



# **PERFORMANCE AUDIT REPORT**

## **Regulation and Operation of Cowley County Developmental Services**

**A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
May 1987**

# ***Legislative Post Audit Committee***

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## ***Legislative Division of Post Audit***

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## **PERFORMANCE AUDIT REPORT**

### **REGULATION AND OPERATION OF COWLEY COUNTY DEVELOPMENTAL SERVICES**

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#### **OBTAINING AUDIT INFORMATION**

This audit was conducted by Mary Beth Green, Senior Auditor, and Jim Davis, Allan Foster, and Cindy Lash, Auditors, of the Division's staff. If you need any additional information about the audit's findings, please contact Ms. Green at the Division's offices.

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## **REGULATION AND OPERATION OF COWLEY COUNTY DEVELOPMENTAL SERVICES**

### **Summary of Legislative Post Audit's Findings**

**What regulations are community-based facilities for handicapped adults required to meet, and are those regulations being consistently enforced?** The Department of Social and Rehabilitation Services has adopted standard administrative regulations that apply to all such agencies. The Department appeared to be consistently enforcing its regulations in annual compliance reviews for a sample of community-based agencies. In Department reviews, the findings for Cowley County Developmental Services were comparable to findings for other agencies. The Department also conducts financial audits of grant funds awarded to community-based agencies. Cowley County Developmental Services has been required to repay significantly higher amounts than other agencies because some of its expenditures were inappropriately paid with grant funds.

**How do policies and procedures used at Cowley County Developmental Services for billing clients and handling client funds compare with practices at similar facilities?** The agency charges significantly more for vocational services than the other agencies in the auditors' sample, but about the same for residential services. The handling of client funds was comparable to other agencies, but the auditors identified some problems with Cowley County Developmental Services' procedures. However, as a provision of its new contract with Cowley County, the agency agreed to stop handling client funds.

**How well is Cowley County Developmental Services managing its financial resources and residential facilities?** The auditors identified several problems with the agency's financial management procedures for calendar year 1986. They identified problems in the agency's salary, medical insurance, and travel expense accounts, and found that the agency incorrectly classified a portion of the grant funds it received. Also, some bills were not included on the agency's accounts payable list. In calendar year 1986, the agency's residential units operated near full capacity. Unlike other agencies, Cowley County Developmental Services allowed clients to spend unsupervised time in its group living programs.

**Allegations of possible improprieties.** In addition to answering the three questions above, the auditors received information from the Department of Social and Rehabilitation Services regarding possible improprieties at Cowley County Developmental Services. The auditors investigated these allegations, and found that some were apparently true, while others were unsubstantiated.



## REGULATION AND OPERATION OF COWLEY COUNTY DEVELOPMENTAL SERVICES

The Department of Social and Rehabilitation Services is responsible for licensing and regulating community-based agencies that provide services to handicapped individuals. In January 1987, the Legislative Division of Post Audit issued an audit concerning one such agency, Cowley County Developmental Services, Inc. The audit report raised questions about that agency's practices related to handling clients' money and the movement of residential clients. In addition, legislative concerns have been raised about whether the Department of Social and Rehabilitation Services is consistently enforcing its regulations for community-based facilities.

At its meeting on February 4, 1987, the Legislative Post Audit Committee directed the Legislative Division of Post Audit to conduct another performance audit of Cowley County Developmental Services, Inc. This audit addresses three questions:

1. **What regulations are community-based facilities for handicapped adults required to meet, and are those regulations being consistently enforced?**
2. **How do policies and procedures used at Cowley County Developmental Services for billing clients and handling client funds compare with practices at similar facilities?**
3. **How well is Cowley County Developmental Services managing its financial resources and residential facilities?**

To answer these questions, the auditors reviewed State laws and regulations and interviewed officials from the Department of Social and Rehabilitation Services and Cowley County Developmental Services. They also interviewed local officials in Cowley County and visited a sample of five other community-based facilities. The auditors examined Cowley County Developmental Services' financial and residential records and reviewed Department records concerning that agency. In addition to conducting this general audit testwork, the auditors investigated numerous allegations of possible problems at Cowley County Developmental Services.

The auditors found that the Department of Social and Rehabilitation Services generally enforced its regulations for community-based facilities on a consistent basis. However, Cowley County Developmental Services has been required to repay significantly higher amounts of federal and State grant moneys than other facilities because the Department has determined that certain expenditures were inappropriate. The auditors also found that Cowley County Developmental Services' procedures for billing clients and handling client funds were comparable to other facilities they visited. However, the agency charged clients significantly more than any other facility for vocational services, and some problems were noted in procedures for handling client funds. In addition, Cowley County Developmental Services recently agreed to quit handling client funds.

The auditors also found problems with some of Cowley County Developmental Services' income and expense accounts, and identified outstanding

debts that agency officials did not include on the agency's accounts payable listing. Finally, the auditors determined that some allegations regarding problems at Cowley County Developmental Services were true, while others were not substantiated.

### **What Regulations Are Community-Based Facilities For Handicapped Adults Required To Meet, and Are Those Regulations Being Enforced Consistently?**

To answer this question, the auditors reviewed State laws and regulations concerning community-based agencies for handicapped adults. They interviewed officials from the Department of Social and Rehabilitation Services and reviewed Department records for a sample of facilities that serve mentally retarded adults. Finally, the auditors interviewed officials from Cowley County Developmental Services, as well as officials from five similar community-based agencies.

Community-based agencies for handicapped adults are licensed by the Department of Social and Rehabilitation Services. The Department's regulations for such agencies include minimum requirements for personnel qualifications, fiscal policies, and client relations. Department officials also conduct annual examinations to ensure that the facilities meet these licensing requirements. The auditors' review of the annual examinations for a sample of agencies indicated that the applicable regulations were generally enforced on a consistent basis. The Department also conducts financial audits of community-based agencies. Such audits for the sampled facilities indicated that Cowley County Developmental Services has been required to repay significantly higher amounts than other facilities because the Department determined that some of the agency's expenditures were inappropriately paid with federal and State grant moneys. In addition, the Department has received a variety of complaints concerning Cowley County in past years. These and other findings are discussed in the following sections.

#### **The Department of Social and Rehabilitation Services Regulates Community-Based Agencies For Handicapped Adults**

K.S.A. 75-3307b requires the Department of Social and Rehabilitation Services to license and regulate State-funded community agencies for handicapped adults. These community-based agencies include facilities for mentally retarded adults, as well as community mental health centers and facilities for the mentally ill. As of April 1987, the Department licensed 52 such agencies, including 41 facilities that specifically serve mentally retarded adults. Twenty-eight of these 41 mental retardation centers, including Cowley County Developmental Services, provide both vocational and residential services.

**The Department has adopted standard administrative regulations that apply to all types of community-based agencies.** According to the Department, regulations for community-based agencies are designed to ensure the delivery of quality services to handicapped adults. The regulations specify certain minimum standards in the following areas:

**General administration policies.** Agencies must develop and maintain a written statement of goals and philosophies for providing services to clients, a description of the types of services they offer, an organizational chart, a roster of current board members, board

minutes, a statement of client rights and responsibilities, and client admission and discharge policies.

**Personnel policies.** The maximum allowable ratio of clients to direct service staff is 12 to one while services are being provided. Staff may not be guardians or conservators for clients except in cases of blood relationships. Agencies must also develop written personnel policies and review those policies annually.

**Staff qualifications.** Minimum educational and experience standards are established for an agency's executive director, program coordinators, and direct service staff. Full-time personnel who work directly with clients must receive at least 15 hours of in-service training per year. Other full-time personnel must receive at least six hours. Part-time personnel must receive in-service training proportionate to their hours of employment.

**Fiscal policies.** Agencies must maintain adequate accounting systems that safeguard funds and generate reports in accordance with generally accepted accounting principles. Agencies must have annual audits. Personal money of staff must be kept separate from agency money. Client money must be kept in individual client accounts, separate from agency money.

**Client policies.** Agencies must establish a written program plan for each client, stating goals and objectives for the client to meet, along with semi-annual progress reports. Clients may be involuntarily discharged from a facility only for medical or behavioral reasons, for the welfare of the client or others, or for nonpayment of agency fees (except in cases of inability to pay).

**Physical space.** Agency buildings must meet all applicable community requirements. Buildings must be clean and in good repair, and aisles, hallways, and stairways must be free of obstacles. The facilities must be barrier-free to accommodate clients with physical handicaps. Vocational and residential facilities must satisfy minimum square footage requirements.

The regulations also include specific requirements for the contents of individual programs administered by community-based agencies. For example, work activity programs must provide, at a minimum, services related to work skills, work habits, personal social adjustment, case management, assessment and evaluation, and placement and termination.

### **The Department Appeared To Be Consistently Enforcing Its Regulations In Annual Compliance Reviews For a Sample of Community-Based Agencies**

When a community-based agency applies for a license or license renewal, Department licensing specialists conduct an on-site compliance review. Using a standard checklist to document procedures and findings, they review the agency's records and inspect all physical facilities. This checklist contains more than 200 items relating to such things as personnel requirements, client policies, fiscal matters, building conditions, and agency programs. After inspecting agency records and facilities, the license examiner prepares a compliance summary which lists any items that the agency must correct before the Department will issue a new license. After the agency makes the necessary corrections, the examiner sends the results of the review to the Department's Adult Services office in Topeka along with a recommendation for whether the agency's license should be renewed.

