%) consumers were not receiving their weekly spending allowances as authorized in their financial plans. Additionally, the financial plans for the consumers reviewed did not specify an amount the consumer could handle independently.

DDSN directive 200-12-DD requires certain controls be established and followed for handling consumers' personal funds to ensure that funds are properly accounted for and adequately safeguarded. The directive requires all residential service providers manage residents' funds in accordance with an individualized Financial Plan.

Internal Audit Findings (Consumer Funds/Property) Fiscal Year 2019

Life Insurance Policies

- During our review of consumer disbursements, we noted that seven of eight (88%) consumers reviewed have a preneed burial plan, or a whole life insurance policy.

  Three of eight (38%) consumers had an insurance policy with one company. All three policies are whole life policies which either contain or will contain a cash value for premiums paid. The cash value from an insurance policy is considered a resource and could affect these individuals' Medicaid eligibility. None of these three individuals has a guaranteed preneed burial contract associated with the insurance; however, one of the policies does indicate a funeral home as the beneficiary. The other two policies list a relative as the beneficiary. Once a beneficiary receives funds from a policy, they can use those funds however they choose. Life insurance policies with premiums paid by the consumer should list the estate of the consumer as the beneficiary.

  Medicaid rules and regulations regarding eligibility for consumers should be followed which generally means keeping assets below the $2,000 limit. Preneed burial contracts may be funded through insurance policies, however a direct contract with a funeral home can achieve the desired burial result without insurance. Beneficiaries should be structured so the consumers' burial wishes are fulfilled.

- During our review of consumer disbursements, we noted that three of nine (33%) consumers having a whole life insurance policy did not have a copy of the policy. Whole life policies either contain or will contain a cash value for premiums paid. The cash value from an insurance policy is considered a resource and could affect these individuals' Medicaid eligibility. Without a copy of the policy, Internal audit (IA) could not determine if Medicaid eligibility is affected. Also, a guaranteed preneed burial contract should be associated with the insurance. Additionally, IA could not determine the beneficiary for the policy. Once a beneficiary receives funds from a policy, they can use those funds however they choose. Life insurance policies with premiums paid by the consumer should list the estate of the consumer as the beneficiary.

Medicaid rules and regulations eligibility for consumers should be maintained which generally is defined as keeping assets below the $2,000 limit. Preneed burial contracts may be funded through insurance policies, however a direct contract with a funeral home can achieve the desired burial result without insurance. Beneficiaries should be structured so the consumers' burial wishes are fulfilled. More often, insurance policies are typically linked to a guaranteed preneed burial contracts. With whole life insurance policies, the cash value accumulation may lead to a loss of Medicaid eligibility. In addition, this type of insurance relates to excessive premium payments for the individual. Furthermore, naming beneficiaries other than the "estate of the consumer" may allow for the life insurance proceeds to be used for other means than burial of the named insured. If funds for final expenses are not available, the Provider could be financially responsible for the consumer's final expenses.

Medicaid Eligibility

- Two of four (50%) consumers (one consumer whose personal funds are maintained in a collective account) maintained over $2,000 in their checking accounts for at least two consecutive months.
- Three of eight (38%) consumers' bank account balances exceeded the $2,000 Medicaid resource limit threshold for more than 30 days.
- During our review we noted that two of eight (25%) consumers had a bank balance in excess of $2,000 which may affect their Medicaid eligibility.
- Two of fourteen (14%) consumers' bank account balances exceeded the $2,000 Medicaid resource limit threshold for more than 30 days.

Internal Audit Findings (Consumer Funds/Property) Fiscal Year 2019

DDSN directive 200-12-DD requires certain controls be established and followed for handling consumers' personal funds to ensure that funds are properly accounted for and adequately safeguarded. In addition, the directive states under the Financial Rights, that the consumer has the right "To have their personal funds managed in a way that will not jeopardize Medicaid eligibility or other governmental benefits."

Quarterly Reviews

- For two of four (50%) consumers (one consumer whose personal funds are maintained in a collective account), they did not have their financial activity reviewed with them at least quarterly.
- Three of three (100%) consumer files did not contain documentation that staff reviews account activity with each consumer at least quarterly.

DDSN directive 200-12-DD requires certain controls be established and followed for handling consumers' personal funds to ensure that funds are properly accounted for and adequately safeguarded. The directive requires that, at least once a quarter, a review of all account records must be done by provider staff and a report of all account activity occurring that quarter should be given to each individual with personal funds managed by the provider.

Reconciliations

- Three of three (100%) consumers' monthly bank reconciliations were not being performed.
- Fourteen of fourteen (100%) consumers' files did not contain evidence of monthly bank reconciliations.

DDSN directive 200-12-DD requires certain controls be established and followed for handling consumers' personal funds to ensure that funds are properly accounted for and adequately safeguarded. The directive requires that Providers who manage consumer funds reconcile all bank statements to current checkbook/ledger balances within certain time frames. After reconciliation a notation indicating it has been completed should be written on the front page of the bank statement and in the check register.

Required Forms

- Three of four (75%) consumers did not sign any financial plan, Statement of Financial Rights, Statement of Financial Responsibilities/Individual Fee Schedule, and/or financial authorization forms or their respective updates.

