



[Nursing homes' broken trust](#)

Thousands of elderly residents like Mary Foster Lewis have trusted their savings to long-term care facilities — only to have employees like Lee Martin, right, steal or mismanage the money.

Peter Eisler, USA TODAY

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The administrator at the Vicksburg Convalescent Center knew something was wrong when she saw the receipt: a \$90 debit from a resident's trust fund account for a pair of designer jeans.

Of all the elderly residents at the 100-bed nursing home, Amy Brown figured, this one was especially unlikely to spend his savings on pricey pants. Both of his legs had been amputated.

Brown pored over the trust fund books. There were receipts to back up every charge, so audits had found nothing amiss. But she spotted "receipts for things I knew the residents wouldn't buy" — North Face jackets and Ugg boots, hair dryers and makeup, even a baseball bat. "I felt sick," Brown recalls.

Suspicious fell on Lee Martin, an office staffer at the Mississippi facility and an affiliated nursing home across town. Martin was charged in 2012 with billing \$101,000 in personal expenses to the trust accounts of 83 residents at the two facilities. She pleaded guilty in August to multiple counts of exploitation of vulnerable adults.

"These (residents) are vulnerable; the nursing home is supposed to take care of them," says Phyllis Foster, 67, whose 89-year-old mother-in-law had funds embezzled by Martin. "I was surprised there wasn't more oversight."

Thousands of residents in U.S. nursing homes and other long-term care institutions for the aged and disabled have had their personal savings raided or mismanaged after relying on the facilities to safeguard the money in special trust fund accounts, a USA TODAY investigation shows.

These trust funds, which most long-term care providers are required to maintain for residents who request that the facility handle their money, are supposed to work like conventional bank accounts, with accrued interest, regular statements and reliable oversight. But USA TODAY found more than 1,500 recent cases in which nursing homes have been cited by state and federal regulators for mishandling the funds.

In scores of cases, employees or administrators siphoned huge sums of money from trust accounts — hundreds of thousands of dollars in some instances — for everything from shopping and gambling sprees to routine household expenses. In hundreds more cases, facilities failed to pay interest on the funds, could not account for their holdings, or did not carry adequate insurance to protect the money from loss or theft.

The investigation spotlights a growing problem that has caught the attention of state attorneys general, several of whom have beefed up units that investigate financial exploitation in long-term care. Yet the problems continue, and there could be far more thieves who never get caught.

Trust fund cases "can be hard to detect," says Lori Smetanka, head of the National Long-Term Care Ombudsman Resource Center. "It can take a long time before anyone figures out that someone is stealing the money ... I think a lot of cases don't even get picked up."

When a case does come to light, victimized residents usually get reimbursed because nursing homes are supposed to keep the trust funds insured. But the worry, confusion and emotional damage often linger on. Officials at the Centers for Medicare and Medicaid Services, the agency that regulates the nation's nearly 16,000 nursing homes, were unavailable to comment due to the federal government shutdown. But many state officials acknowledge that trust fund thefts and mismanagement are a growing problem that gets insufficient attention.

"I do think there's an oversight issue ... There aren't a lot of safe guards," says Ken Moore, a senior assistant attorney general in South Carolina's Medicaid Fraud Control Unit.

"A lot of these cases involve an office manager or a business or finance manager, and they're the only ones at the facility who really know how much money is coming in and going out," Moore adds. "A lot of these people get caught just by happenstance."

In 2010, Moore's office convicted a nursing home business manager who was caught forging trust fund checks after she dropped one in the facility's parking lot. A co-worker found it, triggering an investigation that revealed the theft of \$50,000 in residents' funds. "If she hadn't dropped that envelope," Moore says, "I'm not sure she ever would have been caught."

WHAT WE FOUND

USA TODAY reviewed thousands of pages of nursing home inspection records, court files and prosecution reports to identify cases of resident trust funds being mismanaged or stolen. The newspaper also studied government data and spoke with dozens of experts to assess the problem's scope and impact. Key findings:

Since 2010, state and federal inspectors cited more than 1,500 nursing homes for mismanaging trust funds or failing to protect them from theft, according to USA TODAY's analysis of data from the Centers for Medicare and Medicaid Services, the federal agency that regulates nursing homes. Most "deficiencies" involved failing to pay interest, inadequate accounting or not giving residents proper access to their money.