Agencies that satisfy the Department's requirements are licensed for one year. Each license specifies the maximum number of clients that an agency may serve in each program it offers. The Department may issue a provisional license when an agency substantially complies with the requirements if the agency shows that deficiencies are temporary and agrees to correct the problems.

The auditors visited a total of six community-based agencies, including Cowley County Developmental Services, and examined the Department's records for the agencies' annual licensing reviews for the last two years. The names and locations of these six agencies and the programs offered are summarized in the table below. Some facilities offer services to clients at various locations. These locations and the maximum licensed capacity for the individual programs are summarized in Appendix A.

### Services Provided by Sampled Agencies

Agency	Licensed Programs	
	Vocational	Residential
COF Training Services, Ottawa	Work Activity Adult Life Skills Training	Group Living Semi-Independent Living
Cowley County Developmental Services, Arkansas City	Work Activity Adult Life Skills Training	Group Living
Developmental Services of Northwest Kansas, Hays	Work Activity Vocational Evaluation	Group Living Semi-Independent Living Independent Living
Nemaha County Training Center, Seneca	Work Activity	Group Living
Occupational Center of Central Kansas, Salina	Work Activity Work Adjustment Vocational Evaluation	Independent Living
Starkey Developmental Center, Wichita	Work Activity	Group Living

According to the Department's records, licensing regulations were apparently consistently enforced for these six agencies. Findings for Cowley County Developmental Services were comparable to findings for other agencies.

The number and types of deficiencies cited by Department examiners varied among agencies in the auditors' sample, but the findings for Cowley County Developmental Services were comparable to other agencies' findings. For example, Department examiners listed no more than one deficiency for COF Training Services, Occupational Center of Central Kansas, and Starkey Developmental Center for the years reviewed by the auditors. Cowley County Developmental Services and Developmental Services of Northwest Kansas both had several deficiencies cited in the years reviewed, and Nemaha County Training Center had several deficiencies in 1985, but none in 1986.

Cowley County Developmental Services' deficiencies included the lack of professional insurance and of a written policy on neglect and abuse. Also, the residential units were cited for unmarked sliding glass doors, bedding in poor condition, and the lack of a written pet policy. Deficiencies at other agencies included the lack of adequate program descriptions, missing employee health assessment forms, failure to require and document sufficient training each year for some employees, missing signed consent forms for emergency medical treatment, and walls that needed to be washed or painted. Many of the problems noted by license examiners were minor ones and could be corrected on the spot. All agencies in the sample remedied their deficiencies on a timely basis, and the Department renewed their licenses.

#### **The Department Also Conducts Financial Audits Of Grant Funds Awarded to Community-Based Agencies**

Community-based agencies serving handicapped adults receive a significant portion of their funding from the federal and State government. The Department distributes federal and State grant funds to the agencies, and the Department's Audit Services Section periodically conducts financial audits to see that agencies were entitled to funds received and that they spent the funds according to grant requirements.

The auditors reviewed the Department's recent financial audit reports for Cowley County Developmental Services and for the other five agencies visited. In some cases, the sampled agencies were required to reimburse the Department for overpayments of grant moneys they had received; such overpayments generally resulted from grant expenditures that were not allowed by the Department. However, in recent years Cowley County Developmental Services has been required to repay significantly higher amounts than the other agencies.

Cowley County Developmental Services has been required to repay significantly higher amounts than other agencies because some of its expenditures were inappropriately paid with grant funds. The five facilities other than Cowley County Developmental Services were required to

#### **Some States Require Community-Based Agencies To Be Accredited**

Twenty-three states encourage community-based agencies providing services to mentally retarded adults to be accredited by the Commission on Accreditation of Rehabilitation Facilities. Such "encouragement" ranges from providing additional funding to accredited agencies to requiring accreditation of all agencies. Kansas does not require accreditation and provides no financial incentives for it. Of the states surrounding Kansas, only Colorado requires agencies to be accredited to receive state funding. Nebraska and Missouri prefer accreditation and give financial incentives for it. Like Kansas, Oklahoma does not require accreditation and provides no financial incentives.

To be accredited, agencies must satisfy certain minimum standards. These include requirements in areas such as financial management, administration, program planning, and residential and vocational services.

Three of the agencies the auditors visited are accredited: Developmental Services of Northwest Kansas; Occupational Center of Central Kansas; and Starkey Developmental Center. Cowley County Developmental Services is not accredited.

Accreditation costs include a \$350 application fee plus fees for examiners to do on-site inspection of agencies. According to Commission officials, inspection costs for an agency the size of Cowley County Developmental Services would be about \$2,500. Accreditation may be granted for either one or three years.

repay the Department a total of \$7,700 between January 1983 and December 1986 for disallowed expenditures from grant moneys. Currently an additional \$1,900 is being administratively reviewed. However, as a result of the most recent audit of Cowley County Developmental Services, the Department requested reimbursement of approximately \$68,000. This amount is now the subject of a Department administrative review and the final sum to be paid by Cowley County Developmental Services is not yet settled. Examples of disallowed expenditures include improperly charged staff salaries, a failure to serve the minimum number of clients in the residential program, and transportation and gasoline. In addition, Cowley County repaid about \$22,000 to the Department, through deductions in subsequent grant payments, for the period January 1, 1980, through June 30, 1982.

### **For the Past Several Years, The Department Has Received a Variety of Complaints Concerning Cowley County Developmental Services**

According to officials in Topeka, the Department receives more complaints about the operation of Cowley County Developmental Services than other similar agencies. The auditors were unable to confirm this assertion because the Department has no procedure for systematically recording complaints about such agencies.

The Department's area office in Winfield has received numerous complaints about various aspects of the operation of Cowley County Developmental Services. Complaints have come from both known sources (such as parents and guardians of clients) and anonymous sources (such as phone calls and unsigned letters). The complaints included concerns about the agency's management of client funds, payment of low wages to clients, abuse, and nepotism.

Department officials, concerned with the volume and nature of the complaints, attended the August 1986 meeting of Cowley County Developmental Services' board of directors. The officials explained the types of complaints they had received to the members of the board.

Department officials indicated that the board's response to this meeting was positive and some steps have been taken to resolve their concerns. For example, in March 1987 Cowley County Commissioners and Cowley County Developmental Services signed a new contract for the agency to provide services to mentally retarded adults in the County. As part of this contract, agency staff may no longer handle client funds. This will be discussed in more detail later in this report.

### **Conclusion**

The Department of Social and Rehabilitation Services requires community-based agencies for handicapped adults to satisfy minimum requirements for administration, personnel qualifications, fiscal policies, and client policies. The intent of the regulations is to ensure that handicapped adults receive quality services from licensed agencies. For

Cowley County Developmental Services and a sample of similar facilities, the auditors found that the Department generally enforced the regulations consistently. However, the auditors could not determine whether Department personnel handled complaints about these agencies consistently because the Department does not have a systematic procedure for monitoring complaints and their resolutions.

### **Recommendation**

The Department of Social and Rehabilitation Services should establish a systematic procedure for monitoring complaints received by Department area offices about community-based agencies for handicapped adults.

### **How Do Policies and Procedures Used At Cowley County Developmental Services For Billing Clients and Handling Client Funds Compare With Practices At Similar Facilities?**

To answer this question, the auditors interviewed officials at Cowley County Developmental Services and the five other centers about their procedures for billing clients and handling client funds. At Cowley County Developmental Services, the auditors also reviewed a sample of client checking accounts.

The auditors found that there was a wide variety in what facilities billed clients for and how much they charged. Cowley County Developmental Services charged significantly more for vocational services than the other facilities, but charged about the same amount for residential services. Further, Cowley County Developmental Services was the only agency that allowed client's unpaid account balances to build up indefinitely. The auditors found that all the facilities handled client funds to some extent. It appeared that procedures used at Cowley County Developmental Services were comparable to procedures used by the other facilities. The auditors also found that in 1986, Cowley County Developmental Services was the representative payee for many of its clients' Social Security payments, as were three other facilities. However, as a provision of a new contract with the Cowley County Commissioners, Cowley County Developmental Services recently agreed to stop handling client funds.

### **Cowley County Developmental Services' Billing Rates For Vocational Services Were Considerably Higher Than Other Facilities' Rates**

Community-based facilities for mentally retarded adults generally receive federal and State grant funds from the Department of Social and Rehabilitation Services and county mill levy funds to offset the cost of vocational and educational services to eligible clients. Because grant funds do not always pay the full cost, agencies are allowed to charge clients for these services. In addition to vocational services, agencies that have residential programs also charge clients for such things

as rent, food, transportation, and home supervision. Following is a chart of the charges at the six facilities visited by the auditors.

