



**DEPARTMENT OF HEALTH
AND
SOCIAL SERVICES**



COMMUNITY SERVICES UNIT

PATIENTS' TRUST FUND



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*Department of Health and Social Services
Community Services Unit
Patients' Trust Fund*

What Was Performed? An Agreed Upon Procedures (AUP) attestation engagement of the Department of Health and Social Services (DHSS), Division of Developmental Disabilities Services (DDDS), and Community Services Unit's Patients' Trust Funds for Fiscal Year ended June 30, 2019.

Why This Engagement? This engagement was performed as a result of confidential reports from the Auditor's Office's Fraud Hotline and Fraud App, 29 Del. C. § 2906, and Title 16 of Delaware Code, Chapter 60 Section 6002, 6003, and 6004 which is applicable to any institutions operated, maintained, or under the supervision of the Department of Health and Social Services (DHSS).

The State Auditor's Office performed agreed upon procedures on a sample of patients' trust fund accounts including verifying interest earned and cash disbursement and cash receipt transactions are applied, reconciled and compliant with the Unit's policy and procedures and the state's financial accounting requirements

Community Services is a unit operated under Division of Developmental Disabilities Services which provides services to approximately 5,083 patients with over \$3.3M in Patients' Trust Fund deposits processed in Fiscal Year 2019.

What Was Found? Our AUP engagement contains the following results:

- The Patient Trust Fund appropriation received the correct monthly allocation of earnings in FY2019 from OST and the interest earning correctly posted to the individual patient account.
- Community Services recorded ACH payments to the correct patient account.
- Community Services did not reconcile the state accounting system to the unit's accounting system for June 30, 2019.
- Community Services did not close deceased patient accounts and discharge the account balances.
- Community Services did not record manual checks received on the incoming check deposit log.
- Community Services did not have all supporting documentation for cash disbursement transactions including some authorized signatures and purchase receipt documentation.

The new report, Department of Health and Social Services Community Services Unit Patients' Trust Fund" can be found [here](#).

Please do not reply to this email. For any questions regarding the attached report, please contact State Auditor Kathleen K. McGuinness at Kathleen.Mcguinness@delaware.gov.

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Abbreviations:

OAOA	Office of Auditor of Accounts
DDDS	Division of Developmental Disabilities Services
DHSS	Department of Health and Social Services
DMS	Division of Management Services
DPC	Delaware Psychiatric Center
FSF	First State Financials
OST	Office of the State Treasurer

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The Delaware State Auditor serves Delawareans by providing independent objective oversight of the state government's use of taxpayer dollars with the goal of deterring fraud, waste and abuse through unbiased assessments, including the use of various audits, special reports, and investigations of financial operations designed to ensure statutory compliance while enhancing governmental economy, efficiency and effectiveness.

For further information on this release please contact:

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State of Delaware
Office of Auditor of Accounts
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**Independent Accountants' Report
on Applying Agreed-Upon Procedures**

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We have performed the procedures enumerated below, which were agreed to by the Department of Health and Social Services (DHSS) and the Community Services Unit and as defined within the applicable laws of the State of Delaware on the compliance of the Patients' Trust Fund with Delaware Code as specified in the procedures during the period July 1, 2018 through June 30, 2019. Community Services management is responsible for its compliance with those specified requirements. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representations about the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The DHSS has agreed to and acknowledged that the procedures performed are appropriate and meet the intended purpose of Title 16 of the Delaware Code, Chapter 60 Section 6002, 6003 and 6004. Additionally, the DHSS has agreed to and acknowledged that the procedures performed are appropriate to meet its purposes. This report may not be suitable for any other purposes. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings for Community Services Unit are as follows:

Procedure #1: Confirm by inspection of the First State Financials (FSF) DGL011 report that the Patients' Trust Fund appropriations received an allocation of earnings for each month during the period July 1, 2018 through June 30, 2019. Recalculate the allocation of earnings for three months (August, February, and June) and confirm that the rate used was consistent with the rate applied to other special fund appropriations. (16 Del. C. §6002 and 6004).

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Results: The Office of Auditor of Accounts (OAOA) confirmed that the Unit received a monthly allocation of earnings from the Office of State Treasurer (OST). We inspected the manual recalculation of interest provided by OST for August, February and June and confirmed that interest rates were consistent with the rates applied to other special fund appropriations and that the interest calculation was mathematically correct. We identified immaterial differences which OST explained were a result of timing differences.

Procedure #2: Agree the total of the individual patient account balances per the facility's records (ADL reports (software application)) with the Patients' Trust Funds appropriation(s) per FSF (DGL060 report) as of June 30, 2019. (16 Del. C. §6003).

Results: The Community Services Unit was unable to provide the general ledger reconciliation of the patient account balances in the ADL system as of June 30, 2019. Although Section 13 of the policy and procedures manual references the reconciling of ADL to FSF, Community Services was unable to provide a fiscal year end reconciliation. OAOA was able to pull the FSF general ledger balance as of June 30, 2019 but OAOA was not provided with the June 30, 2019 ADL report of patient account balances to allow for performance of a reconciliation.

