

October 21, 1991

Dear Legislator:

We have completed our report, Group Homes for the Mentally Disabled (Report #91-09). The purpose of this letter is to provide you with a brief digest of that report.

This audit was performed at the request of Representative David M. Jones in response to a complaint brought to him. The complaint stated that mentally disabled clients in one provider's care were being abused and that their funds were being misused. While we found no instances of abuse to clients and no evidence of fraud or intentional misuse of client funds, we did find that some providers lack controls to safeguard client funds. Controls detect misuse of funds, as evidenced by several providers with good controls reporting that they detected cases of employee misuse of client funds. Although these cases did not involve large dollar amounts, they do point out the fact that client funds are subject to misuse. In addition to noting the need for appropriate controls, our audit found that the financial benefit of clients living in subsidized public housing may be accruing to some providers rather than to the clients or to the group home program.

The Department of Human Services (DHS) contracts with organizations to provide treatment and residential services to mentally disabled persons. The organizations are called providers and the mentally disabled are termed clients. Statewide, 21 providers care for 723 clients. The department pays for client treatment, using one-fourth appropriated state funds and three-fourths Medicaid funds. Clients pay for residential services (room and board), typically using Social Security Supplemental Security Insurance (SSI) funds.

The following summaries identify the most significant findings and conclusions of the audit:

No Client Abuse Found. We found no evidence of client abuse by either the provider against whom the complaint was brought or other providers. To investigate the complaint that clients did not have adequate food or clothing and lived in unsanitary conditions, we made unannounced dinner-hour visits to a large number of homes and supervised apartments operated by approximately one-third of the contract providers. All homes, apartments, and yards were clean. Each client had his or her own space and personal hygiene items. All homes had sufficient food supplies and nearly all had weekly menus displayed. In all instances, food corresponded to the menus, and trainers and clients were preparing for dinner.

Department of Human Services Needs to Assure Better Controls. Our audit found no evidence of fraud or intentional misuse of client funds. However, because of the degree of risk,

the department should require providers to maintain adequate controls to protect client funds, both those in their personal accounts and those that are paid to the provider for residential services. Adequate controls are necessary because clients are limited in their ability to deal with money matters. The provider against whom the complaint was brought had fewer control problems than many other providers, and in fact is not one of those specifically discussed in the report, probably because of the department's extensive audits of that provider due to previous complaints.

Department Needs Policy on Subsidized Housing for Clients. Group home providers who house clients in subsidized public housing rather than in market rentals or purchased facilities realize a direct financial benefit. While some of these providers use all or most of the benefit to subsidize other clients living in nonpublic housing, others do not. DHS needs to investigate how providers are using the subsidized housing benefit and develop a policy addressing its equitable use: whether it should accrue to the provider, the client, or the group home and supervised apartment program in general. We found that providers who purchase homes or apartments do not derive any significant benefit from client or state funds.

We hope this summary provides you with the information you need. If you have additional questions, please let us know. If you would like a copy of the full report, please contact our office.

Sincerely,

Wayne L. Welsh
Auditor General