**Monthly Charges For Services At a Sample of Community-Based Facilities For Mentally Retarded Adults**

<u>Agency</u>	<u>Vocational Services</u>	<u>Residential Services</u>			<u>Total</u>
		<u>Rent</u>	<u>Food</u>	<u>Other(a)</u>	
Cowley County Developmental Services	\$170	30% of income	\$100	\$59	30% of income + \$159
Occupational Center of Central Kansas	\$25	30% of income	None	\$30	30% of income + \$30
COF Training Services	None	30% of income	\$130	\$25	30% of income + \$155
Nemaha County Training Center	None	30% of income	50% of income (b)	Included in Food	30% of income + \$170
Developmental Services of Northwest Kansas	None	\$300(c)	Included in Rent	Included in Rent	\$300
Starkey Developmental Center	None	30% of income	\$225	Included in Food	30% of income + \$225

- a - Includes home supervisor and transportation charges.
- b - Includes food and training charges. Charges average \$160 to \$170 per month.
- c - Includes rent, food and home supervisor charges; transportation charges are additional and are based on a client's ability to pay.

As the table shows, the Occupational Center of Central Kansas, does not charge for food because the agency supervises only independent living. In that situation, clients purchase their own food. For the other five facilities, residential charges include food, rent, and home supervisor charges. Rent is often based on 30 percent of the client's income, which may amount to about \$90 per month.

The table also shows that only two of the six facilities charged clients for vocational services. The Occupational Center of Central Kansas charged clients \$25 per month for vocational services, while Cowley County Developmental Services charged \$170 per month for work activity and adult life skills. None of the other facilities charged for these services.

**Cowley County Developmental Services Allowed Clients' Unpaid Account Balances To Build Up Indefinitely**

Most clients at the facilities visited by the auditors had no income besides Social Security payments and workshop wages. State law does not allow an agency to deny a client services when the individual cannot afford to pay. Therefore, situations arise in which facilities provide services to clients that cannot afford to pay the entire amount owed. At five of the six facilities visited, when

large unpaid balances build up over time, they were written off as uncollectable. At Cowley County Developmental Services, however, clients' unpaid balances were allowed to build up indefinitely.

Cowley County does not include client accounts receivable on its financial statements, and apparently does not make any significant effort to collect large amounts past due. However, clients, parents, and guardians do receive monthly statements showing significant outstanding balances. For example, one client owed Cowley County \$12,650 as of January 1, 1986. During 1986 the client was charged a total of \$3,800 for vocational services, transportation, food, and residential services. The client made payments totaling \$1,544 during the year, and his account balance on December 31 was \$14,900. Monthly statements sent to the client reflected this amount due.

### **Cowley County Developmental Services' Procedures For Handling Client Funds Were Comparable to Procedures Used at Other Facilities**

All facilities visited by the auditors handled client funds to some degree. Four facilities--Cowley County Developmental Services, COF Training Services, Developmental Services of Northwest Kansas, and Nemaha County Training Center--generally allowed clients to handle their own money with supervision. The programs for handling client funds at Starkey Developmental Services and the Occupational Center of Central Kansas were very limited.

The money management programs at the four agencies with extensive programs had some common features:

- Clients were encouraged to handle their own financial affairs, including budgeting funds. Supervision was provided and determined by an individual client's ability to handle money.
- Individual checking or savings accounts were established for clients. Some agencies actually deposited funds for clients while others only helped clients deposit funds.
- Clients wrote checks for their own expenses, although accounts often required co-signers and clients received assistance with writing checks.
- Agencies were appointed representative payee for some clients' Social Security payments. As payee, the facility is responsible for an annual accounting of how payments from the Social Security Administration were spent.
- Agencies often withdrew funds from client accounts for services provided by the agency. In some cases, clients co-signed these checks to the agency.

### **The Auditors Identified Some Problems With Cowley County Developmental Services' Client Money Management Program**

In general, the auditors found that Cowley County Developmental Services' procedures for handling client funds were comparable to the other facilities' programs. While most incorporated the common points listed above, Cowley County Developmental Services' procedures appeared to be the most compre-

### How Clients Spent Their Money

One Cowley County Developmental Services' client had income of \$4,714 during the 14-month period between January 1986 and February 1987. Payments from the Social Security Administration accounted for approximately \$4,000 of this amount; the remainder came from paychecks the client received for work activity at Cowley County Developmental Services. During the 14-month period, the client spent about \$4,410, including payments of \$3,000 to the agency for vocational and residential services. His remaining funds were spent on rent paid to Project Independence (\$935), recreation and spending money (\$420), phone bills (\$30) and bank charges (\$25).

hensive. To determine whether the agency was following its established procedures, the auditors reviewed financial transactions from January 1986 through February 1987 for 10 of the 38 clients in the money management program. In these 10 client accounts, the auditors identified some problems with Cowley County's deposit procedures, payments to the agency, and recording client payroll deductions intended to reimburse the agency.

**In some cases, funds were not deposited promptly into client accounts.** The Social Security Administration mailed some clients' monthly checks directly to Cowley County Developmental Services, and

agency personnel deposited the checks into the client accounts. Two of the 10 clients in the auditors' sample had Social Security payments deposited directly into their checking accounts. Of the remaining clients, the auditors identified four clients who received regular Social Security payments and deposited the funds into their checking accounts. For these four clients, the auditors examined bank records to determine how quickly Cowley County Developmental Services' personnel deposited checks. The auditors found that for the 22 Social Security checks deposited, an average of about one and a half months elapsed between the check date and the date of deposit. Two checks were deposited immediately, while four were deposited approximately three months after being sent. When checks are not deposited immediately into client accounts, clients do not receive the benefit of the use of their funds. In addition, it indicates a weakness in the internal controls of the agency. Proper internal controls should ensure that all funds received by the agency are deposited in the bank as soon as possible to ensure they are not lost or stolen.

Because the agency generally did not have clients systematically pay for services, large checks to Cowley County Developmental Services were often written from client accounts. Cowley County Developmental Services charged clients in the auditors' sample a total of \$37,718 for residential and vocational services between January 1986 and February 1987. The charges averaged \$349 per month per client. The clients wrote approximately \$15,900 in checks to pay for services, and six clients wrote checks for \$1,000 or more to the agency. Only two checks to the agency were written on one client's account for the 14-month period, but one check was for \$1,000 and the other for \$2,000. Such a practice makes cash flow management difficult for the agency and could confuse clients and guardians about what payments are for.

Some client payroll deductions intended to reimburse the agency for services were not recorded in client records. Many Cowley County Developmental Services' clients receive paychecks for work produced in the work activity program. Clients may voluntarily have amounts deducted from their paychecks to help pay for charges for vocational and residential services. The amounts deducted from the clients' bi-monthly paychecks generally range from \$5

to \$10. The auditors found that for one payroll period in October 1986, such deductions were made from client paychecks but the payments were not recorded in the clients' records. In other words, clients were not given credit for having paid the \$5 or \$10 of their bill. The auditors checked all client accounts to determine the total amount not credited for that period, and found that \$311 in payments were not recorded.

### **Cowley County Developmental Services Recently Quit Handling Client Funds**

Cowley County Developmental Services signed a contract with Cowley County in March 1987 agreeing to provide services to mentally retarded adults in exchange for mill levy funds. A provision of this new contract prohibits Cowley County Developmental Services, members of its board of directors, and its employees from acting as payor, payee, or conservator for any client. The restriction prohibits Cowley County Developmental Services from receiving, handling, or disbursing any checks or funds for any clients. The contract also prohibits it from managing, controlling, or having its name on any client checking accounts.

According to the the Cowley County Commission's attorney, the restrictions on handling client funds resulted from recommendations made by the Department of Social and Rehabilitation Services. The attorney told the auditors that Department officials had said it was a conflict of interest for Cowley County Developmental Services to act as payee for clients and to operate a money management program. A Department official in the Winfield area office confirmed this statement. However, Department officials in Topeka told the auditors that they are not sure it is a conflict of interest.

The auditors were unable to determine why it would be a conflict of interest for Cowley County Developmental Services to handle client funds, but not be a conflict for similar facilities in the auditors' sample. Further, Department auditors reviewed Cowley County Developmental Services' procedures for handling client funds during the agency's 1984 audit and concluded that the agency appeared to use great care in the handling of clients' personal checking accounts and had documentation and receipts for client expenditures. Nonetheless, the agency has quit handling funds for nearly all clients. As soon as payees for the last three clients are located, the agency will no longer handle client funds.

### **Conclusion**

Only two facilities visited by the auditors charged clients for vocational services. Cowley County Developmental Services was one of these two agencies; it charged approximately seven times as much as the other agency. Cowley County Developmental Services' policies and procedures for handling client funds also had several weaknesses. As a result of recommendations made by Department of Social and Rehabilitation Services' officials, Cowley County Developmental Services recently signed a contract with Cowley County agreeing to quit handling client funds. This recommendation was apparently made by Department officials from the Winfield area office, and those officials

indicated it was a conflict of interest for agency personnel to handle client funds. However, Department personnel in Topeka do not endorse the recommendation, and other agencies visited by the auditors had money management programs for their clients.