Procedure #3: Systematically¹ select 10%, or a maximum of 10, patient accounts during the period July 1, 2018 through June 30, 2019 and recalculate the allocation of interest for the months of August, February, and June to the individual patients in accordance with facility policy. (16 Del. C. §6004).

The sample size selected is as follows:

Procedure 3

Facility	Total Patients Allocating Interest			Patients for Testing		
	August	February	June	August	February	June
Community Services	1800	1822	1749	10	10	10

Results: The Community Services Unit communicated that the ADL system calculates and distributes interest monthly to each patient account with an account balance exceeding \$50.00 although the Unit does not have written procedures for this process. OAOA verified that the ADL system performed the automated interest allocation each month to patient accounts by inspecting the monthly allocation reports obtained from OST for FY2019. OAOA manually recalculated interest for ten (10) patient accounts for the months of August 2018, February 2019, and June 2019. OAOA found immaterial rounding differences with no exceptions from applying the procedure.

¹ Systematically for all procedures will include "every nth item"

Procedure #4: Systematically select 10%, or a maximum of 25, of the non-interest cash receipt transactions processed electronically in FSF during the period July 1, 2018 through June 30, 2019 and confirm that the deposit was accurately recorded in the individual patient account.

The sample size selected is as follows:

Procedure 4

Facility	Total Non-Interest Cash Receipts-FY2019	Non-Interest Cash Receipts Testing Sample
Community Services	15,455	25

Results: OAOA confirmed that Community Services Unit recorded the twenty-five (25) ACH electronic payments by tracing these transactions to the individual patient account using the ADL Resident Trust Fund Statement, the FSF Residents Cash Report, and the applicable Bank Statement. Additionally, OAOA verified that the date and amount of the deposits were accurately recorded. No exceptions were found from applying the procedure.

Procedure #5: Systematically select 10%, or a maximum of 25, of the cash receipts received manually at the facility during the period July 1, 2018 through June 30, 2019 and confirm the following:

- The deposit was properly recorded on the facility's incoming check log.
- The deposit was accurately recorded to the individual patient account.
- The deposit traces to the Patient Trust Funds appropriation in FSF.

The sample size selected is as follows:

Procedure 5

Facility	Total Manual Cash Receipts-FY2019	Manual Cash Receipts Testing Sample
Community Services	276	25

Results: OAOA confirmed that manual cash deposits are not being recorded by Community Services on an incoming check deposit log. OAOA traced twenty-five (25) manual cash deposit transactions to the individual ADL patient account using the ADL Resident Trust Fund Statement and verified the date and amount without exception. In addition, OAOA traced the transaction to the FSF Trust Fund Report, the FSF Account Payable payment voucher, the copy of the deposit slip, and the copy of the check without exception.

Procedure #6: Systematically select 10%, or a maximum of 10, of the cash disbursement transactions processed in the individual patient accounts during the period July 1, 2018 through June 30, 2019 and confirm the following:

- The disbursement is authorized by both the patient or legal representative, if applicable, and a social worker/facility worker.
- Supporting documentation agrees to the disbursement.
- Patient signed documentation to acknowledge receipt of cash, when applicable.

The sample size selected is as follows:

Procedure 6

Facility	Total Cash Disbursements Processed in FY2019	Cash Disbursements Testing Sample
Community Services	137	10

Results:

- *OAOA was unable to confirm the patient or legal representative who authorized the cash disbursement or that the patient signed documentation to acknowledge the receipt of cash/purchase items for the ten (10) patient transactions.*
- *OAOA confirmed that the ten (10) cash disbursements sampled were authorized by an Administrator by tracing the authorized person to the authorized signature to the Client Request for Purchase (CRFP) form. However, the additional signatures on the CRFP form were unable to be verified. The facility only provided a partial list of authorized signers by email communication.*
- *OAOA verified the financial transaction by comparing to the supporting documentation including date, amount, payment method, and type of purchase for the ten (10) cash disbursements as follows:*
 - *We confirmed five (5) patient transactions were for less than \$500.00 with a check made payable to the patient or electronic payment (ACH) posted to the patient account, without exception. We were informed that, per policy, no purchase receipt documentation is required in this scenario (when transactions are for less than \$500.00).*
 - *We confirmed two patient transactions had checks made payable to a vendor and were supported by a purchase receipt (Sales Order, Camp Session form) without exception. However, the other three patient transactions were not supported by a purchase receipt; instead the documentation was limited to a purchase quote.*

Results Proc. 6:

