



**DEPARTMENT OF HEALTH
AND
SOCIAL SERVICES**



DELAWARE PSYCHIATRIC CENTER PATIENTS' TRUST FUND



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DELAWARE STATE AUDITOR



What Was Performed? An Agreed Upon Procedures (AUP) attestation engagement of the Department of Health and Social Services (DHSS), Division of Substance Abuse and Mental Health (DSAMH), Delaware Psychiatric Center (DPC) Patients' Trust Fund for Fiscal Year ended June 30, 2019.

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.

DPC, a unit operated under DSAMH, located in New Castle, Delaware, has a 115-bed capacity and had over \$60,000 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.
- DPC provided their reconciliation of the state accounting system to the unit's accounting system for June 30, 2019, however OAOA was unable to reconcile based on documentation provided.
- OAOA was unable to verify DPC recorded ACH payments to the correct patient account because no supporting documentation was provided to perform the test procedure.
- DPC did not consistently record manual checks received on the incoming check deposit log.
- DPC did not close deceased patient accounts and discharge the account balances.
- DPC did not have all supporting documentation for cash disbursement transaction including missing or undetermined authorized signatures and missing supporting documentation including support for the FSF state accounting system. Further, some transaction dates in the documentation provided did not match.

The new report, Department of Health and Social Services Delaware Psychiatric 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.

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Abbreviations:

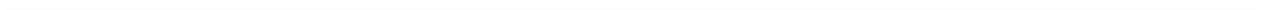
OAOA	Office of Auditor of Accounts
DDDS	Division of Developmental Disabilities Services
DHSS	Department of Health and Social Services
DMS	Division of Management Services
DPC	Delaware Psychiatric Center
FSF	First State Financials
OST	Office of the State Treasurer
DD	Document Direct

The mission of the Delaware Office of Auditor of Accounts

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 Delaware Psychiatric Center (DPC) 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 DPC 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 from Document Direct (DD) 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 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: *OAOA was unable to reconcile the patient account balances per the ADL report to the FSF general ledger as of June 30, 2019 due to the reconciling differences. DPC was unable to explain those reconciling differences.*

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 Selected For Testing		
	August	February	June	August	February	June
DPC	56	65	66	6	7	7

Results: *DPC communicated that the ADL system calculates and distributes interest monthly to each patient account with an account balance exceeding \$50.00 although DPC 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 six (6) patient accounts for the month of August 2018, and seven (7) patient accounts for the months of February 2019, and June 2019. OAOA found immaterial rounding differences with no exceptions from applying the procedure.*

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:

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

Facility	Total Non-Interest Cash Receipts- FY2019	Non-Interest Cash Receipts Selected For Testing
DPC	165	17

Results: OAOA was unable to test ACH deposits for the 17 samples due to DPC not providing the supporting documents that OAOA needed to perform the test.

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
DPC	731	25

Results:

- *OAOA confirmed that (3) of the twenty-five manual cash deposits were recorded on an incoming check deposit log, however, (22) cash deposits were not recorded on this log.*
- *OAOA confirmed that twenty-five manual cash deposits including date and amount were recorded to the individual patient accounts per the ADL Resident Trust Fund Statement without exception.*
- *OAOA was unable to confirm (25) manual cash deposits were recorded to FSF because of missing, incomplete, or combined deposit information documentation received from DPC. DPC provided FSF screen shots for only (6) of the twenty-five patient deposits, but the screen shots did not include name, account numbers or dates of deposited funds and could not be used to verify the deposit into FSF.*

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
DPC	1417	10

Results:

- OAOA was able to confirm four (4) of the ten patient transactions included patient/legal representative and the social worker/physician authorized signatures for the cash disbursement on the “Financial Request Form”. However, we were not able to confirm six (6) transactions because we could not verify the signature of patient/legal representative for two (2) patient transactions, or the signature for social worker/physician for two (2) patient transactions, and documentation was not provided for two (2) other patient transactions.
- OAOA was able to confirm six (6) of ten patients signed the “Financial Request Form” to acknowledge the receipt of cash. However, we were not able to confirm (4) four patient signatures because we could not verify the patient signature for two (2) of the cash disbursements and documentation was not provided for two (2) patient cash disbursements
- OAOA verified the financial transaction to the supporting documentation including date, amount, payment method, and type of purchase for the ten cash disbursements from the Financial Request Form to the ADL Trust Funds Report as follows:
 - We confirmed four (4) of ten patient transactions had complete supporting documentation and we were able to trace the cash disbursement to request forms and the ADL Trust Funds payment report. We could not confirm six (6) patient transactions because for two (2) patient transactions no supporting documentation was provided and for four (4) patient transactions no ADL Trust Fund Payment Report was provided.

Results Proc. 6:

<i>Documentation of Patient/Legal Rep Signed Authorization for Cash Disbursement</i>	<i>Validate Authorized Signer: Social Worker or Physician</i>	<i>Documentation of Patient Signed Acknowledgement of Receipt of Cash Disbursement</i>	<i>Cash or Check to Payee Documentation</i>	<i>Trust Funds Report of funds disbursed to employee</i>
Yes	Yes	Yes	Cash	No
No documents provided	No documents provided	No documents provided	Cash	No
Unable to verify	Unable to verify	Unable to verify	Cash	Yes
Unable to verify	Unable to verify	Yes	Cash	Yes
Yes	Yes	Yes	Cash	Yes
No documents provided	No documents provided	No documents provided	Cash	No
Yes	Unable to verify	Unable to verify	Cash	Yes
Yes	Unable to verify	Yes	Cash	No
Yes	Yes	Yes	Cash	No
Yes	Yes	Yes	Cash	No

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 In FY2019	Discharged Or Deceased Patients Selected For Testing
DPC	171	10

Results: OAOA inspected ten (10) patient accounts for patients who were deceased or discharged from DPC in FY2019. We verified seven patient accounts had zero balance at the time of their discharge. We verified three patient accounts had pending balances which had not been disbursed to the patients’ estates or next of kin after nearly two (2) years.

Sample #	Date of discharge	Account balance at time of discharge-ADL report	Notes from agency dated 12/17/20
1	8/27/18	\$325.11	Account overlooked but that patient returned to center in September of 2020.
2	9/11/18	\$17.85	Balance on account reflected late interest payments applied to account; any credits are to be returned to resident.
3	8/17/18	\$170.18	Facility fell behind on reconciliation of FSF/ADL accounts until July 2019. A complete reconciliation of account must be completed before a final payout will be made.

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, Delaware Psychiatric 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 28, 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.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.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 issued by OAOA for fiscal year ended June 30, 2017 was considered during this AUP engagement with Department of Health and Social Services (DHSS). For this engagement, OAOA selected the Delaware Psychiatric Center (DPC) for testing. (DPC), operated by the Division of Substance Abuse and Mental Health (DSAMH), is a psychiatric hospital with 115 beds located at 1901 North DuPont Highway, New Castle, DE. DPC uses ADL software⁵ to track patients' funds.

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.