### **Recommendations**

1. Cowley County Developmental Services' board of directors should review the appropriateness of the agency's charges for vocational services.
2. Cowley County Developmental Services' board of directors should adopt standard policies and procedures for handling client accounts, including specific procedures for:
  - a. determining which amounts cannot realistically be collected from clients, parents, or guardians.
  - b. writing-off client account balances once amounts are determined to be uncollectable.
  - c. including legitimate client accounts receivable in the agency's financial statements.
3. As part of the standard procedures for maintaining client accounts receivable, Cowley County Developmental Services' board of directors should ensure that agency personnel take steps to ensure that client payroll deductions are systematically applied to client accounts.
4. The Department of Social and Rehabilitation Services should adopt a standard, written policy regarding community-based agencies and their procedures for handling client funds. This policy should specifically address the issue of whether it is a conflict of interest for community-based agencies for handicapped adults to handle client funds. The policy should be distributed to all Department personnel and applied uniformly to all community-based agencies.

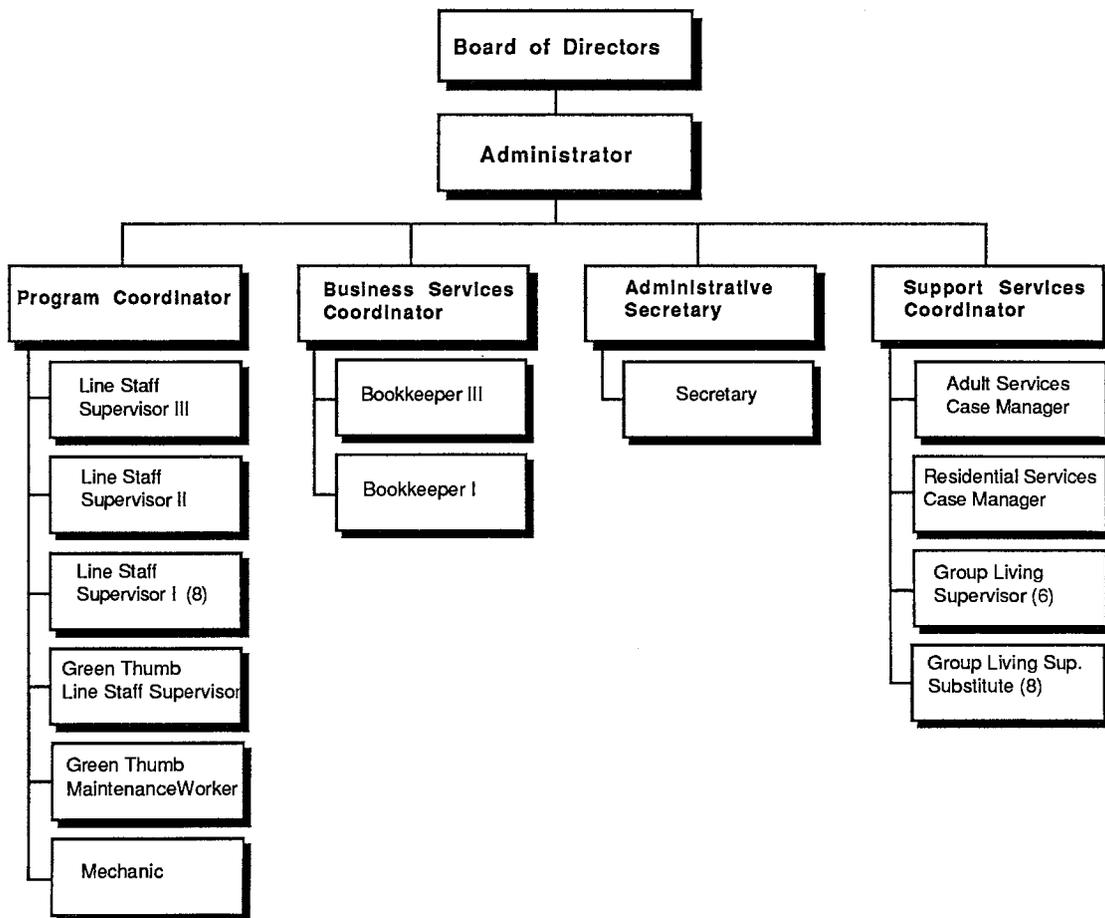
### **How Well Is Cowley County Developmental Services Managing Its Financial Resources and Residential Facilities?**

To answer this question, the auditors examined Cowley County Developmental Services' financial records and identified its major sources and uses of funds. They also interviewed agency officials and reviewed the facility's outstanding debts. For management of residential facilities, the auditors calculated the number of clients living in the agency's housing and examined the movement of clients between residential units. They also reviewed summaries of recent licensing reviews performed by the Department of Social and Rehabilitation Services.

## Cowley County Developmental Services, Inc.

Cowley County Developmental Services, Inc. is a community-based agency licensed to serve mentally retarded adults. It is located at Strother Field, midway between Winfield and Arkansas City. The agency provides vocational day programs in adult life skills training and work activity training. These programs are provided in a workshop setting, and most clients are employed in routine assembly work. Residential services are also provided through group homes managed by the agency.

The agency is governed by a seven-member board of directors. Prior to March 1987, board members were appointed by the Cowley County Commission. As the result of a new contract with Cowley County, new board members are now selected and appointed by existing board members. The agency is licensed to serve 70 vocational clients, 40 of whom are also residential clients. These services are provided by 27 full-time employees. Agency employees are classified as administrative, support services, and line staff (workshop) personnel. The agency's organizational chart is presented below.



According to Cowley County Developmental Services' unaudited financial records, the agency received and spent approximately \$1 million in calendar year 1986. The major sources and uses of funds are summarized in the table below. The auditors found that the agency incorrectly classified approximately \$14,000 in income received during 1986. They also found problems in the agency's salary, medical insurance, and travel expense accounts. Finally, the agency's May 1987 accounts payable list included more than \$19,000, and the auditors identified additional debts of more than \$1,000 that were not included on the accounts payable listing.

**Cowley County Developmental Services  
Sources and Uses of Funds  
Calendar Year 1986**

<b>Sources of Funds:</b>	<b>Amount</b>	<b>Percent of Total</b>
Health and Human Services Grant	\$ 394,746	38.2%
Social Services Grant	149,986	14.5
State Aid Grant	84,369	8.2
County Mill Levy	115,848	11.2
<b>Subtotal--Government Sources</b>	<b>\$744,949</b>	<b>72.1%</b>
Sub-Contract Income	\$159,156	15.4%
Client Fees--Primarily Tuition and Food	64,418	6.2
Donations	2,917	.3
Miscellaneous	62,348	6.0
<b>Total Sources of Funds</b>	<b>\$1,033,788</b>	<b>100.0%</b>
 <b>Uses of Funds:</b>		
Staff Salaries and Benefits	\$ 372,803	35.7%
Client Wages and Benefits	74,461	7.1
Building Expenses	289,505	27.7
Equipment Purchases	109,030	10.4
Food Supplies	31,589	3.0
Production Supplies	24,299	2.3
Contractual Services	26,343	2.5
Vehicle Expenses	23,669	2.3
Travel Expenses	6,308	.6
Utilities	21,652	2.1
Capital Loan Reduction	15,610	1.5
Communication	6,230	.6
Miscellaneous	43,947	4.2
<b>Total Uses of Funds</b>	<b>\$1,045,446</b>	<b>100.0%</b>
<b>Uses In Excess of Sources</b>	<b>\$(11,658)</b>	

For residential facilities, the auditors found that the residential units operated near full capacity for most of 1986. Nearly half the residential clients moved to a different residence at least once during 1986, with many moves caused by personality conflicts between residents. Each residential unit has a home supervisor, but the auditors determined that clients are sometimes left unsupervised. The Department of Social and Rehabilitation Services' 1985 licensing review found numerous deficiencies in the residential units, which Cowley County Developmental Services corrected. The 1986 licensing review noted only minor problems. These and other findings are discussed in the sections that follow.

### **Cowley County Developmental Services Incorrectly Classified Approximately \$14,000 of Grant Funds Received in 1986**

In calendar year 1986, Cowley County Developmental Services reported that approximately 72 percent of its revenues came from federal, State, and local government sources. The agency receives two types of income from the Department of Social and Rehabilitation Services--State Aid grant funds and federal and State Social Service block grant funds. State Aid funds may generally be spent as needed by the agency, but block grant expenditures must be made in accordance with the grant agreement.

The auditors found that Cowley County Developmental Services recorded a \$13,635 block grant payment as State Aid income during 1986. As a result, State Aid income on the agency's financial reports is overstated by \$13,635 and block grant income is understated \$13,635. The auditors did not determine if any of the block grant funds mistakenly identified as State Aid funds were spent in violation of the agency's block grant agreement with the Department of Social and Rehabilitation Services. Department officials indicated that, as part of their standard procedures, they would review these expenditures during their audit of Cowley County Developmental Services.

### **The Auditors Identified Some Problems In The Agency's Major Expenditure Accounts**

Cowley County Developmental Services spent more than \$1 million during calendar year 1986. The auditors reviewed financial records for the agency's major expenditures, including staff salaries and benefits, building expenses, and equipment purchases. In addition, they examined the agency's travel expenses and food purchases for that period. The auditors did not review client wages and benefits: a January 1987 audit report issued by the Legislative Division of Post Audit identified numerous problems in payments of client wages.

