Commission on Quality of Care
and Advocacy for Persons with Disabilities

Guest House Community Services, Inc.

June 2010

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EXECUTIVE SUMMARY

Over the years, the Commission has chronicled investigations into fraud, waste, and abuse in the mental hygiene field which have identified problems leading to the misuse of public funds. Key factors have often included poor board governance; strong executive directors who placed personal enrichment over quality of care; the lack of proper internal controls; and independent auditors who are either incompetent or complicit in allowing funds to be misused.

Guest House Community Services, Inc. (GHCS) is an example of an agency that fell short in delivering quality services while enriching board members and the executive director entrusted to run the not-for-profit corporation.

The Commission became involved with GHCS when it received a general complaint about several agencies in the Hudson Valley region of New York State. The complainant alleged that these agencies, which were all connected through either familial or other relationships, were misusing public funds for personal enrichment.

Previously, the Commission conducted a review at one of these agencies -- Europa Associates for Community Services, Inc. -- and found, among many other issues, that the executive director was misappropriating funds for his personal benefit.[1] Based on the Commission's review, the consumers of Europa were eventually transitioned to more appropriate providers by the Office of Mental Retardation and Developmental Disabilities (OMRDD). One of the initial directors of Europa was also a founding director of GHCS.

The Commission's review of GHCS found a number of instances of apparent fraud, waste and abuse which included:

- More than $132,000 in Medicaid funds was misappropriated from the agency.

- More than $168,000 of GHCS expenditures appeared to have personally benefited the executive director and/or board president. Such expenditures ranged from ATM withdrawals in Kenya, Africa, to numerous unsupported cash withdrawals which were booked as "miscellaneous" expenses.

- Approximately $139,000 of New York Medicaid funds were used to finance a non-existent program in the state of Maryland, purportedly established to serve individuals with developmental disabilities. The funds appear to have personally benefited GHCS's executive director and board president.

- GHCS's executive director appears to have been engaged in transactions which have many of the characteristics of a money-laundering scheme, using a company that he owned. The executive director deposited approximately $129,000 in cash or money

[1] *Europa Associates For Community Services, Inc.: A Study into the Failure of a Board to Exercise its Fiduciary Responsibilities*, July 2009.

orders and recorded the funds as "loans" from his company, supposedly to help GHCS with cash-flow. However, it did not appear that the agency needed the funds at the time.

- Many of the services provided by GHCS failed to meet the basic standards set forth by OMRDD. These included Individual Service Plans (ISP) that were either deficient or not followed by GHCS staff. Some plans failed to list any valued outcome for the consumer, and services were provided that were not part of an ISP or Residential Habilitation Plans. Plans were not kept current and services that are required to be "medically necessary" appeared to be more "babysitting" in nature.

- Over one-half of the services billed to Medicaid did not meet at least one of the regulatory standards required by the Medicaid program. As a result, the Commission is referring its findings to the NYS Office of the Medicaid Inspector General (OMIG), recommending that $803,914 be disallowed.

- On an examination of hundreds of financial and clinical records, the Commission found that many of the records appeared altered, made-up or modified when compared to records provided at an earlier date. These findings cast doubt upon the reliability of all of the records of GHCS.

- The board of directors failed in its fiduciary responsibility to properly oversee this agency by allowing the cash-strapped agency to spend funds on a non-existent program in Maryland, and by not ensuring that the agency had proper internal controls in place to prevent many of the financial abuses from occurring. The fact that two members of the board were related to each other or to the executive director may have compromised the board's independence.

On April 8, 2010, the Commission met with the board and representatives from OMRDD and presented its findings to the board. GHCS was afforded 30 days to review and comment on the factual findings of the Commission's review. On May 7, 2010, the board responded by stating that it had suspended the executive director without pay and appointed the quality assurance director as acting executive director. As part of its response, the board asked for an additional six months to respond fully to the Commission's draft report. A copy of the board response is attached as Appendix 1.

The Commission did not find the GHCS board's response acceptable. First, the initiatives which the board had commenced were not adequate in either scope or nature to address the serious issues identified by the Commission. Second, the response did not address the serious program issues identified by the Commission and the selection of the individual responsible for improving the quality of Guest House programs as the acting executive director did not reassure the Commission that issues would be addressed in any meaningful way. Finally, the response did not address the serious issues identified by the Commission with regard to questionable financial dealings between GHCS and the Chairman of the board.

