



Christian Care Home, St. Louis, MO

Section 232 Healthcare Mortgage Insurance Program



To: Roger Lewis, Director, Office of Residential Care Facilities, OHP

From: //signed//
Ronald J. Hosking, Regional Inspector General for Audit, 7AGA

Subject: Christian Care Home Did Not Always Accurately Maintain Resident Trusts and Accounts Receivable

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of Christian Care Home's resident trusts and accounts receivable.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 913-551-5870.



Audit Report Number: 2015-KC-1003

Date: June 30, 2015

Christian Care Home Did Not Always Properly Maintain Resident Trusts and Accounts Receivable

Highlights

What We Audited and Why

We audited Christian Care Home because it received the second largest U.S. Department of Housing and Urban Development (HUD)-insured loan among the nursing homes with the lowest quality ratings in Region 7 (Kansas, Missouri, Iowa, and Nebraska). In addition, it reported negative surplus cash of almost \$1.2 million in 2014 and had prior instances of fraud and embezzlement. Our audit objective was to determine whether Christian Care Home properly maintained the residents' trust balances and accounts receivable.

What We Found

Christian Care Home's books and accounts for its individual resident trusts and accounts receivable were not always accurate and complete as required by its regulatory agreement. In particular, the nursing home did not accurately record transactions for resident trusts and accounts receivable for 16 of the 30 residents reviewed. These errors financially impacted some residents.

What We Recommend

We recommend that HUD require Christian Care Home to develop and implement procedures to periodically review its resident trusts and accounts receivable for accuracy and complete the necessary corrections.

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Background and Objective

Christian Care Home is a licensed, full-service, 150-bed skilled nursing facility and a 28-bed residential care facility located in Ferguson, MO. It provides care for private pay, Medicare, and Medicaid residents. Christian Women's Benevolent Association is a nonprofit organization, which owns and operates the nursing facility.

In 2010, the U.S. Department of Housing and Urban Development (HUD) insured a \$15.3 million loan for the facility under Section 232 of the National Housing Act. Section 232 is a Federal Housing Administration-insured loan program, which provides mortgage insurance for residential care facilities, such as assisted living facilities, nursing homes, intermediate care facilities, and board and care homes. It may be used to finance the purchase, to refinance, for new construction, or for substantial rehabilitation of a project.

Section 232 requires all borrowers and operators to execute a regulatory agreement governing the operation of the project to comply with program obligations, the requirements of the National Housing Act, and the regulations adopted by HUD. Borrowers and operators are responsible for violations of the regulatory agreement and may be subject to adverse actions if violations occur. One of the regulatory agreement requirements is to keep the financial records of the project complete, accurate, and current at all times.

Christian Care Home maintains a resident trust account to hold residents' funds for safe keeping. The resident trust also serves as a pass-through account for the residents' payments from the Social Security Administration, Missouri grant assistance, and other sources. The payments are transferred to the nursing home operating account to pay for the residents' room and board and recorded to offset the outstanding accounts receivable. In fiscal year 2014, the nursing home reported close to \$72,000 in resident deposits held in trust and almost \$1 million in gross accounts receivable.

Our audit objective was to determine whether Christian Care Home properly maintained the residents' trust balances and accounts receivable.

Results of Audit

Finding: Christian Care Home Did Not Always Properly Maintain Resident Trusts and Accounts Receivable

Christian Care Home's books and accounts for its resident trusts and accounts receivable were not always accurate and complete. The nursing home did not have adequate controls to monitor the accuracy of the resident trust balances and accounts receivable. As a result, the errors in recording the resident trusts and accounts receivable transactions financially impacted some residents.

Inaccurate Transactions in Resident Trusts and Accounts Receivable

Christian Care Home's books and accounts for the resident trusts and accounts receivable were not always accurate and complete. Its regulatory agreement requires the financial records of the project to be complete, accurate, and current at all times. Christian Care Home did not accurately record transactions for 16 of the 30 resident trusts and accounts receivable reviewed.

	Number of accounts reviewed	Number of inaccurate accounts
Resident trusts	30	10
Accounts receivable	30	11
Totals	30	16*

* Some residents' accounts had errors in both the resident trust and accounts receivable.

Inaccurate Recording in Resident Trusts

Christian Care Home did not accurately record transactions for 10 resident trusts. In several instances, the nursing home did not consistently record the personal needs allowance from the residents' Social Security payments. The Social Security Administration required nursing homes to keep \$40 monthly deposits in the resident trusts in 2013 and \$45 in 2014 before paying for the residents' room and board. Christian Care Home sometimes did not leave the monthly deposits or retained extra funds in the resident trusts.