For the expenditure accounts examined, the auditors found that staff salaries were overstated and that some employees' medical insurance for dependents was being paid even though the agency's personnel policies prohibit such payments. The auditors also identified a variety of problems in the agency's travel expense account.

**Staff salaries were overstated by \$17,115.** The auditors found that bookkeeping entries for \$17,115 in salary reimbursements were made incorrectly. Cowley County Developmental Services received a federal grant from the Department of Health and Human Services, and this grant included funds for

**Cowley County Developmental Services  
Receives Most of Its Funding From Governmental Sources**

In calendar year 1986, Cowley County Developmental Services received funds from the federal, State, and county governments. In addition, the agency collected fees from clients and had contracts with private businesses to provide various services. The agency's major sources of income, and their restrictions, included:

**Health and Human Services Grant:** Cowley County Developmental Services received a grant from the Department of Health and Human Services to expand its facility so that 100 new jobs could be created for low- or moderate-income handicapped persons. Grant funds were spent primarily on construction, equipment, and staff salaries.

**Social Services Grant:** The agency received funds from the Department of Social and Rehabilitation Services' area office in Winfield to provide residential services and day programming for mentally retarded adults. This grant is administered by the Department but most of the funds are provided under Title XX of the federal Social Security Act. Statewide, approximately 84 percent of Social Service grant funds for mental retardation centers is provided by the federal government, and the remaining 16 percent is appropriated from the State General Fund. At the time this audit was conducted, the Department's 1986 audit of these grant funds was not completed.

**State Aid Grant:** Cowley County Developmental Services received State Aid grant funds from the Department of Social and Rehabilitation Services for calendar year 1986. State Aid grants are intended to ensure that adequate community retardation services are available. The grants of State general fund money generally match a certain percent of an agency's local income.

**County Mill Levy:** The agency received mill levy funds from Cowley County in calendar year 1986 to provide services to mentally retarded adults in the County. Cowley County Developmental Services received three-quarters of a mill levy and was required to spend one-quarter for operations, one-quarter for equipment, and one-quarter for building construction.

**Sub-Contract Income:** Cowley County Developmental Services has contracts with various private businesses, and these businesses paid the agency for services in 1986. Major contracts included agreements to assemble faucets, coolers, picnic kits, and tree stake kits, to package and label boxes, to assemble and shrinkwrap parts kits, and to construct pallets. This work is performed by the mentally retarded adults who participate in the agency's work activity program.

**Other Income:** The agency also received funds from other sources in 1986. These included fees from clients for vocational and residential services, client reimbursement for food provided in the residential units, and private donations.

salaries. However, the grant funds had not been received when the employees were paid. The agency paid the salaries with other funds and was later reimbursed by the grant. In accounting for the reimbursement, the agency recorded the payment as salary expense instead of offsetting the amount already paid. As a result the salary expense account was overstated by \$17,115. This was a bookkeeping error and did not result in any staff members receiving additional money.

**The agency paid medical insurance premiums for select employees' dependents in violation of the agency's own personnel policies.** Cowley County Developmental Services spent approximately \$22,000 for employee medical insurance coverage in 1986. Approximately one-third of this amount, \$7,336, was spent on coverage for three employees' dependents. According to Cowley County Developmental Services' personnel manual, which was approved by the board of directors in January 1986, employees were "solely responsible for payment of premiums on dependents." According to agency officials, payment of the premiums was a special arrangement with the three employees involved, no written documentation of the agreements existed, and the decision was not approved by the board. Two of the three employees were related to Cowley County Developmental Services' administrator.

**The auditors identified various problems in the agency's travel expense account.** To claim reimbursement for travel expenses, agency employees complete a standard travel expense statement which includes the date, length, and purpose of each trip. The standard form includes space for the administrator's signature and approval, as well as the employee's signature. According to the agency's personnel manual, "requests for any and all travel expense must be first approved by the administrator before payment."

In calendar year 1986, Cowley County paid about \$6,300 for employee travel expenses from a travel expense account. Two employees--the administrator and the program coordinator--received approximately 82.5 percent of this total as reimbursement for travel expenses, mostly for mileage reimbursement. As approved by the board of directors, the administrator is reimbursed up to a maximum of \$150 per month, and the program coordinator is reimbursed for up to \$300 per month. The program coordinator received 24 reimbursement checks from the travel expense account, totaling \$3,550, and supporting expense statements for 20 checks were not approved and signed by the administrator.

The auditors also found that the agency did not have supporting documentation on file for six of 37 reimbursement checks written to the administrator and program coordinator. Three additional reimbursement checks which did have supporting documentation were charged to an account other than the travel expense account. Finally, supporting documentation for one of the administrator's reimbursement checks was signed by the administrator's wife, who was also an agency employee in 1986. Such practices do not provide any assurance that employees' travel reimbursements are legitimate.

**Cowley County Developmental Services Reported Overdue Bills of About \$7,600 in May 1987, and Some Additional Bills Were Not Included on the Accounts Payable List**

In May 1987, Cowley County Developmental Services reported overdue bills of more than \$7,600. The age and corresponding amounts of these overdue debts are summarized in the table on the following page.

In addition to the overdue bills, the agency has \$11,749 in current bills, which have due dates between May 20 and June 17, 1987. This results in a total accounts payable figure of \$19,387.

**Summary of Outstanding Debts  
As of May 20, 1987**

<u>Days Elapsed Since Due Date.....</u>	<u>Number of Invoices</u>	<u>Amount Due</u>	<u>Percent of Total</u>
More than 90	19	\$ 927	12.1 %
60 to 90	23	2,025	26.5
30 to 59	21	1,805	23.6
1 to 29	20	2,881	37.7
<b>Total</b>	<b>83</b>	<b>\$7,638</b>	<b>100.0 %</b>

The auditors also identified two outstanding bills, totaling \$1,062 that were not included in the accounts payable listing. Cowley County Developmental Services' personnel indicated that one bill to American Express for \$853 was not listed because documentation supporting the invoice was missing. However, agency officials indicated the agency did owe the outstanding amount. The remaining bill, for \$209, was from the Department of Administration's Surplus Property Section. Cowley County Developmental Services' officials indicated that they did not owe any amount to the Surplus Property Section. The auditors obtained a copy of the invoice, dated January 14, 1987, and reviewed all entries in the agency's check register between January 14, 1987, and May 20, 1987. No record of payment was found, and Surplus Property officials had no record of payment or of the purchased items being returned.

**In Calendar Year 1986, Cowley County Developmental Services'  
Residential Units Operated Near Full Capacity**

Cowley County Developmental Services is licensed to serve 42 mentally retarded clients in its group living program. The residential facilities include one older home rented by the agency, and five homes constructed in 1981 with financing from the Department of Housing and Urban Development.

In compliance with federal regulations, the federally financed homes are owned and administered by a private, non-profit corporation. This corporation, Project Independence, has committed four six-resident duplexes and one 14-resident group home solely to Cowley County Developmental Services' clients. Project Independence also operates six independent living apartments which are available to anyone meeting the federal eligibility guidelines related to handicapping conditions. Many Cowley County Developmental Services clients who do not need supervised living arrangements live in the independent apartments. These clients are not considered to be participating in the agency's residential program, because Cowley County Developmental Services provides no services in the independent apartments.

Each residential home is staffed by a home supervisor. Four of the six homes are duplexes, which are organized with a home supervisor and three clients

on one side of the duplex, and three clients on the other side of the duplex. Of the agency's 42 group living spaces, the auditors classified 30 as high supervision, because a home supervisor lives with the clients, and 12 as low supervision because the clients do not have a live-in supervisor.

At the time this audit was conducted, 25 of the agency's 66 clients did not participate in the residential program. Of these 25 clients, 13 lived with their families, either in Arkansas City or in Winfield. Nine clients lived independently, with six of the nine living in Project Independence housing, and two clients lived in intermediate care facilities for the mentally retarded. The remaining client lived with friends, in a house owned privately by the administrator of Cowley County Developmental Services.

**On the average, the residential units operated at nearly 92 percent of capacity during 1986.** The level of occupancy varied by living unit, with year-long averages ranging from 72 percent in one low-supervision unit for males to 98.3 percent in a low-supervision unit for females.

**Nearly half the clients moved to a different residence at least once during 1986.** Cowley County Developmental Services served 50 residential clients in 1986. A review of client movement showed that 52 percent of the clients remained in the same residence, 32 percent had two residences, and 16 percent had three residences.

Of the 50 clients, 23 were in the residential program for the entire year. The remaining clients either began or left the program at some time during the year. The 23 clients who were in the program throughout the year showed slightly less movement than the group as a whole. Of the 23 clients, 56.5 percent remained in the same residence all year, 26.1 percent had two residences, and 17.4 percent had three residences.

During 1986, there were 28 instances of client movement between residences, with 75 percent occurring during one of four major client moves conducted by the agency. Agency officials stated that clients are moved when their skill level indicates that they need a higher or lower level of supervision than they are currently receiving, or because of personality conflicts with other residents. Of the 28 moves, four were moves to a higher level of supervision, six were moves to a lower level of supervision, and 18 were moves to units with the same level of supervision. This indicates that most of these moves were made because of personality conflicts between clients, rather than because clients needed a different level of treatment.