Throughout its review, the Commission provided the agency with advance notice of its findings and ample opportunity to respond to those findings. In most instances, the GHCS's executive director responded and the Commission took information from those responses into consideration before issuing its draft report. Based on all the reasons noted above, the Commission did not grant the board their request for an additional six months to respond to the draft.

Subsequent to the Commission's receipt of the board's response of May 7, 2010, the Commission received a letter dated May 27, 2010, from Guest House's recently hired general counsel, advising that the board had accepted the resignations of Board President Justus Wanga and Executive Director Joseph Akumu and had retained new counsel to assist the board in resolving the issues addressed in the Commission's report. A copy of the May 27, 2010 letter is attached as Appendix 2.

Based on the Commission's findings, on June 7, 2010 OMRDD notified the Guest House board that it was recommending to the Department of Health that it execute a "without cause cancellation for the HCBS Medicaid Provider Agreement issued to Guest House" effective August 31, 2010. The cancellation means that Guest House is no longer approved to provide any Medicaid-funded waiver services. OMRDD also notified the board that Guest House's contracts to provide Medicaid Service Coordination would be terminated as of August 31, 2010. OMRDD will facilitate the transition of all individuals currently receiving services from Guest House to other qualified providers. A copy of the OMRDD letter is attached as Appendix 3.

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Introduction / Scope of Review

The Commission began its review of Guest House Community Services, Inc. (GHCS), in the fall of 2008 when it received an anonymous complaint stating, "[t]here are a lot of wrong things going on here at Guest House Community Services in Peekskill, NY." Among the "wrong things" alleged were: an absentee executive director; billing Medicaid for services not provided; records being "made-up"; no one looking at how Medicaid funds were spent; and New York Medicaid funds being spent to start a program in the State of Maryland.

The Commission conducted a limited fiscal review of the agency's revenues and expenditures generally for the period January 2004 to December 2009, focusing on the various aspects of the complaint. In certain instances, when warranted, the Commission reviewed financial records and governance practices going back to 1999. Additionally, a review of GHCS's internal control procedures and a limited review of its programs were also conducted. Due to GHCS's poor record-keeping system and questionable responses to Commission inquiries, the Commission issued 17 subpoenas to obtain documents necessary to ensure that information reviewed was accurate and complete. Finally, GHCS officials and board members were interviewed and Commission staff traveled to Maryland to speak to Maryland officials regarding the GHCS-Maryland program and to visit the sites being leased by GHCS.

Background

GHCS was incorporated as a Type B not-for-profit corporation on January 21, 1994. According to its Certificate of Incorporation, the "primary objective of the corporation is to enable residents to participate in the community in a manner consistent with their personal goals, preferences, and needs…" To fulfill its corporate mission, GHCS provides services to children and adults with developmental disabilities through Residential Habilitation, Medicaid Service Coordination, and Respite programs, all of which are paid for exclusively by Medicaid. GHCS's annual revenues in 2009 were approximately $1.5 million. The initial directors of the corporation were Joseph Akumu[2], Boida Colonna, and George Gaga.[3] GHCS's board president at the time of the review was Justus Wanga and its executive director was Mr. Joseph Akumu.

[2] According to its website, Mr. Akumu founded GHCS in 1994.

[3] Mr. Gaga was also an initial director of another provider agency, Europa Associates for Community Services, Inc., which was investigated by the Commission in 2008. The Commission issued a report on Europa in July 2009 – *Europa Associates for Community Services, Inc.: A Study into the Failure of a Board to Exercise its Fiduciary Responsibilities.* Due to the numerous problems found at Europa, OMRDD facilitated the transition of all individuals receiving services to other provider agencies.

Commission Findings

Fiscal Fraud, Waste, and Abuse

The Commission's investigation found that GHCS officials misused Medicaid funding that was intended for the benefit of individuals with developmental disabilities that GHCS was charged with serving. Over a six-year period, more than $400,000 was misappropriated from the agency at a time when the agency incurred over a $100,000 in fines and penalties because it didn't pay its mandated payroll taxes and withholdings. The Commission also found that over this period GHCS's executive director appears to have been involved in transactions with a company that he owned which have many of the characteristics of money-laundering.