Inaccurate Recording in Accounts Receivable

Christian Care Home did not accurately record transactions for 11 accounts receivable. In several instances, it applied the Social Security payments to the wrong accounts, which affected the accounts receivable of five residents. It also charged one resident for the entire month in which she died instead of charging her for part of the month. The nursing home sometimes improperly moved funds from the resident trust to pay for room and board or improperly retained funds in the resident trust that should have been applied toward patient liability.

Inadequate Controls

Christian Care Home did not have adequate controls to monitor the accuracy of the resident trust balances and accounts receivable. The acting chief financial officer did not review individual accounts receivable balances on a monthly basis. He reconciled the overall resident trust accounts and accounts receivable with the bank statements. However, Christian Care Home had no procedures in place to regularly verify postings to the individual accounts receivable or the resident trusts.

Financial Impact on the Residents

Christian Care Home's errors financially impacted some residents. Some residents did not have access to the personal trust funds that they were entitled to keep, while others overspent their funds. Although most of the errors in the resident trusts were small, the residents who were impacted by these errors could have used additional funds to enhance their living conditions in the nursing home or improperly benefited from extra funds, which should have been used to pay for their room and board.

In addition, residents did not pay the correct amounts for their room and board. Accounts receivable balances that were either overstated or understated sometimes impacted the amount of the refund issued to the residents or their families or the amount of future payments and writeoffs on their account.

Conclusion

Christian Care Home did not always accurately record transactions for the residents' trusts and accounts receivable. These errors financially impacted some residents, and Christian Care Home needs to improve its procedures to prevent errors from going undetected. While Christian Care Home had corrected many of the errors during the audit, it needs to ensure that it has corrected all of them.

Recommendations

We recommend that the Director of the Office of Residential Care Facilities

- 1A. Require Christian Care Home to complete the corrections for the 16 residents with errors identified during our audit.
- 1B. Require Christian Care Home to develop and implement procedures to periodically review the resident trusts and accounts receivable (patient liability accounts) for accuracy and correct errors in a timely manner.

Scope and Methodology

Our audit period generally covered January 1, 2013, through December 31, 2014. We performed our audit work from February through June 2015 at the Christian Care Home office located at 800 Chambers Road, Ferguson, MO.

To accomplish our objective, we

- Reviewed applicable HUD requirements and the borrower's and operator's regulatory agreements,
- Reviewed the audited financial statements,
- Analyzed the residents' trust and accounts receivable transactions,
- Reviewed relevant documents in the residents' files,
- Interviewed Christian Care Home employees, and
- Followed up with HUD employees.

We selected a sample of the resident trusts and accounts receivable of 30 residents of Christian Care Home. To select a sample, we used the resident trust account ledgers of the Christian Care Home skilled nursing and residential branches between January 1, 2013, and December 31, 2014, which included 274 residents. We selected two residents with the largest amount of disbursements in the skilled nursing ledger and one resident with the largest amount of disbursements in the residential ledger. We also selected 24 skilled nursing residents and 3 residential tenants who had payments recorded in the resident ledger that were different from the recurring payments from the Social Security Administration, pensions, or other sources. We traced these deposits to the bank statements to confirm that they were received on behalf of the sampled residents. For the 30 sampled residents, we analyzed the resident trust transactions and the accounts receivable transactions that were recorded in the Christian Care Home accounting system. We also reviewed the residents' files for documentation relevant to the transactions for the resident trusts and accounts receivable.

We used computer-processed data from Christian Care Home's MatrixCare account billing system and its resident trust account ledgers. We used this information for sample selection and as support that was confirmed by other evidence as described above. We determined that the data were sufficiently reliable for the purposes of this report.

We conducted the audit in accordance with generally accepted government auditing 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 objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Controls over the accuracy of the resident trust balances and accounts receivable in accordance with the regulatory agreement.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiency

Based on our review, we believe that the following item is a significant deficiency:

- Christian Care Home did not have adequate controls to monitor the accuracy of the individual resident trust balances and accounts receivable.

Appendixes

Appendix A


Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments

Comment 1

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Christian Care Home
Response to OIG's Evaluation
June 23, 2015

The numbers below correspond to your recommendations:

1. Christian Care Home has taken corrective actions on the resident accounts identified by the OIG.
2. Christian Care Home will implement a procedure to review monthly, social security payments for proper posting of amounts to resident trust and to patient liability accounts.

Sincerely,


Charlotte Fink
Administrator

"...Inasmuch as ye have done it unto one of the least of these my brethren, ye have done it unto me." MATT. 25:40 KJV

OIG Evaluation of Auditee Comments

Comment 1 Christian Care Home agreed to implement our recommendations. HUD will need to obtain documentation verifying the items are completed to close the recommendations.