



**DEPARTMENT OF HEALTH  
AND  
SOCIAL SERVICES**



# **STOCKLEY CENTER**

## **PATIENTS' TRUST FUND**



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**Kathleen K. McGuinness, RPh, CFE**  
**DELAWARE STATE AUDITOR**



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**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), Stockley Center Patients' Trust Fund for Fiscal Year ended June 30, 2019.

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**Why This Engagement?** This engagement was performed in accordance with 29 Del. C. § 2906 and in response to confidential fraud allegations reported to the Auditor's Office. The limited scope of procedures were designed to ensure compliance with specific internal control requirements and 16 Del. C. 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, cash disbursement and cash receipt transactions applied and reconciled are compliant with the Center's policy and procedures and the state's financial accounting requirements.

The Stockley Center, located in Georgetown, Delaware, has a 50-bed capacity and had over \$500,000 in Patients' Trust Fund deposits 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.
- The Stockley Center had signed authorization and supporting documentation for cash disbursement transactions.
- The Stockley Center recorded ACH payments to the correct patient account.
- The Stockley Center did not reconcile the state accounting system to the unit's accounting system for June 30, 2019.
- The Stockley Center did not close deceased patient accounts and discharge the account balances.
- The Stockley Center did not record manual checks received on the incoming check deposit log.

The new report, "Department of Health and Social Services Stockley Center 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](mailto:Kathleen.Mcguinness@delaware.gov).

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Abbreviations:

<b>OAOA</b>	Office of Auditor of Accounts
<b>DDDS</b>	Division of Developmental Disabilities Services
<b>DHSS</b>	Department of Health and Social Services
<b>DMS</b>	Division of Management Services
<b>DPC</b>	Delaware Psychiatric Center
<b>FSF</b>	First State Financials
<b>OST</b>	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**  
**Kathleen K. McGuinness, RPh, CFE**  
**State Auditor**

**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 Stockley Center 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. The Stockley Center 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 regarding 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 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)

**401 FEDERAL STREET • TOWNSEND BUILDING • 3<sup>rd</sup> Floor • DOVER, DE 19901**

**Main Office: 302-739-4241**

**Results:** The Office of Auditor of Accounts (OAOA) confirmed that the Center 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 Stockley Center did not supply the FSF/ADL general ledger reconciliation for the fiscal year ending June 30, 2019. Section 13 of DDDS policy and procedures includes requirements for a reconciliation of the ADL system to the FSF system general ledger control account. OAOA was able to pull the general ledger balance as of June 30, 2019, from the FSF system, 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:** Systematically<sup>1</sup> 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 Selected For Testing		
	August	February	June	August	February	June
Stockley	87	84	83	9	8	8

**Results:** The Stockley Center communicated that the ADL system calculates and distributes interest monthly to each patient account with an account balance exceeding \$50.00 although the Center 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 nine (9) patient accounts for the month of August 2018, and eight (8) patient accounts for the months of February 2019, and June 2019. OAOA found immaterial rounding differences with no exceptions from applying the procedure.

<sup>1</sup> 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 Selected For Testing
Stockley	473	25

**Results:** OAOA confirmed that Stockley Center recorded the twenty-five (25) ACH electronic payments by tracing these transactions to the individual patient account using the ADL Resident Trust Fund Statement, and the FSF Residents Cash Receipts Report. 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 Selected For Testing
Stockley	13	2

**Results:** OAOA confirmed that manual cash deposits are not being recorded by Stockley Center on an incoming check deposit log. OAOA traced two (2) 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 two transactions 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 Selected For Testing
Stockley	245	10

**Results:**

- OAOA confirmed the ten cash transactions included an authorized “Resident Request for Purchase” form. OAOA verified the disbursement requests were authorized by the patient and/or legal representative and the Facility Administrator or Director by comparing the signatures on the “Resident Request for Purchase” forms to the list of Residential Managers, Program Administrators, Social Workers and Facility Administration names provided by the facility.
- 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. OAOA confirmed eight (8) of the ten transactions paid with a purchase card (p-card) included a receipt, signed “Receiving Slip – DDS Stockley Center”, and an FSF Voucher report. OAOA confirmed two (2) of the transactions were for cash and traced the transaction to the copy of the check from the Petty Cash Account and to the Stockley Center Trust Funds Report.

**Results Proc. 6:**

Documentation of Patient/Legal Rep Signed Authorization for Request to Purchase	Validate Authorized Signer: Administrator on Standard Request Form	Validate Authorized to Purchase Signers on Standard Request Form	Receiving Slip – Stockley Center or Trust Fund Rpt. and Vendor Receipt	Order Receipt/Check to Patient
Yes	Yes	Yes	Yes	FSF Voucher P-card
Yes	Yes	Yes	Yes	Check
Yes	Yes	Yes	Yes	FSF voucher-pd to Vendor
Yes	Yes	Yes	Yes	FSF Voucher P-Card
Yes	Yes	Yes	Yes	FSF Voucher P-card
Yes	Yes	Yes	Yes	Check
Yes	Yes	Yes	Yes	FSF Voucher P-card
Yes	Yes	Yes	Yes	FSF Voucher P-card
Yes	Yes	Yes	Yes	FSF Voucher P-card
Yes	Yes	Yes	Yes	FSF Voucher P-card

**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:**

<b>Facility</b>	<b>Total Patients Discharged Or Deceased In FY2019</b>	<b>Discharged Or Deceased Patients Selected For Testing</b>
Stockley	2	1

**Results:** OAOA inspected one (1) Stockley Center account for a patient who was deceased and confirmed that the account balance had not been disposed of upon death of the patient, as required by policy. This patient has been deceased for over two years as of April 2021.

**Results Proc. 7**

<b>Sample #</b>	<b>Date Deceased</b>	<b>Amount in account from email dated 4/9/21</b>	<b>Amount in account as of 5/1/21 - ADL</b>	<b>Notes from facility on 4/14/21</b>
1	9/28/2018	\$ 1,713.46	\$ 1,620.53	Facility did not indicate any actions taken to have remaining funds returned to next of kin.

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 to you.

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, Stockley Center, 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  
April 25, 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 center 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.<sup>2</sup>

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)]."<sup>3</sup> This chapter includes a requirement for the Auditor of Accounts to perform an audit of the Patients' Trust Fund<sup>4</sup> and the 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 Stockley Center facility for testing. This facility is currently using ADL software<sup>5</sup> to track patients' funds. The Stockley Center (also referred to as Mary Ann Coverdale Center), is operated by the DHSS Division of Developmental Disabilities Services (DDDS). The facility is located at 26351 Patriots Way, Georgetown, DE and has 105 beds. It offers administrative and client services administered by DHSS for Division of Services for Aging and Adults with Physical Disabilities (DSAAPD), Division of Developmental Disabilities (DDDS), Division of Management Services (DMS), and Division of Public Health (DPH).

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

<sup>3</sup> 16 Del. C. §6001

<sup>4</sup> 16 Del. C. §6005

<sup>5</sup> 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.

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