1. Missing Medicaid Funds

Over a six-year period, from January 2004 to December 2009, GHCS received approximately $6.1 million in Medicaid payments for services provided to individuals with developmental disabilities. The Commission's review found that 98 checks totaling $132,579 appear to have been misappropriated from the agency.

Table 1
Misappropriated Medicaid Funds

Year	No. of Checks	Amount
2004	9	$ 7,858
2005	20	25,057
2006	24	36,654
2007	22	33,571
2008	10	15,817
2009	13	13,622
Total	**98**	**$132,579**

The Commission found that most of the misappropriated Medicaid checks were never reported as revenue in the agency books and were concealed through a complex series of transactions, as follows:

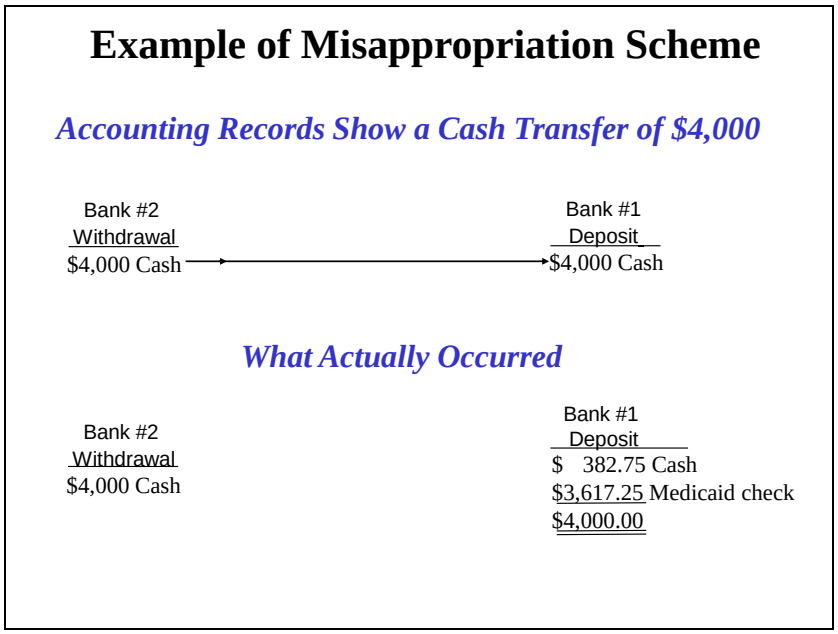
i. Medicaid checks received by GHCS were endorsed by executive director Joseph Akumu and deposited into one of GHCS's bank accounts (bank #1).

ii. Generally, on the same day that the Medicaid check was deposited, Mr. Akumu made a cash withdrawal from another GHCS bank account (bank #2) for the exact dollar amount of the deposit.

iii. The deposit of the Medicaid check and the cash withdrawal were recorded as a cash "transfer" from bank #1 to bank #2 when, in fact, no such transfer ever took

place. This gave the appearance that cash was withdrawn from one account and then deposited into the other account.

The following illustration shows how the transactions occurred.



As shown in the above example, a Medicaid check was never deposited as a single item. Instead, it was combined with other cash or checks (e.g., $382.75 in cash) to make the deposit an even dollar amount, such as $4,000. This made it difficult to verify that the Medicaid check was deposited at all. In many cases, the "other" checks were drawn from Mr. Akumu's personal bank account. The method of depositing Medicaid checks and then combining them with the exact amount of funds necessary to match bank withdrawals is evidence of a pattern of behavior apparently intended to conceal the true nature of the transactions.

GHCS further appeared to conceal this practice because the Medicaid checks were not listed in its "daily checks received log," the document for recording checks received by the agency. Nearly all of the 98 Medicaid checks were omitted from this log.

In total, more than $132,000 was misappropriated from the agency through this scheme. On January 20, 2010, Commission staff interviewed Mr. Akumu regarding the Commission's findings. Mr. Akumu stated that he needed to investigate the matter further.

