



## COUNTY OF WINNEBAGO

Office of the County Auditor

**WILLIAM D. CROWLEY**  
County Auditor  
Phone (815) 319-4206  
bcrowley@wincoil.us

**County Administration Building**  
404 Elm Street, Room 201  
Rockford, Illinois 61101

December 19<sup>th</sup>, 2022

To: Patricia Mcdiarmid, River Bluff Nursing Home Administrator

From: William D. Crowley, Winnebago County Auditor

Re: River Bluff Nursing Home resident trust accounting

The purpose of this letter is to communicate certain issues relating to resident resources held in trust by River Bluff Nursing Home.

In the spring of 2022, David Rickert, Winnebago County CFO requested that the County Auditor's Office review and perform certain procedures relating to the funds held in trust by River Bluff Nursing Home on behalf of the residents. Work began in April of 2022. The nursing home business office has been very friendly and courteous but has been exceptionally slow in providing information and following up on questions during this review process. Our observation is that the business office staff is disorganized and completely overwhelmed with day-to-day job responsibilities.

We are fully aware that staffing issues have only intensified recently and as a result we have decided to put completion of our audit on hold but also communicate directly to you our observations. The procedures that we were able to complete sufficiently identified significant problem areas. Under normal circumstances we would expand our testing to dig further into these problem areas to provide additional assurance that fraud is not present or that procedures are being followed. With the current staffing issues and poor recordkeeping present at the nursing home, requesting additional documentation from increased samples would likely be unproductive.

While our audit did not specifically identify fraudulent activity relating to resident funds held in trust, we noted that the overall control environment was poor and in our assessment would be unlikely to prevent fraud. We noted a variety of issues as part of our review as follows:

- The nursing home is not maintaining segregation of duties regarding resident funds sufficient to prevent theft or fraud. The functions of recordkeeping, custody and authorization for resident funds should be strictly segregated which is not currently the case.
- Bank reconciliations haven't been performed for months or even years. We were able to prepare our own basic reconciliation which resulted in a difference of approximately \$2,000 between the general ledger and bank. However, there still could be other reconciling items such as very old outstanding checks that ordinarily would be tracked had management been preparing monthly reconciliations. Management was unable to resolve or explain any differences.
- Similar to bank reconciliations, amounts held in trust by residents are not reconciled to the general ledger or bank balances. Balances by resident, as provided by nursing home staff, were within \$2,000 our aforementioned bank reconciliation. Management was unable to resolve or explain any differences.
- Support for individual transactions from the trust account needs improvement. The Auditor's Office selected 50 transactions for review. The quality of response we received varied but all fell into the following categories:
  1. A supporting invoice was attached but generally didn't include any written approvals from the resident or nursing home staff.



## COUNTY OF WINNEBAGO

Office of the County Auditor

**WILLIAM D. CROWLEY**  
County Auditor  
Phone (815) 319-4206  
bcrowley@wincoil.us

**County Administration Building**  
404 Elm Street, Room 201  
Rockford, Illinois 61101

2. Copies of cancelled checks with no attached invoice or approvals.
  3. No support was provided
- We requested support or explanations regarding transactions from resident accounts after move-out dates. We received cancelled checks printed from the banks website but no actual support maintained by River Bluff. These amounts were relatively small but it is concerning that management was unable to produce support.
  - Amounts for residents held in trust aren't being turned over to the power of attorney or estate when resident moves or passes away. As of January 2022 more than 100 former residents had monies on deposit with the nursing home. Many of these amount are small.
  - State law requires the nursing home to acquire written authorization to manage resident funds. We requested this information from River Bluff and it was not received.
  - Several checks listed as outstanding by the nursing home should be turned over to the State of Illinois Treasurer as unclaimed property. Since monthly reconciliations haven't been performed in some time, an effort should be made to verify that these checks are actually still outstanding.
  - State law requires funds be deposited in an interest bearing account. No effort is being made to generate interest on funds and there is no interest allocation policy. This is probably a bigger issue now than in previous years as interest rates have risen recently.
  - Management indicated that no documented policies and procedures exist relating to resident trust dollars. Documented and approved policies and procedures provide explanations and expectations for current or future employees that are trusted with resident funds.

Please let me know if you have any questions.