DDSN directive 200-12-DD requires certain controls be established and followed for handling consumers' personal funds to ensure that funds are properly accounted for and adequately safeguarded. In addition, appropriate documentation should be obtained and retained on file to support the use of the person's personal funds. The directive requires individuals receiving residential services are informed of their financial rights as evidenced by a signed Statement of Financial Rights

Room and Provider

- The Provider did not comply with DDSN directive 250-09-DD "Calculation of Room and Provider for Non-ICF/ID Programs," The Provider did not submit its room and Provider policy and calculations for approval to DDSN as mandated by the directive.

DDSN directive 250-09-DD requires that all ... contracted residential service providers must establish an official policy for charging consumers for the cost of room and Provider and establish a monthly room and Provider charge (three meals a day and shelter type expenses) that is fair and equitable. In addition, the policy must address at a minimum both applying consumers' income toward the cost of the room and Provider and the determination of the room and Provider charge. In no circumstance, may the charge for room and Provider exceed the actual cost of room and Provider.

Segregation of Duties

- There was an inadequate segregation of duties for the finance staff. We reviewed the job duties performed by the Payroll/Accounts Receivable/Accounts Payable Specialist and found that the specialist maintained the checks for the consumers in the collective account, managed the personal funds requests for consumers' monies and cashed the checks from the consumers' accounts once the checks were signed by the authorized signers for the Provider. In addition, the specialist recorded all transactions to the consumers' sub-ledgers as well as performed the monthly bank reconciliation for the consumers' collective bank account.
- All eight (100%) consumer account reconciliations did not show an adequate segregation of duties. The reconciler on each account is also listed as an authorized signer on the consumers' accounts.

To achieve a proper segregation of duties, the assignment of responsibilities should be such that no one person has the authority to do two or more of the following: (1) authorize transactions, (2) record transactions; and (3) maintain custody of assets. Management should maintain an awareness of the internal control structure to ensure that reasonable policies and procedures exist and are maintained.

Personal Property

A review of consumers' personal property, and corresponding Personal Property Records (PPRs), found that residential staff did not always manage the consumers' personal property in accordance with DDSN directive 604-01-DD, "Individual Clothing and Personal Property." We verified the physical existence of their property items costing $50 ($100 effective November 1, 2017) or more and traced the items in their living areas back to the entries recorded on the PPRs. Our reviews found:

Adequate Descriptions

- Four of four (100%) consumers' PPRs did not include adequate descriptions.
- Three of four (75%) consumers' PPRs did not always indicate the costs/values.
- Two of four (50%) consumers' PPRs did not contain dates of purchases.
- Two of five (40%) individuals' PPRs did not always contain adequate descriptions and serial/model numbers (when applicable) for non-clothing items reviewed.
- Five of ten (50%) consumers' PPRs did not contain the serial and/or model numbers for their large dollar non-clothing property items.
- Seven of 10 (70%) consumers' PPRs did not have a serial/model number included in the description.
- Four of 10 (40%) PPRs did not always contain adequate descriptions for non-clothing items.
- Four of six (67%) consumers PPRs did not always contain adequate descriptions for non-clothing items reviewed. For example, there was no color description of consumers' bedroom furniture.
- For two of six (33%) consumers, the PPRs did not have a serial/model number included in the description.
- Seven of eleven (64%) consumer's PPRs did not always contain adequate descriptions and serial/model numbers (when applicable) for non-clothing items reviewed.

- For eight of 13 (62%) consumers, PPRs did not contain adequate descriptions and/or serial/model numbers for non-clothing items reviewed.
- Three of six (50%) consumers PPRs did not always contain adequate descriptions for non-clothing items reviewed.

DDSN directive 604-01-DD, "Individual Clothing and Personal Property," requires providers to maintain an inventory of the individual's clothing and non-clothing items costing $100 or more on an "Individual Personal Property Record." The inventory records should contain adequate descriptions, to include: serial numbers, where applicable; dates of purchases; and dollar values.

Quarterly Reviews

- Three of four (75%) consumers' PPRs did not reflect at least a quarterly inventory by staff with initials indicated.
- Four of four (100%) consumers' individual PPRs were not properly completed for quarterly inventories. All four consumers' PPRs did not reflect at least a quarterly inventory for more than one quarter.
- Two of eleven (18%) consumers' PPRs did not reflect evidence of at least a quarterly review conducted by staff.

DDSN directive 604-01-DD, "Individual Clothing and Personal Property," requires providers to maintain an inventory of the individual's clothing and non-clothing items costing $100 or more on an "Individual Personal Property Record." The records should reflect at least a quarterly inventory with the responsible employees' initials and dates performed noted on the inventory record.

Timely Recording

- All five of five (100%) consumers had an item that cost $100 or more located in their room that was not listed on their personal property record.
- One of ten (10%) consumers' had three items that cost $50 or more located in their room that was not listed on their personal property record.
- For five of 10 (50%) items costing $100.00 or more were not being recorded on the consumers' PPRs.
- Six of 13 (46%) consumers' had an item(s) that cost $100 or more located in their room that was not listed on their personal property record.
- Five of eleven (45%) consumers' had an item or items that cost $100 or more located in their room that was not listed on their personal property record.
- For two of six (33%) consumers had personal property that was not listed on their PPRs.

DDSN directive 604-01-DD, "Individual Clothing and Personal Property," requires providers to maintain an inventory of the individual's clothing and non-clothing items costing $100 or more on an "Individual Personal Property Record." The records should be kept current with additions and deletions being noted as they occur.