Documentation of Patient/Legal Rep Signed Authorization for Cash Disbursement	Documentation of Patient Signed Acknowledgement of Receipt of Cash Disbursement or Purchased Items	Validate Authorized Signer: Administrator on Standard Request Form	Validate Other Authorized Signers on Standard Request Form	Purchase Receipt Documentation To Support Cash Disbursement	Disbursement Payee & Type
No	No	Yes	No	Yes	Vendor/Check
No	No	Yes	No	Yes	Vendor/Check
No	No	Yes	No	No	Vendor/Check
No	No	Yes	No	No	Vendor/Check
No	No	Yes	No	No	Patient/Check
No	No	Yes	No	No/Less Than \$500*	Patient/Check
No	No	Yes	No	No/Less Than \$500*	Patient/Check
No	No	Yes	No	No/Less Than \$500*	Patient/Check
No	No	Yes	No	No/Less Than \$500*	Patient/Check
No	No	Yes	No	No/Less Than \$500*	Patient/ACH

(* Denotes disbursement amount just under \$500 threshold to include supporting documentation)

Procedure #7: Systematically select 10%, or a maximum of 10, of the patients discharged or deceased during the period July 1, 2018 through June 30, 2019 and confirm that the patients' individual account balances were disposed of in full upon the patient's discharge or death in accordance with facility policy.

The sample size selected is as follows:

Procedure 7

Facility	Total Patients Discharged or Deceased FY2019	Discharged or Deceased Patients Testing Sample
Community Services	25	3

Results: OAOA inspected three (3) Community Service facility accounts for patients who were deceased and confirmed that the account balances had not been disposed of upon death of the patient, as required by policy. These patients have been deceased for over two years as of April 2021.


Results Proc. 7

Sample #	Date Deceased	Amount in account from email dated 4/9/21	Amount in account as of 4/14/21 - ADL	Notes from facility on 4/14/21
1	4/29/2019	\$ 432.31	\$ 432.31	Working to contact next of kin to have funds paid out and accounts closed.
2	10/29/2018	\$ 77.40	\$ 77.40	Working to contact next of kin to have funds paid out and accounts closed.
3	2/27/2019	\$ 1,179.02	\$ 1,158.01	Outside service owes funds to patient. Working to collect these funds and have balance sent to next of kin and account closed.

We were engaged by the Department of Health and Social Services to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Department of Health and Services Patients' Trust Fund. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

We are required to be independent of the Department of Health and Social Services and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the State of Delaware Office of Auditor of Accounts and Department of Health and Social Services, Community Services Unit, and is not intended to be and should not be used by anyone other than the specified parties. However, under 29 Del. C. §10002, this report is public record, and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, Office of the Attorney General, and Office of Management and Budget.


Kathleen K. McGuinness, RPh, CFE
State Auditor

Dover, Delaware
March 31, 2022

cc: Kimberly Rachiele

Appendix A: Background

A Patients' Trust Fund "...is an account that is held by a long-term care facility or senior care Unit on behalf of its residents and is used to help them cover any extra expenses they incur ... may be organized as single accounts that commingle money contributed by all of the residents who choose to use it. However, each resident's credits and debits must be tracked separately, and the nursing home resident or the resident's appointed financial representative must approve every transaction. If the resident leaves the home or dies, any unspent funds must be returned to the resident or the resident's estate within 30 days."²

In Delaware, the Patients' Trust Fund is governed by 16 Del. C. c. 60, which is applicable to "...any institutions operated, maintained, or under the supervision of the Department of Health and Social Services [(DHSS)]."³ This chapter includes a requirement for the Auditor of Accounts to perform an audit of the Patients' Trust Fund "from time to time."⁴ This engagement was performed pursuant to this requirement.

The State of Delaware operated five facilities that allocated Patient Trust Funds during fiscal year 2019. The prior report, which was issued by OAOA for fiscal year ended June 30, 2017, was considered during this audit. For this engagement, OAOA selected the Community Services facility for testing. This facility is currently using ADL software⁵ to track patients' funds. Community Services is a unit operated by DDDS that provides residential services to individuals with disabilities in various residential and institutional placements, including private and state-owned facilities. As of March 2020, 5,083 patients were receiving these services. Community Services does not meet the definition of "Institution" as defined in 16 Del. C. §6001. However, DDDS has elected for Community Services to comply with this definition in its *Operational and Internal Controls Policy and Procedures Manual for ADL Client Funds* (2016). DDDS uses the same protocols and requirements for patients' trust funds for Community Services clients, as if they were covered by the referenced Delaware Code. The requirements under §6002 and §6004 are also part of the federal requirement for representative payees for the management of client funds administered by the United States Social Security Administration (20 CFR Subpart U - Representative Payment).

² Investopedia - <https://www.investopedia.com/terms/n/nursing-home-resident-trust-fund.asp>

³ 16 Del. C. §6001

⁴ 16 Del. C. §6005

⁵ ADL is a software provider to nursing homes, assisted living facilities, veterans homes and long-term care facilities nationwide. The software application covers a full range of administrative, financial, and clinical modules.