Among more than 100 prosecutions of employees who stole from trust funds at long-term care facilities, the newspaper found, more than 30% involved thefts of tens of thousands of dollars or more. Most cases involved funds for multiple residents, so thousands of elderly residents and their families were affected. At least 10 thefts exceeded \$100,000.

Lax oversight often allows trust fund thieves to operate for months, even years, without detection. While federal regulations require all nursing homes that participate in Medicare and Medicaid to maintain trust fund accounts, the rules do not mandate any sort of regular, independent audits. Some states have imposed such mandates on their own, but many have not.

State and federal inspections at nursing homes and other long-term care facilities typically focus on resident health and safety, devoting relatively little scrutiny to the security of resident trust funds. USA TODAY surveyed 36 state and local ombudsmen and 32 of them — nearly 90% — said tighter oversight is needed, either through new regulations or better enforcement of existing rules.

"These crimes are clearly crimes of opportunity," the office of Texas Attorney General Greg Abbott said in written comments. "The last thing (these residents) should have to worry about is getting ripped off by the very people they've entrusted with their care."

Nursing home operators note that thefts of trust fund money hurt everyone, including the facilities. When accounts are raided, the nursing home is left to repair the damage, make up for any shortage of funds not covered by insurance, and seek restitution.

“It doesn’t happen very often and when it does, it’s tragic,” says Greg Crist of the American Health Care Association, an industry trade group. “There are restrictions on how we collect, hold and disperse these funds.... But even in light of that, there are people who are able to game the system.”

ANATOMY OF A SCAM

Lee Martin knew exactly how to cover her tracks.

Like many nursing homes, Vicksburg Convalescent keeps trust funds in a single account. A resident’s money is deposited there — everything from Social Security and pension checks to money sent by relatives — and the resident can tap the account to pay for care and incidentals.

And like many nursing homes, a single person — Martin — managed all aspects of the account. When residents or their guardians needed to pay for something, Martin issued checks and recorded the receipts. When residents had bills from the nursing home, she transferred the funds. When the books needed to be reconciled, she took care of that, too.

“She knew how everything worked,” says Brown, the administrator of the home, which gets high ratings for care. “She’d been here a long time.... I trusted her totally.”

Martin began billing personal purchases to the trust funds in 2010, disguising her receipts as resident expenses, court records show. Her thefts spanned nearly a year, victimizing residents at both Vicksburg Convalescent and its sister facility, Shady Lawn Health and Rehabilitation, where she also managed trust funds. She issued herself dozens of reimbursement checks, ranging from just over \$100 to upward of \$3,000.

Martin often targeted residents who “didn’t have family (monitoring their finances) or who maybe had a little dementia,” Brown says. “She did a really good job of hiding what she was doing.” Efforts to reach Martin for comment were unsuccessful.

THE OVERSIGHT GAP

Regulators often cite nursing homes for mishandling residents’ funds, but it isn’t the type of oversight that’s likely to catch a thief.

Annual nursing home “surveys” are governed by federal standards, but the inspections usually are delegated to state health departments

“A lot of the time, these are nurses doing the surveys, so they’re geared towards making health assessments,” says Patricia McGinnis of California Advocates for Nursing Home Reform. “They’re not trained in forensic accounting.”

Federal guidelines direct surveyors to check with nursing home management and residents to confirm that trust accounts are provided and residents receive interest and regular statements. They verify that facilities have surety bonds to protect trust accounts and make sure accounts of the deceased are closed properly.

Overseeing the funds and satisfying all the rules “can be a challenge” for nursing home administrators, says the industry association’s Crist.

“Their training is in health care management and health care delivery, not so much in accounting,” Crist says. “They have to place a certain amount of trust in everyone who has their own job to do ... and that includes (business) office staff.”

Catching a skilled thief often is more a matter of luck than diligence.

Judy Putman's thefts from resident trust funds at the Renfro Health Care Center in Waxahachie, Texas, weren't discovered until a local bank caught her cashing a check on the account with a signature that didn't match bank records. She was charged with forging 145 checks, taking more than \$350,000 from 110 residents. She pleaded guilty in 2007 to misapplication of fiduciary property.

THE SCHEME UNRAVELS

Lee Martin got careless.

By the time she was caught, she was skimming increasingly large sums from the resident trust account. She escaped detection during a partial audit by state surveyors. But the nursing home's operators had noticed that residents who should have had plenty of money were falling behind in paying bills for their care.

