

**THE MYSTERY OF THE UNKNOWN PPI**

INVESTIGATING MISAPPROPRIATION MUIS

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**Today's Presenters**



**Jerry Cannon**  
Forensic Auditor  
Cuyahoga CCBOO



**Chuck Davis**  
Regional Manager, MUI  
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**Carol Easton**  
Investigator, MUI  
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**Objectives:**

- Introduction and review of misappropriation data
- Learn about Red Flags (causes and contributing factors)
- Explore strategies to determine the PPI
- Case Reviews
- Discuss effective prevention planning
- Review new Personal Funds review

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### Common Items Taken

- Cash
- Medications
- I-pads and I-pods
- Cell phones
- Gaming Systems and Games
- Food stamps
- Groceries
- Paper Products/Laundry Supplies
- Clothes
- Furniture
- DVDs and VCR tapes
- Identity
- Small Appliances
- Books and magazines

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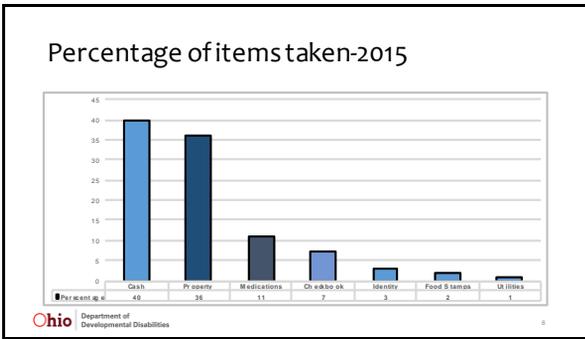
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### Reasons for increase in unknown PPIs



- Multiple sources for thefts
- Staff are trusted and receive little oversight i.e. grooming
- Increase in drug epidemic in Ohio
- Increased complexity and creativity
- Thorough Investigations take time and we are all busy
- Lots of people with access
- Staff running short of funds
- No checks and balances so theft goes undetected for long periods of time making it hard to determine who took it

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### What's in it for Served Individual?



- Identify problem and expect restitution from someone: family, staff, service agency, etc. (if possible)
- Someone stealing your possessions or cash is very disheartening
- Show the person served the respect due them by
  - 1) acknowledging the theft
  - 2) making honest effort to solve it
- The investigation should help establish appropriate & inappropriate use of the individual's personal funds

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### What's in it for Provider?



- Repeated "Unknown" PPI investigations may reveal a systemic problem.
- Provider should create a plan of action from this MUI with effective and efficient changes that can be applied to other households agency wide thus avoiding future losses
- Investigations will send not only a positive but an authoritative message to reducing these types of incidents/no tolerance approach
- Maintaining poor tracking systems will jeopardize a person/company's ability to be a Social Security Representative Payee.

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### What's in it for the Investigative Agent?



- While investigating the PPI may confess or investigator may learn the identity through a whistleblower who was afraid to report their suspicions to their employer
- Gives opportunity to explain and offer proven resources, supports, and services to providers and law enforcement
- Build and strengthen relationships with providers, retailers, law enforcement, and Prosecutor's office

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## Red flags of misappropriation causes and contributing factors

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### Red Flags



#### Large Amounts of Cash

- Temptation for staff to start their own payday loan situation
- The provider agency should establish a maximum amount of cash to be kept on-hand for each individual. Any amount above that amount should be re-deposited into the SI's (Served Individual's) bank if not used within 3 days

#### Allowances

- Sometimes we find the weekly/daily allowances are actually higher or lower than specified in ISP. The ISP team should be notified of any substantial changes

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### Red Flags



#### Utilities

- Paid every other month or paid multiple times per month
- Paid in smaller than reasonable/even dollar amounts
- Person moved out and direct care person moved into same apartment - left utilities on in that SI's name and initial deposit

#### Dining Out

- SI's records show lots of eating out then there would be a reduction in groceries purchased
- Staff or Provider should pay for staff's expenses

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## Red Flags

### Phone Expenses

- Served individuals should pay an equal portion of the base charges
- Served individuals in congregate setting should never pay long distance equally - they should only pay for calls made by them personally. Example - provider has automated time clock by phone with a long distance number
- In congregate setting provider must maintain long distance phone log if they intend to have any SI pay for charges (unless a number is listed in the ISP - example: out of town family)

### Cable TV Movies (Movie Rental)

- Are the movies for the SI's benefit or is it really staff's
- Are the movies appropriate for all SIs in a group setting