2. Personal Expenditures by the Executive Director

Over the five-year period from January 1, 2004, to December 31, 2008, the Commission identified 321 disbursements from GHCS totaling $168,012 that appear to have, either directly or indirectly, personally benefited the executive director. Because GHCS regularly dealt in cash,

checks payable to cash and money orders, the nature and validity of many disbursements were often difficult, if not impossible, to determine. However, the Commission identified hundreds of disbursements, some made in Pennsylvania where Mr. Akumu has a residence, which could not be associated with a business-related expense of GHCS.

In an attempt to verify the legitimacy of the expenditures, GHCS was given the opportunity to provide supporting documentation for all of the disbursements over $250. Mr. Akumu provided the Commission with written explanations of the business nature of the disbursements for 2007 and 2008, many of which the Commission found to be incredible. For the remaining expenditures, GHCS could not provide any supporting documentation. Instead, Mr. Akumu attributed the lack of supporting documentation to theft of the documentation by a prior bookkeeper, loss in an office move that occurred in 2007, or misplacement in the course of prior audits.

The following are examples of some of the expenditures which the Commission believes personally benefited Mr. Akumu:

- Eight ATM withdrawals were made in Kenya totaling $1,871.83. Mr. Akumu stated in his response to the Commission that four of these withdrawals were made to purchase one laptop computer for GHCS.[4]
- A withdrawal of $1,817.40 from GHCS's operating account in March 2007, which represented the social security payments for three individuals, was deposited into Mr. Akumu's personal bank account on the same day. Mr. Akumu asserts that this money went to the individuals.
- Out-of-state purchases (112 purchases) of gasoline totaling $3,556.92 were made mainly in New Jersey and Pennsylvania. Mr. Akumu stated that these expenses were incurred in the course of business trips that originated from his personal residence in Pennsylvania. No evidence was found that these trips were related to GHCS. Further, no amount was reported on Mr. Akumu's W-2 for the personal use of the company vehicle in accordance with IRS regulations.
- There were many purchases in and around East Stroudsburg, PA, one of Mr. Akumu's places of residence. Purchases were made from Home Depot, Walmart, and various convenience stores in the area. GHCS could not provide documentation that these were business-related purchases.
- Numerous ATM and counter withdrawals were made from GHCS accounts with no supporting documentation. Mr. Akumu explained that the purchases were for office or miscellaneous expenses.

3. <u>The Maryland Program</u>

Since January 2004, GHCS has spent approximately $139,000 to reportedly develop a program for people with developmental disabilities in the state of Maryland. However, the Commission was unable to identify a single individual served by GHCS in Maryland. The

[4] During his interview with Commission staff, Mr. Akumu contradicted his written statement and said that only one laptop computer was purchased. He said that because he could only withdraw $250 at a time from an ATM machine, he had to take three separate withdrawals to purchase the computer.

Commission found that the State of Maryland never issued GHCS a provider agreement and never paid the agency for any services provided to individuals with developmental disabilities. The "Maryland Program" appears to be a corporation in name only, as it was funded and controlled by GHCS and appears little more than a vehicle to divert Medicaid funds away from GHCS to personally benefit its board president.

GHCS paid for expenses related to the Maryland program that included:

- Renting a house owned by the board president, Justus Wanga;
- Taking over payments on leased commercial space where Mr. Wanga had previously had an office for his real estate business; and
- Leasing two townhouses in Silver Spring, MARYLAND, a suburb of Washington DC, to reportedly provide residential services for individuals with developmental disabilities. GHCS officials stated that the townhouses were never occupied. However, the Commission's investigation found that the utility usage for the "empty" residences was actually higher than for the average single-occupied household.

A. Background

As early as 2002, the GHCS board of directors discussed expanding its services into other regions, including the state of Maryland. Although there was scant discussion in the board minutes over the next several years regarding this expansion, in March 2005 the board resolved to begin to look at property located in Baltimore, Maryland, which was owned by the board president, Justus Wanga. In October 2005, the board minutes reflected a lengthy discussion regarding expanding into Maryland and how to fund the program.

