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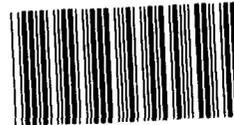
United States General Accounting Office  
Washington, DC 20548

Human Resources  
Division

B-199955

AUGUST 22, 1980

The Honorable Ron Marlenee  
House of Representatives



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Dear Mr. Marlenee:

Subject: [Investigation into Allegations of  
Wrongdoing by Cascade County Housing  
for the Developmentally Disabled, Inc.]  
(HRD-80-108)

In your January 22, 1980, letter and later discussions with your staff, you asked us to audit the Cascade County Housing for the Developmentally Disabled, Inc. (CCHDD), because of alleged program abuses. They were that CCHDD:

- Failed to meet its clients' basic needs for food, shelter, clothing, and medical care.
- Falsified client data for Government records.
- Mismanaged clients' funds.
- Used improper and illegal training programs on clients.
- Hired unsuitable staff.

The developmentally disabled are people whose handicap is attributable to mental retardation, cerebral palsy, epilepsy, autism, or other neurological handicapping conditions closely related to mental retardation and requiring treatment similar to that required by a mentally retarded individual. Our review evaluated CCHDD's current policies and practices relating to these allegations. On May 28, 1980, we briefed your office on the results of our review. In summary, we found that

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- the clients' basic needs were being met,
- client data had not been falsified for Government records,
- training programs for clients were not improper or illegal,
- client funds had been misused and were not adequately accounted for, and
- applicants seeking employment were not investigated to screen out those who could pose a risk to the welfare and safety of the developmentally disabled clients.

While some of the allegations made against CCHDD were valid, they involved incidents and conditions that existed more than a year ago. The current CCHDD activities that the Secretary of Health and Human Services should be aware of are discussed in the following sections of this report.

#### BACKGROUND

CCHDD, in Great Falls, Montana, is a nonprofit corporation providing services to developmentally disabled persons. Since 1975 CCHDD provided the following four services through yearly contracts with the Montana Department of Social and Rehabilitation Services.

- Teaching daily living skills to clients in a community (group) home setting.
- Teaching daily living skills to clients in a semi-independent living environment.
- Training in environments different from the residential setting through day service programs.
- Transporting clients to various activities and day programs.

These services are intended to prevent the unnecessary institutionalization of the developmentally disabled. As of February 1980, CCHDD was under contract to provide services to 40 clients in community homes and 17 clients in semi-independent living environments.

CCHDD's contract included State funds and Federal funds allotted under title XX of the Social Security Act. CCHDD also received monthly payments that its clients were entitled to under Social Security Administration (SSA) programs. These funds were used by CCHDD to pay for clients' shelter, food, and clothing. The following table shows the amounts that CCHDD expects to receive from each source in fiscal year 1980.

<u>Funding source</u>	<u>Amount</u>	<u>Percent</u>
Federal (title XX)	\$191,000	38
State	<u>140,000</u>	<u>28</u>
	331,000	66
SSA	<u>169,000</u>	<u>34</u>
Total	<u>\$500,000</u>	<u>100</u>

NEED TO BOND ALL CCHDD STAFF  
THAT HANDLE CLIENT FUNDS

CCHDD owed clients varying amounts of money because some employees had misused clients' personal funds. Although CCHDD officials recognized this debt, they lacked the resources to repay it. Furthermore, the clients could not recover the funds from CCHDD's bonding company because the employees who misused the funds were not bonded. Therefore, the clients may never be fully repaid.

CCHDD's developmentally disabled clients received financial assistance under the SSA's Supplemental Security Income program. These funds are paid to and used by CCHDD to meet the nontraining needs of its clients (i.e., board, room, etc.). Each client was entitled to a monthly allowance from these funds, generally \$30 a month for personal use. These allowances were given to clients for various personal items, recreation, etc.

CCHDD operated six group homes. As of March 25, 1980, five homes had eight clients each, and one home had three clients. Each group home generally had three permanent staff members. In addition, permanent relief staff worked on the days that permanent staff members were off duty.

The group home staff was responsible for managing the grocery funds and the clients' allowances. However, the group home staff used the clients' allowances to supplement the grocery funds. We could not determine the extent to which this had occurred from the records available at CCHDD. In July 1979, however, the CCHDD group home coordinator estimated that about \$5,700 was owed to clients in all the group homes because clients' funds had been used to purchase groceries during March, April, May, and June 1979. In January 1980 the group home coordinator estimated that clients' allowances of about \$46 had been used to purchase groceries in one group home in December 1979.

CCHDD planned to try to determine the amount due each client and to repay them. Unless additional resources can be obtained, however, we doubt the clients will ever be fully repaid. A CCHDD January 30, 1980, financial report showed that it owed \$20,792 to various organizations. The report stated,

"There is enough money coming in from the State and SSI (Supplemental Security Income) funds to meet minimum budgetary expenditures; however, there are no funds left over to make payments on past debts and special needs."

CCHDD's contract required it to maintain a fidelity bond for protection against losses of the contractual funds resulting from fraud or lack of integrity, honesty, or fidelity of one or more of its employees. According to the CCHDD executive director, the only persons currently bonded were he, the president of the board of directors, and the bookkeeper. Thus, the group home staff handling clients' funds were not bonded and clients' moneys that had been misused by them could not be recovered from the bonding company. The CCHDD executive director told us that it would be too expensive to bond all group home employees due to the high rate of staff turnover. Also, a State official doubted the propriety of using contract funds to bond employees handling clients' funds received from SSA.