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## Red Flags

### Food Stamps (Ohio Direct Card)

- Benefit received but not listed on ISP (nobody misses the theft) - no ledger
- Employee uses for personal use - no ledger
- SI does not always get \$ value to offset total food purchased in congregate setting

### Food Stamps (Ohio)

- Cash Benefit received but not listed on ISP (nobody misses the theft) - no ledger
- Should be direct deposited into their checking account to be tracked with all other income

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## Red Flags

### Banking / Checking Ledgers/ Cash ledgers

- All cash coming out of bank should go directly onto a cash ledger

### Groceries and Supplies

- Staff may be eating served individual's food
- Staff may be overbuying to take to their personal homes
- Staff may be overcooking to bring leftovers to personal home
- Toilet paper, laundry detergent and other cleaning supplies are purchased multiple times a month




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### Red Flags



#### Gift/Store prepay cards

- Staff buying store/restaurant gift cards and **not** using 100% for SI benefit. This can be an easy way to hide expenditures.
- Each gift card should have its own ledger with all receipts attached to show the declining balance

#### Home Parties

- Jewelry, Amway, Tupperware, Avon, etc... parties with provider staff receiving benefit from hosting the party is probably inappropriate
- Provider staff may have undue influence on purchases

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### Red Flags



#### Other

- Direct care or provider agency as life insurance beneficiary is totally inappropriate
- Paying life insurance premiums should not diminish standard of living for person served
- Burial policies will contain two elements
  - 1) a funeral home will be listed as the beneficiary and
  - 2) the policy must be **irrevocable**

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### Red Flags



#### Gambling trips with provider staff receiving benefit from hosting trip

- SI may not want to go on a gambling trip (no interest, does not understand, may have moral objections, or does not like the noise of crowds)
- A promise of bowling to trick SI into going on trip
- Temptation is great for staff not to report the winnings of the SI

#### Trips

- SI should not be expected to pay more than their equal portion of a trip expenses for common expenses.
- If 4 SIs go then each should pay for 1/4 of all common expenses.
- Provider should prepare budget for ISP team approval prior to making trip.

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## Red Flags

### Charitable Contributions

- If the provider of service is a non-profit, it is a conflict of interest for the agency to accept donations from the SIs personal funds
- SIs family can donate (unless coerced)
- The issue of religious contributions should be addressed in ISP

### Buying corporate expense items with SI monies

- Gas for corporate or direct care provider van/car
- Fax machine, internet connection (unless SI can and will use). In congregate settings each person's potential use must be considered in the sharing of these expenses. If this is for corporate use only (example: phone automated time clock) then the entire cost must be paid by the provider
- Office supplies, equipment, and maintenance tools

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## Red Flags

### Back to school shopping

- Children's shoes & clothing (July, August)
- Office supplies (pens, paper, backpacks)

### Gifts

- No birthday, wedding, or Christmas gifts for **staff** - paid for with SI's funds
- Extravagant gifts given to SI family without reciprocal gifts: (example: one provider (at the mother's request) was buying 8 \$20 gift cards each year for SI's cousin's birthdays. Mother would send gift card and birthday card during the year. SI was getting nothing back from cousins (if they exist) on his own birthday

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## Red Flags

### Staff Reimbursements

- Staff being reimbursed from SI personal funds, best practice is to avoid, if it must happen check must be approved and signed off by management
- The receipt must be clean & produced by a vendor - no hand written receipt signed by recipient

### Staff secretly living in the home

- Not permitted without prior ISP team approval and without the SIs getting proportionate expense relief
- Typically this arrangement would need to be converted to a foster setting

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### Red Flags

#### Medications

- Cards punched out in wrong order/days
- Medications changed out with other medications/over the counter medications
- Person taking SI on appointments advocating for pain medications
- Staff requesting refills when not authorized to
- Missing medications (bottles-cards)
- Staff taking same medications




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### Pinpointing the PPI

- Make a time line of events to best determine when theft occurred (use bank statements, medication records, receipts and other records)
- Review the staff scheduled during these times
- Do not fall into common traps i.e. "He or she always lies" or "Chuck is a good staff person and would never do anything like that"




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### Pinpointing the PPI

- Is there an employee who is always losing financial documentation? Turning in receipts late?
- Review normal expenditures - establish what is a typical spending pattern so you can see when staff are spending outside
- Are purchases occurring at stores and restaurants that the individual does not frequent but is near a staff's home




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### Cleveland man, Euclid woman accused of stealing from developmentally disabled clients

Richard Ashe, 44, of Cleveland, and Candice Martin, 43, of Euclid, pleaded guilty Monday to engaging in a pattern of corrupt activity and theft. He will be sentenced Dec. 8. Martin's trial was reset for Nov. 29 on 90 charges of corrupt activity, conspiracy, theft, telecommunications fraud, tampering with evidence and money laundering. Doing business as Serenity New Age, they ran several group homes in Cuyahoga County in 2007 through 2010 and stole \$153,441 in state and county funding for 12 developmentally-disabled clients and billed the county out of \$8,784 by inflating the rent of a group home, prosecutor's spokeswoman Maria Russo said.