"We'd switched to a new computer (accounting) system, so when we saw that some of these accounts had fallen behind, we were trying to drill down, trying to figure out if we were using the system correctly," recalls Brown, the administrator. "But we never suspected what was happening."

One day, Brown went into the business office and noticed a check on the printer — a petty cash check drawn on the trust fund of the resident who had lost his legs. Brown checked the receipt.

"It was for a \$90 pair of designer jeans ... and I thought, 'Why would he want that?' So I started going through books ... (and realized) 'Oh my gosh, she wouldn't buy this, he wouldn't buy that.' And it just hit me. I immediately put a hold on everything and called the authorities."

Teresa Mathews, an auditor who worked on the case for the Mississippi attorney general, served previously at the state agency that inspects nursing homes. At Martin's pre-sentencing hearing, the judge sought her views on trust fund thefts:

Q: Is this prevalent around the state, how this scheme works? ... It seems like it's an easy scheme for someone (who) has that much trust.

A: Yes, sir.

Q: Isn't there some oversights that should be in place ... mandated by the state?

A: Well ... each nursing home, it is their responsibility to enforce internal controls and oversights. But, yes, there should be some (more) oversights.

ABSENCE OF SCRUTINY

Mississippi's oversight of resident trust funds is tougher than the norm.

Federal rules do not require nursing homes to audit trust fund accounts. Some states — including Mississippi — do partial or occasional audits during their inspections, and some nursing home operators do their own audits. But at many nursing homes, trust funds are not subject to any independent accounting.

"Most businesses have regular audits. That should just be part of a nursing home's regular operating costs," says Robyn Grant of the National Consumer Voice for Quality Long-Term Care, a residents' advocacy group. Grant says the failure to require audits even when surveys pick up other problems with trust funds is especially troubling.

In general, the people handling resident trust funds often are among nursing homes' least scrutinized staff. While hands-on caregivers — nurses and nursing assistants — typically must be licensed or certified by the state and able to pass a criminal background check, office staff often are not subject to such requirements.

"I do think there's often a failure to properly oversee the business offices," says Moore, the assistant attorney general in South Carolina.

Crist says his organization has put increased emphasis on training nursing home administrators to watch over their business operations. "The key is awareness," he adds, noting that this also applies to residents' families and guardians. Residents "should be getting regular statements (for trust accounts), and the more that family members can watch these funds and be aware of what's happening with their loved ones, the better."

A SHATTERED TRUST

Staff and residents at Vicksburg Convalescent had their awareness raised the hard way.

At Lee Martin's pre-sentencing hearing, the courtroom filled with more than 50 people affected by her crimes — nursing home residents, family members and facility staff.

Lillian Ann Warfield testified about the impact on her elderly aunt, who remained upset long after her money was returned. "When I come and visit her, she just cries," Warfield said. "She wants to know what is happening to her money."

Others in the crowd held photos of loved ones who were victimized.

Yet some of the most lasting damage may be on the home's staff.

"We all work hard to do the best job we can, so this was just a slap in the face to everyone," Brown says.

These days, Brown manages the trust account herself.

"There are so many major things you deal with at a nursing home, so many things need attention, and this (trust account) just seemed more minor. But it isn't," she says. "You really have to oversee it."

Contributing: Michael Auslen, Morgan

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Nursing home funds could face federal review

Two senators call for inspector general to see if protection is needed

Peter Eisler

USA TODAY

WASHINGTON The chairman of the U.S. Senate Aging Committee requested a federal review Monday to determine whether sufficient oversight is in place to make sure nursing homes properly manage trust funds they are required to maintain to safeguard residents' money.

Sen. Bill Nelson, D-Fla., made the request following a USA TODAY investigation, published last week, which found that thousands of nursing home residents have had their savings stolen or mismanaged while held in the trust accounts. He asked the inspector general at the Department of Health and Human Services to examine whether additional regulatory measures are needed to ensure that the funds are handled and protected appropriately.

USA TODAY's story "revealed an alarming number of cases involving unscrupulous and dishonest employees of nursing homes who siphoned, forged, and swindled millions of dollars from the trust fund accounts of unsuspecting and helpless residents," Nelson wrote. He requested that the IG examine "management and oversight" of the trust funds."