**Cowley County Developmental Services  
Provides Less Supervision  
In Its Residential Units Than Other Agencies  
Visited By the Auditors**

Home supervisors at Cowley County Developmental Services live permanently in the residence they are assigned to supervise. They are required to be on duty from 7:30 a.m. to 8:30 a.m. and 6:00 p.m. to 9:00 p.m. Monday through Friday. On weekends, their hours are 12 noon to 10:00 p.m. They are

### **Parents and Guardians Had Different Opinions Of Cowley County Developmental Services**

The auditors interviewed four guardians of current clients and five guardians or relatives of former clients at Cowley County Developmental Services. These parents and guardians expressed a variety of opinions about the agency. All guardians of current clients indicated that they thought the agency had qualified staff and offered excellent care.

Some parents and guardians of former clients also had positive comments, while some made more negative remarks. For example, two individuals thought the agency's quality of care was very high and one thought it was acceptable. The other two individuals indicated they thought the quality of care was very bad. Two people said the agency was operated in a professional manner and three said it was not. One parent specifically mentioned an instance when her son was admitted to a Wichita hospital, and no one contacted her until a hospital nurse called three days after the son was admitted.

required to sleep at the residence, although sleeping time is not considered reimbursable duty time.

This work schedule results in approximately 15 hours per week when clients are in the home, but the home supervisor is not required to be present or available to the clients. Department of Social and Rehabilitation Services' regulations state only that the agency must provide "adequate" supervision. However, the limited duty hours at Cowley County Developmental Services' residential units often leaves clients unsupervised and may expose the agency to additional liability.

**The other agencies visited by the auditors provided more extensive supervision for clients in their group living programs.** Four of the five other agencies visited were licensed to provide group living programs similar to Cowley County Developmental Services' program. Although procedures varied for those four agencies, they all

supervised group living more extensively than Cowley County Developmental Services. In all four cases, home supervisors were required to be on duty during all hours the clients were in the home. When the permanent home supervisors were not on duty, the group homes were supervised by relief staff. Home supervisors generally were not paid for hours when they were likely to be asleep.

### **The Department of Social and Rehabilitation Services' Most Recent Licensing Review Found Few Problems With the Residential Units**

The Department of Social and Rehabilitation Services conducts an annual licensing review of each community-based agency for the handicapped. The review includes a physical inspection of all residential units.

In its 1985 review of Cowley County Developmental Services, the Department noted several deficiencies in the residential units. These included:

- Furniture in three units was not sturdy. The licensing review specifically referred to chairs, closet doors, clothes racks, and a chest of drawers.
- Individual pieces of furniture in two units were hazardous
- Walls were not clean or were chipped in two bathrooms
- Cracked windowpanes in two units needed to be replaced
- Bedding was in poor condition in one unit
- Loose sidewalk stones and a loose kitchen screen were found in one unit, and a light cover and switch were needed

The agency corrected these problems within the time period allowed by the Department. The deficiencies noted in the 1986 licensing review were generally less serious than those noted the previous year, and included sliding glass doors that were not marked as emergency exits, plants and furniture located in front of emergency exits, dried food on dishes, and hair in the bathroom sink.

**Residential units appeared to be clean and generally well-kept during the auditors' tour.** Clients are responsible for cleaning the living units, with the guidance of the home supervisor, and Project Independence is responsible for maintaining the buildings, including appliances, floor coverings, and curtains. The auditors visited each of the agency's residential units and generally found the units to be clean and in good condition.

The auditors did note that dishwashers were broken in two of the units, sliding closet doors were not attached in several bedrooms, and curtains were in poor condition in most units. Agency staff reported that Project Independence has recently arranged to have all curtains and dishwashers replaced.

### **Conclusion**

For calendar year 1986, the auditors identified several problems with Cowley County Developmental Services' financial management procedures. In general, these problems included violations of agency policies, failure to report all unpaid bills, and bookkeeping errors. For residential management, the auditors found that Cowley County Developmental Services, unlike other agencies visited, allowed clients to spend unsupervised time in group living programs. To minimize the problems identified, the agency's board of directors may need to take a more active role in agency operations.

### **Recommendations**

1. Cowley County Developmental Services' board of directors should take steps necessary to ensure that agency personnel follow all established policies and procedures, particularly those procedures relating to medical insurance and travel expenses.
2. Cowley County Developmental Services' board of directors should take steps to ensure that the accounts payable information is complete, timely, and accurate. The current accounts payable listing should also be revised to show the unpaid bills to American Express and Surplus Property that were not reflected on the May 1987 list.
3. Cowley County Developmental Services' board of directors should review the adequacy of the agency's procedures for supervising residential units.

## Allegations of Possible Improprieties

In addition to answering the three general questions for this audit, the auditors received information from the Department of Social and Rehabilitation Services regarding possible improprieties at Cowley County Developmental Services. The auditors investigated these allegations which, together with the auditors' findings, are summarized below.

\* \* \*

**Allegation:** Client accounts are overdrawn or have large checks inappropriately written to Cowley County Developmental Services for services.

**Auditors' findings:** The auditors examined 10 of 38 client checking accounts for the period of January 1986 through February 1987. Of the 10 accounts, they found that two were overdrawn two times each and one was overdrawn once during the 14-month period. The bank charged these three clients a total of \$60 for being overdrawn. For the period the auditors reviewed, 33 checks were written to Cowley County Developmental Services from these 10 accounts; seven checks were for \$1,000 or more. According to the agency's records, all the clients owed the facility more than the amount of payment. The auditors also traced all but two payments to agency records and found that the clients received credit for the payments. Agency officials indicated that the remaining two payments had been made too recently to appear on the computer-generated report. This confusion over large withdrawals from client accounts may have resulted from the agency's failure to systematically collect amounts due from clients.

\* \* \*

**Allegation:** A client wrote a check for \$1,500 to the agency for services, but the client was incapable of knowing what he was signing and probably would be afraid not to sign.

**Auditors' findings:** The client did write a check to Cowley County Developmental Services for \$1,500 in January 1987. At that time, agency records indicated that the client owed the agency more than \$4,000. The auditors verified that the agency recorded the payment in the client's account. The auditors could not determine whether or not the client realized why the check was written from his account. The auditors' review of this account was included in the testwork described above.

\* \* \*

**Allegation:** A client wrote a \$1,014 check to Project Independence in February 1987 for rent, but the client did not understand regular conversation well and would not understand about amounts taken out of his account for rent.

**Auditors' findings:** The auditors found that the client lived in one of the agency's group homes but made no rent payments to Project Independence between April 1986 and January 1987. In February 1987, the client wrote a \$1,014 check for rent, and Project Independence receipts indicated this brought the client up to

date on rent payments. The auditors could not determine whether or not the client realized why the check was written from his account.

\* \* \*

**Allegation:** A former client, who left the facility in March or April of 1986, still has an open checking account at the Rose Hill State with the agency's business services coordinator as a co-signer.

**Auditors' findings:** The auditors found that this checking account is still open with a balance of \$515, but has had no activity since the client left. Agency officials stated that they asked the client's father what to do with the account and are waiting for his answer. The auditors were unable to find any documentation of communication with the client's father, and were unable to contact the father. Cowley County Developmental Services' records indicated the client owed the facility more than \$3,000 when he or she left.

**Recommendation:** Cowley County Developmental Services should attempt to locate former clients and return any remaining funds in their checking accounts. Personnel should document attempts to contact clients, as well as documenting any final arrangements for returning funds.

\* \* \*

**Allegation:** A client received a \$9,000 settlement check from the Social Security Administration, and the agency cannot account for the check.

**Auditors' findings:** The auditors contacted the Social Security Administration and determined that the client received a settlement check for \$7,390 in April 1985. The check was used to pay the client's \$3,300 bill at Cowley County Developmental Services, and the remaining funds were deposited with the agency and applied to the client's future bills for services from Cowley County Developmental Services. When the client left the agency in early October 1985, approximately \$900 of the funds remained unused for services. In late October, Cowley County Developmental Services wrote a check to the client for the remaining \$900.

\* \* \*

**Allegation:** The agency's administrator creates and signs memos and letters from the board of directors.

**Auditors' findings:** The auditors did not find any evidence to support this statement.

\* \* \*

**Allegation:** The agency's Administrator pressured staff members to support a particular political candidate in violation of a provision in the personnel manual prohibiting political activity.

**Auditors' findings:** The agency's personnel manual states:

1. No employee shall, as a representative of (the agency), participate

or intervene in any political campaign on behalf of any candidate for public office or for any political party.

2. Where a conflict of interest may arise, a full disclosure must be made to the administrator.

According to the July 15, 1986, agency staff meeting minutes, the administrator stated that staff members who had not registered to vote would not be considered for raises within the agency. Further, he indicated that he would know who had registered because of a list he could obtain. According to the July 29, 1986, agency staff meeting minutes, the administrator requested that the July 15 minutes be corrected to state that if staff members had not registered to vote, it would be taken into consideration when raises were requested.

**Recommendation:** The board of directors should clarify the agency's policy in this area.

\* \* \*

**Allegation:** A former chairman of the agency's board of directors wrote a memo, dated August 26, 1985, stating that any staff members wishing to attend a board of directors' meeting should go through the administrator to be put on the agenda. Also, any staff contacting board members directly would be fired for insubordination.