[http://www.newsnet5.com/dpp/news/local\\_news/cleveland\\_metro/Two-accused-of-stealing-more-than-100000-from-group-home-clients](http://www.newsnet5.com/dpp/news/local_news/cleveland_metro/Two-accused-of-stealing-more-than-100000-from-group-home-clients)

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### Specifics of case-Ashe and Martin

- Lot's of gambling trips and frivolous spending
- Stole entitlements, county subsidies, wages, food stamp monies, etc... Over \$125,000
- PPIs created and presented 70 falsified bank statements in an audit
- Tremendous amount of bank transfers in and out of the individual's custodial accounts.
- Used the served individual's custodial bank accounts for the corporate and personal expenses.
- 4 years in prison

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### Irene Schultz sentenced to four years for theft from disabled women

By Michael Sangiacomo  
April 23, 2013, 9:59AM

CLEVELAND — Cuyahoga County Common Pleas Court Judge Richard McMonagle sentenced Irene Schultz to four years in prison Wednesday after she pleaded guilty to theft from disabled adults. Schultz, 56, of Brooklyn, stole more than \$38,000 from two mentally disabled sisters who had entrusted her with the upkeep and maintenance of their daily finances, prosecutor's spokesman Ryan Miday said. The sisters, 58 and 55, gave Schultz power-of-attorney access to their affairs Sept. 12, 2001. "Schultz had a failing business, Mad Labs Customs Automotive, which has since gone bankrupt," Miday said. "At least \$5,150 was taken from one of the victim's accounts and deposited into a Mad Labs account." Schultz also wrote checks for herself using public assistance money the sisters received. Schultz refinanced the sisters' home on April 24, 2002, and received \$59,600 from Wells Fargo. She deceived the sisters into signing the paperwork and didn't make the mortgage payments, Miday said.

[http://blog.cleveland.com/metro/2013/04/irene\\_schultz\\_senten\\_cad\\_to\\_four.html](http://blog.cleveland.com/metro/2013/04/irene_schultz_senten_cad_to_four.html)

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### Specifics of case-Irene Shultz

- This was a trusted neighbor who just wanted to help – for free
- Two impaired ladies' father died leaving them \$20,000 cash and a house with a \$20,000 mortgage owing. One sister working at a hotel laundry to support both ladies
- We have no accounting for the initial \$20,000 cash, Ms. Shultz refinanced the house 4 times to bring the mortgage up to \$17,000 when it went into default
- Ms. Shultz obtained two VISA cards issued in one of the lady's name with \$25,000 limits
- Ms. Shultz started a car repair shop and paid for parts with stolen credit cards, charged for repairs and used a small portion of the proceeds to pay the minimum on the credit cards
- Actual sentence - 4 year prison, court awarded \$87,000 (civil judgment), PPI is currently out of prison, on probation and paying restitution of \$650 a month

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### Success stories



Minimize the risks for all involved

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### Prevention Planning

- Ensure Individuals served are educated about how to protect their property and financial information
- Vary your auditing practices (not same date every month for spot checks)
- Establish track record of holding individuals accountable who are found to have committed Misappropriation
- Always verify large purchases
- Encourage reporting of any suspicious transactions or activity

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## Prevention Planning

- Use team approach to investigate possible suspicious situations to minimize loss and be proactive
- Look for additional victims from same PPI
- Think of non-traditional ways misappropriation could take place with our individuals based on individual circumstances
- Use these as opportunities to build relationships with Law Enforcement and the Prosecutor's Office.

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## Personal Funds Rule

O.A.C. 5123-2-2-07 Personal Funds of the Individual will go into effect October 1, 2016.

Rule applies to all providers

<http://dodd.ohio.gov/RulesLaws/Documents/5123-2-2-07%20Effective%202016-10-01.pdf>

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## Questions and Comments



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