Sen. Chuck Grassley, R-Iowa, echoed the call. "The solutions might be a combination of state, federal and industry initiatives," he said.

Nursing homes and other longterm care providers for the elderly and disabled generally are required to provide and maintain trust funds for residents who request that the facility handle their money. The funds are supposed to work like bank accounts, with accrued interest and regular statements and oversight.

But USA TODAY found more than 1,500 cases since 2010 in which nursing homes were cited by state and federal regulators for mishandling the funds.

The newspaper identified scores of cases in which employees stole hundreds of thousands of dollars in some instances. In hundreds more, facilities failed to pay interest on funds, could not account for their holdings, or did not carry adequate insurance to protect from loss or theft.

Because the money is supposed to be insured, residents whose money is stolen typically get reimbursed. But USA TODAY found that the confusion and emotional damage that residents suffer when their savings are mishandled can linger long after the funds are restored.

The Centers for Medicare and Medicaid Services (CMS), an arm of Health and Human Services that regulates nursing homes, does not require audits of the funds — some states have their own audit mandates, but many do not. And, while the nurses and nurse aides who provide nursing home care typically must be licensed or

certified by the state and able to pass criminal background checks, the office staff who handle trust funds generally are not subject to such requirements.

CMS did not respond to requests for comment.

The American Health Care Association, a nursing home industry group, said in a statement that theft and mismanagement of trust funds is not something it sees often.

“Even so, it is important for all nursing centers to ensure appropriate checks and balances are in place,” the association said. “We support continued efforts to strengthen the regulations and oversight.”

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Limited oversight leads to theft from nursing home trust funds

Background checks aren't required for staffers in several states

Peter Eisler

USA TODAY

WASHINGTON Many states do not require criminal background checks on nursing home staff who manage residents' trust funds, and few demand audits of those accounts — a regulatory gap that contributes to scores of cases in which the money is stolen or mismanaged.

Nearly every state requires background checks for nursing home staff in caregiving roles, but 20 states don't apply that rule to office workers who do not work routinely with patients, a USA TODAY review of state laws finds. Those office employees typically manage the trust accounts that nursing homes must maintain for residents who request that the facility safeguard their money.

In an investigation in October, USA TODAY found that thousands of nursing home residents have had their savings stolen while held in the trust accounts, usually by business managers and other office staff. Because the accounts generally don't have to be audited, the crimes often go undiscovered for months or years, and the thefts can reach hundreds of thousands of dollars.

“Obviously, this is a problem ... and obviously it's one that hasn't been addressed very well,” says Janet Wells, former director of public policy for the National Consumer Voice for Quality Long-Term Care.

Federal rules do not require audits for resident trust fund accounts, and most states take the same approach.

The Centers for Medicare and Medicaid Services, the federal agency responsible for nursing home regulation, is considering whether additional oversight is needed to address theft and mismanagement of residents' funds.

“We are aware of this situation and are reviewing the (inspection) procedures used to detect these kinds of problems,” spokesman Aaron Albright said when asked about USA TODAY's findings.

Greg Crist, senior vice president of the American Health Care Association, a nursing home industry trade group, notes that many nursing home operators audit trust accounts themselves and do background checks on all staff, regardless of their duties. “Several (chains) across the country have made the decision to just build these practices into their business model,” he says.

Nursing homes must maintain a surety bond for trust accounts, Crist says, so any lost or stolen funds are repaid. Still, he says, the association has launched initiatives to improve awareness and oversight of staff who manage the funds.

USA TODAY's investigation identified more than 1,500 cases since 2010 in which inspectors cited nursing homes for mishandling resident trust accounts. The newspaper also found scores of cases in which employees raided the funds for everything from gambling sprees to household bills. Often, the problems could have been avoided or caught sooner if audits and background checks were routine.

Last year, for example, Joseph Feagin was convicted on charges of stealing \$115,000 from resident trust funds as a financial specialist at Wetumpka (Ala.) Health and Rehabilitation Center. Investigators found the facility unaware that he already was on probation for another theft.

This year, Virginia Soules was convicted on charges that she stole \$140,000 from residents' trust funds as an accounting clerk at Meridian Manor in Waterbury, Conn. After the nursing home's office manager discovered suspicious checks, the facility commissioned a forensic audit that revealed Soules' thefts had gone undetected for a year.

Contributing: Morgan Fecto and Dan Singer