**Auditors' findings:** The auditors obtained a copy of the memo in question. The relevant portion of the memo states:

First of all, all board meetings are open to the general public, anyone wishing to attend a board meeting, needs to go through (the administrator) to be placed on the agenda. It is the board's direction that (the administrator) is hired as a liason person between the board of directors and you as staff and he is solely responsible for the operation of (the agency's) programs and services and the hiring and firing of all personnel. The board strongly feels that staff members who discuss problems concerning (the agency), other staff members, department heads, and any confidential information concerning clients, with an individual board member will be dealt with as an insubordinate matter and will be terminated....

**Recommendation:** The board of directors should clarify the agency's policy in this area.

\* \* \*

**Allegation:** Controversy existed over whether local Department of Social and Rehabilitation Services' personnel had authorized agency staff tours of similar agencies to be paid for by grant funds. A similar controversy existed over whether agency personnel could take certain college courses and have their tuition paid from grant money.

**Auditors' findings:** The auditors interviewed officials and reviewed correspondence between the Department and Cowley County Developmental

Services. They determined that this controversy did exist. Cowley County Developmental Services' officials claim that a Department employee--who is no longer employed by the Department--gave the agency oral approval to charge the cost of staff tours and tuition for college courses against the agency's block grant award. Department officials contend that such approval was not given because the costs could not properly be charged against the grant. The auditors could not find any documentation or resolve this issue.

\* \* \*

**Allegation:** The agency's administrator takes a fee for getting Social Security payments arranged for individuals. The fee comes out of the first settlement check and is considered a donation.

**Auditors' findings:** According to officials in the Social Security Administration's Office of Hearing and Appeals, individuals may be compensated for helping claimants obtain benefits. The auditors did not identify any instances in which Cowley County Developmental Services charged for helping a client apply for Social Security benefits. In some instances, the auditors determined that the administrator waived his right to any such fee.

\* \* \*

**Allegation:** The agency's residential property has been inappropriately weatherized through the South Central Kansas Economic Development District. In addition, real estate owned by the agency's administrator and rented to clients has inappropriately been weatherized under this program.

**Auditors' findings:** The auditors contacted officials in the State Economic Opportunity Office and were told that there were no prohibitions on weatherization of the agency's residential units during the grant periods involved. Also, the administrator's personal rental property could qualify under the program if it was occupied by a low-income individual. The auditors were not able to confirm that the administrator's personal real estate had been weatherized under this program.

\* \* \*

**Allegation:** The monthly reports and travel vouchers the agency submits to the State Department of Transportation are falsified. Also, one employee has a Department of Transportation vehicle for her exclusive use and will not allow it to be used for client transportation.

**Auditors' findings:** The car this employee drove was assigned to the employee's department at the agency. Records on file at the agency indicated that the employee frequently drove the car, but often had riders--both other staff members and clients. Information the auditors reviewed did not reveal any violations of Department of Transportation rules concerning use of such vehicles. The auditors were unable to determine whether the monthly reports and travel vouchers had been falsified.

\* \* \*

**Allegation:** In 1987, one employee's wages exceed the budgeted amount.

**Auditors' findings:** The auditors determined that the employee's actual wages, as of May 8, 1987, did exceed budgeted wages by approximately \$150. Although the agency's board of director does approve certain employees' salaries, this employee's salary is not specifically approved by the board.

\* \* \*

**Allegation:** A \$600 word processor was purchased without board approval and \$9,478 worth of UHF radio equipment was purchased prior to receiving board approval.

**Auditors' findings:** Bylaws adopted by the agency's board of directors do not require the board to approve equipment purchases or to ratify purchases that have been made. However, board minutes show that the board often does discuss such purchases before they are made. Also, one member of the board of directors--either the chairman or the treasurer--(along with the agency administrator) must sign all agency checks.

\* \* \*

**Allegation:** Agency staff members made unauthorized purchases of food and gas.

**Auditors' findings:** Agency staff members do purchase food and gas, but the auditors were unable to determine whether staff members made unauthorized purchases.

\* \* \*

**Allegation:** Surplus property purchases by the agency were converted to the personal use of staff members or resold for profit to clients or staff.

**Auditors' findings:** The auditors found that the agency made purchases of both State and federal surplus property and that some items were then immediately resold to two employees. The total amount of surplus property purchased by the agency was \$1,716.35 and the amounts resold to employees were \$112.50 and \$32.50, both from federal surplus property. Federal surplus property regulations require that the party making the original purchase retain all items for a period of one year.

**Recommendation:** The board of directors should ensure that agency staff contact surplus property officials to resolve this situation.

\* \* \*

**Allegation:** The agency's program coordinator has a double expense account (\$300 per month) and receives free housing and utilities.

**Auditors' findings:** Agency officials told the auditors that the program coordinator is authorized to receive a maximum of \$300 per month in travel expense reimbursement--\$150 each from the workshop and residential programs. The

auditors reviewed board meeting minutes and determined that this amount was approved by the board of directors. The reimbursement allowance from the residential program was granted, according to board minutes, because the program coordinator takes no salary for his services as a residential home supervisor. The auditors reviewed supporting documentation for the program coordinator's travel expenses, and found that most reimbursement requests were not reviewed and approved by the agency's administrator, as required in by agency personnel policy. As a residential home supervisor, the program coordinator does receive free housing and utilities.

\* \* \*

**Allegation:** The agency's administrator applies for Social Security Administration Supplemental Security Income benefits for clients. Benefits are often denied initially and then subsequently approved by providing medical statements of a particular doctor. The subsequent approval is granted by a particular appeals hearing officer.

**Auditors' findings:** The allegation involved decisions made at the federal level, and the auditors were unable to prove or disprove the allegation. The appeals process referred to is a quasi-judicial one and is within the federal system. As such, the records were unavailable to the auditors.

\* \* \*

**Allegation:** Federal grant money was obtained under false pretenses, with Winfield State Hospital and Training Center patients used to meet grant requirements.

**Auditors' findings:** Cowley County Developmental Services received a \$400,000 grant from the Department of Health and Human Services to expand its facility so that 100 new jobs could be created for low- or moderate-income handicapped persons. Most of these funds were spent on building expansion and equipment purchases. According to agency officials, the expansion allowed the agency to serve some clients from Winfield State Hospital. The auditors contacted Health and Human Services officials who indicated that although the objective of the grant was to create new jobs, Cowley County Developmental Services would not be penalized if the jobs did not materialize.

\* \* \*

**Allegation:** The agency's administrator buys food in bulk, and distributes some food to unauthorized individuals while charging clients more than cost for such food.

**Auditors' findings:** The auditors determined that the agency did purchase surplus food from a private food bank in Wichita and resold the food to clients, former clients, and other individuals. The auditors could not find documentation to support the statement that the agency resold food to unauthorized individuals. Because the agency did not maintain records indicating actual amounts sold to individual clients, the auditors could not determine if clients were charged more than cost for food. Agency officials did indicate that individuals purchasing food were also charged a \$5 transportation fee.

**Recommendation:** For surplus food sold to clients and any other individuals, the agency should document the purchasers' qualifications for receiving food and should record actual amounts of food resold to individuals.