NEED TO ASSURE THAT CLIENTS' ALLOWANCES  
ARE PROPERLY ACCOUNTED FOR

CCHDD had not fully developed and implemented a system that adequately accounted for its clients' allowances. Furthermore, inadequate accounting for clients' allowances prevented us from determining the correct balance for any individual client.

In April 1979, the Audit Bureau of the State Department of Social and Rehabilitation Services in a letter to the chief, Resource and Planning Bureau, stated the following in regard to CCHDD's accounting for clients' allowances:

"There is no audit trail in the accounting for the clients monthly allowances. In most of the group homes, it was impossible to determine the correct balances for the individual clients.  
\* \* \* The co-mingling of clients funds with an operating fund (grocery account) and allowing access to it by various staff members violates the trusteeship responsibilities of the corporation."

The Department of Social and Rehabilitation Services was again advised of the inadequate records maintained by CCHDD for clients' funds in February 1980. By February 1, 1980, letter, the director of the Cascade County Department of Public Welfare expressed his concern regarding the inadequate records maintained by CCHDD to account for clients' allowances. At the end of our fieldwork in May 1980, CCHDD still had not fully implemented a system that would adequately account for the allowances or make it possible to determine the correct balances for the individual client accounts.

The Developmental Disabilities Division of the Department of Social and Rehabilitation Services has been contracting with CCHDD since 1975. The division has provided management training to CCHDD and audited its activities, as well as worked with CCHDD's Board of Directors to improve its management capabilities. However, the Assistant Administrator, Developmental Disabilities Division, advised us that the division was not certain of its authority and responsibility for monitoring CCHDD's accounting for clients' allowances since they were not provided under its contracts with CCHDD. These State officials believed that SSA was responsible for assuring that CCHDD properly accounted for clients' allowances paid from SSA moneys.

Regional SSA officials agreed that SSA was responsible for monitoring CCHDD's activities regarding clients' allowances. They stated that CCHDD was the payee representative for its clients, and SSA was responsible for monitoring the activities of payee representatives. They stated, however, that its district offices' workload prevented them from devoting much effort to monitoring payee representatives.

Therefore, they received the required reports from payee representatives and generally accepted them at face value. Regional officials noted, however, that the State could become the representative payee for CCHDD's clients. A State official said this arrangement would be considered. We believe the Department of Social and Rehabilitation Services, because it contracts with CCHDD, is best able to monitor CCHDD's activities, including clients' allowances.

NEED TO INVESTIGATE APPLICANTS  
WHO MAY PROVIDE SERVICE TO  
DEVELOPMENTALLY DISABLED CLIENTS

CCHDD did not adequately investigate applicants seeking employment in the group homes. Consequently, a significant number of persons hired were later released because they could not adequately perform their duties. In some instances, the staff who were released appeared to have alcohol or severe emotional problems. The welfare and safety of developmentally disabled clients are jeopardized when staff with these types of problems are employed.

CCHDD hiring decisions were primarily based on the information from the applicants' resumes and interviews. CCHDD staff made no attempt to verify the accuracy of the data submitted by contacting references or making background investigations. The executive director told us that his awareness of an applicant's background would not prevent him from hiring that person if otherwise qualified. He said his primary concern was what persons did after they were hired. Those who did not perform adequately were released.

The above practice contributed to a high rate of staff turnover. For instance, each group home normally had 3 staff, so 18 employees were required to staff CCHDD's six group homes. During 1979 and the first quarter of 1980, 37 persons occupying these positions terminated their employment. Although CCHDD's personnel records contained little information on why employees terminated their employment, we found that some of the employees had significant problems. For instance, one employee voluntarily resigned in October 1979 after another CCHDD employee found him drunk while on duty. This employee had been a live-in group staff member for about 3 months, and there had been allegations that he drank excessively. Another employee terminated her employment in February 1980 by mutual consent. This employee, who had been a group home staff member for about 5 months, was later arrested on suspicion of sexual assault and endangering a 7-year-old boy's welfare.

CONCLUSIONS AND RECOMMENDATIONS

We believe that CCHDD was not adequately accounting for the money allowances of its developmentally disabled clients or protecting the allowances from misuse by CCHDD employees. The current practice of not bonding all CCHDD employees who handle clients' allowances provides no recourse for recovery if misuse occurs. We also believe that CCHDD's hiring practices do not assure that its clients are tended by suitable staff.

We recommend that the Secretary of Health and Human Services, through the Department's regional office:

- Encourage the State to require, in future contracts with CCHDD, that all employees handling clients' funds be bonded.
- Negotiate an agreement under which the State would become the representative payee for CCHDD's clients and thus, assure that the clients' personal funds are adequately accounted for.
- Encourage the State to require that CCHDD adequately investigate persons seeking employment before hiring them to work in its group homes.

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As requested by your office, we did not obtain comments on this report from the Department of Health and Human Services.

As arranged with your office, copies of this report are being sent to the Secretary of Health and Human Services, the Department's Assistant Secretary for Human Development Services, and the Commissioners of Social Security and the Administration on Developmental Disabilities. Copies will be available to others upon request.

Sincerely yours,

*Edward A. Menemore*

*for* Gregory J. Ahart  
Director