\* \* \*

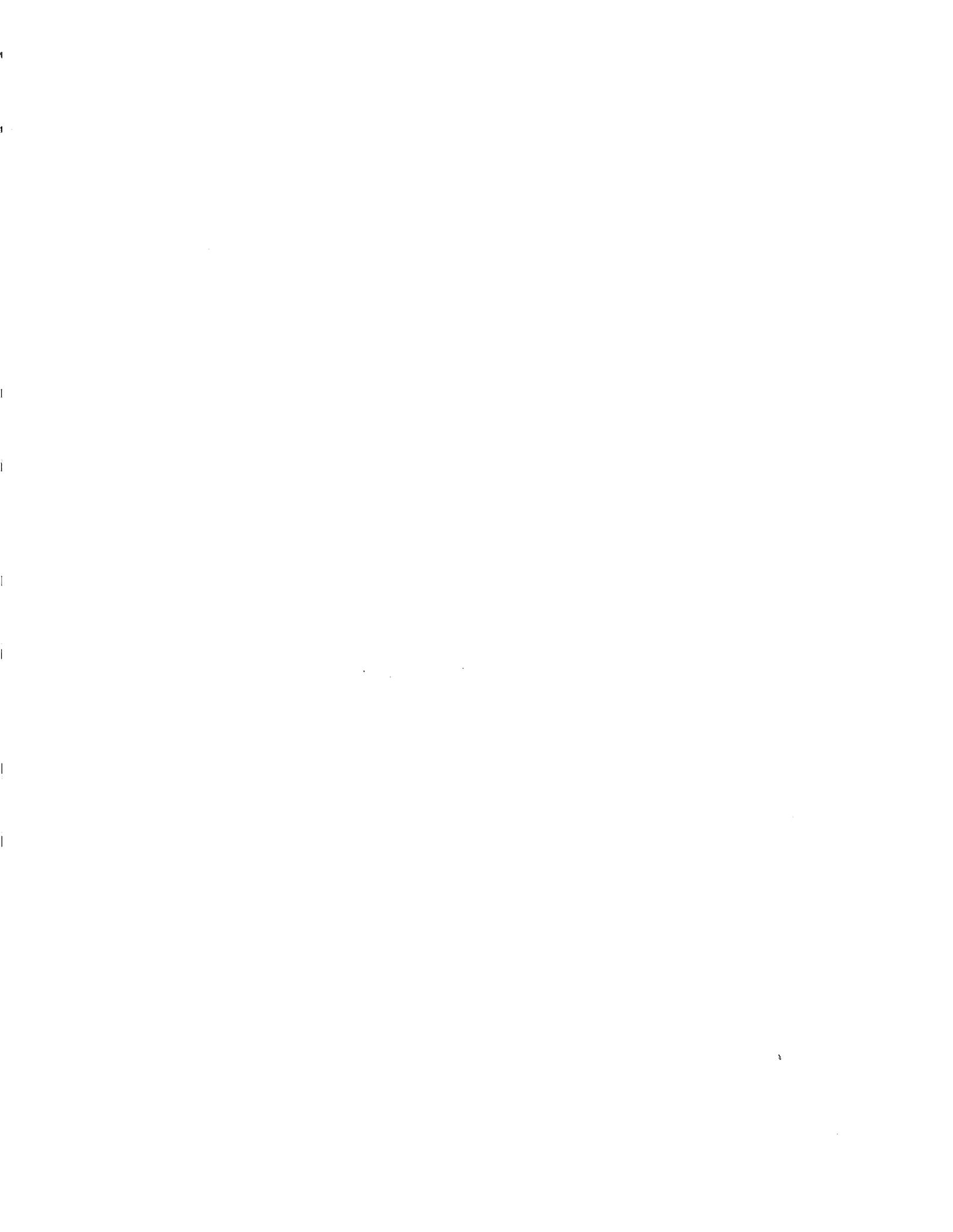
**Allegation:** One client was moved into a house owned personally by the agency's administrator prior to receiving a large settlement check from the Social Security Administration.

**Auditors' findings:** The auditors found that this client lived in one of the agency's group living units until mid-July 1986. In July, the client moved to an independent apartment, and by September 1986 the client had moved into a house owned by the administrator. In March 1987, the client received a \$4,000 settlement check from the Social Security Administration. The check was deposited into the client's checking account, and receipts on file at the agency indicate the client spent most of the funds on furniture, clothing, and recreational items. The auditors were unable to determine whether the move was related to the receipt of the funds.

## APPENDIX A

### Sample of Community-Based Agencies Providing Services To Handicapped Adults

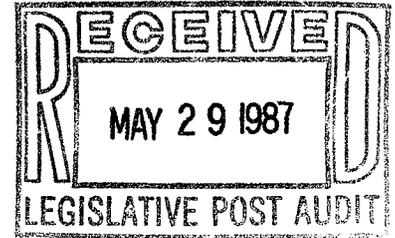
<u>Agency Name</u>	<u>Licensed Programs</u>	<u>Location of Facilities</u>	<u>Maximum Client Capacity</u>
COF Training Services	Work Activity	Ottawa	55
		Osage City	20
	Adult Life Skills Training	Ottawa	25
		Osage City	15
	Group Living	Ottawa	44
		Osage City	24
	Semi-Independent Living	Ottawa	6
		Osage City	3
<b>Cowley County Developmental Services</b>	<b>Work Activity</b>	<b>Strother Field</b>	<b>105</b>
	<b>Adult Life Skills Training</b>	<b>Strother Field</b>	<b>15</b>
	<b>Group Living</b>	<b>Arkansas City</b>	<b>45</b>
Developmental Services of Northwest Kansas	Work Activity	Hays	84
		Hill City	15
		Atwood	35
	Vocational Evaluation	Hays	60
		Hill City	32
	Group Living	Hill City	11
		Atwood	20
	Semi-Independent Living	Hays	20
Atwood		13	
Independent Living	(various locations)	50	
Nemaha County Training Center	Work Activity	Seneca	34
		Sabetha	34
	Group Living	Seneca	7
		Sabetha	7
Occupational Center of Central Kansas	Work Activity, Work Adjustment, & Vocational Evaluation (combined)	Salina	110
		Concordia	30
		Beloit	30
	Work Activity (only)	Salina	30
		Concordia	15
		Beloit	15
		Abilene	15
Independent Living			
Starkey Developmental Center	Work Activity	Wichita	145
	Group Living	Wichita	63



## **APPENDIX B**

### **Agency Responses**

On May 26, 1987, a copy of the draft audit report was sent to Cowley County Developmental Services and the Department of Social and Rehabilitation Services for review and comment. The written responses are included in this appendix.



STATE OF KANSAS

*Mike Hayden, Governor*

STATE DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

MENTAL HEALTH AND  
RETARDATION SERVICES

ROBERT C. HARDER, SECRETARY

May 28, 1987

STATE OFFICE BUILDING  
TOPEKA, KANSAS 66612-1570  
(913) 296-3774  
KANS-A-N 561-3774

Meredith Williams  
Legislative Post Auditor  
Legislative Division of Post Audit  
109 West 9th, Suite 301  
Topeka, Kansas 66612-1285

Dear Mr. Williams:

Social and Rehabilitation Services (SRS) staff have reviewed the draft copy of the performance audit report, Regulation and Operation of Cowley County Developmental Services. At this time we are responding to the two recommendations for SRS follow-up:

The page 7 recommendation indicates that SRS should establish a systematic procedure for monitoring complaints. Please be assured that abuse complaints are monitored according to the statutory requirement of K.S.A. 39-1401 - 1410, 39-1421 - 1429 (Adult Services Manual Chapter 3). Other issues or concerns that are not considered to be abusive in nature have not routinely been reviewed by Central Office Staff. SRS will review with provider agencies the existing policies and rules and regulations relating to those complaints and will make needed revisions or additions to deal appropriately with those concerns.

The page 12, item 4 recommendation indicates a need to adopt a standard, written policy, regarding community-based agencies and their procedures for handling client funds. SRS will again work with community-based agencies in identifying a system which meets client needs, is workable and which provides documentation for audit requirements. SRS will then distribute a policy memorandum to insure that all community-based agencies are appropriately informed.

We would also like to note a need for a correction on page 3 regarding staff qualifications, i.e., full-time personnel who work directly with clients must receive 15 hours of in-service training per year. Other staff are required to have six hours of in-service training per year.

Again, thanks for giving us the opportunity to comment and please be assured that SRS is willing to cooperate in correcting the identified deficiencies.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert C. Harder".

Robert C. Harder  
Secretary

June 01, 1987

**TO WHOM IT MAY CONCERN:**

I was requested on behalf of the board of directors to respond as secretary for the board to make a statement regarding the legislative eight weeks post audit that was conducted of CCDS. The recommendations of the post audit group will be used by the board of directors as guidelines for the restructuring and re-organization of our agency. The board of directors have actively been involved in setting up a policy and procedures manual which has also been reviewed by the local SRS licensing and monitoring team for their comments for the very first time. This will eliminate a number of the questionable areas and establish specific policies and procedures which agency personnel will follow.

CCDS recently under went major changes due to doubling the present facility size and its movement into the computer age. Along with the growth in size, the agency realizes that there must be brought about a growth in managerial and operational structure. Individuals who have expertise in other areas of management may need to be better utilized in other departments. Personnel who do not have the capabilities to handle new responsibilities and new ways of management may need to be re-assigned. The board is aware of this problem and is in the process of reassessing staff structure.

The board of directors has increased board meetings to meet twice a month or more if necessary to assure that all problem areas or any areas in question are dealt with. The newly appointed board of directors that have been added have the necessary time and professional talent which will be an added asset. For example, the board recently nominated Mr. Rod Franz, who is the Director of Administration for the City of Arkansas City. Mr. Franz has numerous years of administrative and budgeting experience both in the public and private sector. Another new member includes Mrs. Pam Chilson teacher and coordinator for the Cowley County Special Services Cooperative. Mrs. Chilson has previous background experience in serving as the board of director for a community based program.

The board has decided to increase the number of board members from a seven member board to a nine member board. Other nominees for the board include Mr. Charles McKinley/Installment Loan Officer and Cashier for Union State Bank of Arkansas City, and Mr. Don Moore of Winfield, who spent 26 years as director of nursing in mental health and retardation hospitals in Oklahoma and Kansas. This would increase our present board of seven to nine.

The board of directors has recently set up an advisory council which is headed by Jim Salomon/President of Gordon-Piatt Energy Group located at Strother Field. The council will be made up of community leaders, industrial leaders and other professionals who have the time and interest in promoting and developing CCDS.

A PATH (parent/professional advocating for the handicapped) group has been formed and is independently run separate from CCDS for the purpose of working with parents, new clients, or participants in any of CCDS programs which are in need of advocacy or advise and assistance concerning questions about CCDS and its operations. This group intervenes on part of parents or participants when questions arise concerning the facility.

The board of directors new approach to new problem areas is to act and not react.

Sincerely,



**Wanda Williams**  
**Secretary of the Board of**  
**Directors / Cowley County**  
**Developmental Services, Inc.**