It is difficult, however, to determine what actually transpired at the October 2005 board meeting, or if the Maryland program was even discussed at all, as GHCS provided the Commission with four different versions of the minutes. In one of the four versions, Maryland was not discussed at all. In the second version, the board resolved to direct up to $9,000 per month to start the Maryland program; and in the third and fourth versions, the board resolved to direct up to $10,000 per month to support the Maryland program. Elizabeth Hogue, the assistant treasurer of the board, told Commission staff that she did not approve of any money being spent to start a program in Maryland, even though one version of the minutes report that she approved of "non-OMRDD funds" being used to fund the Maryland project. In another version, board president Justus Wanga noted that a project outside of New York could never benefit from the Medicaid funds unless it was treated as a loan.

What is clear from the different versions is that, if the Maryland project was discussed, the board resolved to direct "donated, fundraised, or grant" funds, not Medicaid funds to Maryland. However, one hundred percent of GHCS's revenue is from Medicaid, as the agency has no other source of revenue. Thus, it appears that GHCS violated that board's intent of using only donated funds. Additionally, even if the board approved of providing development funds for the Maryland project, the approval was supposed to be effective January 1, 2006. The agency had already spent about $12,000 prior to this time, with the

earliest expense being recorded almost two years earlier on January 2, 2004, with no documentation that board approval had been secured.

In 2006, GHCS received a license from the Maryland Department of Health and Mental Hygiene to provide services to individuals with developmental disabilities. However, according to a state of Maryland official, GHCS never fully completed their application and was never issued a "Human Service Provider Agreement" which is required before services can be provided. As a result, Maryland officials stated that even though GHCS technically has a license to operate, they have never been authorized to provide services to people with developmental disabilities. An official from the Maryland Department of Health and Mental Hygiene told Commission staff in February 2010 that he has not had contact with GHCS since April 2009.

In February 2009, the GHCS board reportedly suspended all expenditures related to the development of the Maryland program. However, GHCS continued to pay for the administrative office space located in Silver Spring at least through the end of 2009. Approximately $8,000 was spent for costs related to the Maryland office space after the board "suspended" expenditures for this program.

B. The Maryland Administrative Office and Leased Residences

The "Maryland Program" is run out of an administrative office located at 13311 New Hampshire Avenue, Silver Spring, Maryland. According to its license, GHCS was approved to provide both community residential services and day and vocational services at four locations: the administrative office location, two residential sites located in Silver Spring, Maryland, and one residential site located in Baltimore, Maryland.

While the Commission's investigation could find no evidence that services were ever provided by GHCS-Maryland, the agency incurred expenses related to each of the four sites, as summarized below:

Table 2
Maryland Expenses
January 2004 to December 2009

Item	13311 New Hampshire Avenue	3322 Cliftmont Avenue	3803 Dunsinane Drive	3809 Chesterwood Drive	Total
Rent	$23,791	$27,500	$27,155	$17,000	$ 95,446
Utilities	0	2,728	2,536	464	5,728
Phone & Cable	15,409	2,598	1,427	1,452	20,886
Office Supplies	12,411	0	0	0	12,411
Other	2,526	2,350	0	0	4,876
Total	**$54,137**	**$35,176**	**$31,118**	**$18,916**	**$139,347**

i. 13311 New Hampshire Avenue

As noted in Table 2, most of the expenses incurred (39%) were for the 13311 New Hampshire Avenue property where GHCS-Maryland was headquartered. The property is a 400 square foot commercial office space located on the second floor of a building owned by the Bank of America. The Commission's investigation found that although GHCS-Maryland has paid for all lease payments for this property, many of the payments benefited GHCS's board president, Justus Wanga.

The New Hampshire Avenue property was initially leased and occupied by JEJAT Properties, LLC, for a five-year term commencing July 1, 200,4 and ending June 30, 2009. JEJAT Properties is a limited liability company owned by Justus Wanga. Bank of America abated or waived the first ten months of the lease to allow for painting, carpeting and general repair to the premises; therefore, the actual lease payments did not begin until May 2005. However, according to documents filed with the state of Maryland Department of Assessments and Taxation, GHCS-Maryland did not officially start operating until March 15, 2006. For at least the first ten months of the lease, GHCS-Maryland paid for lease costs that exclusively benefited JEJAT Properties. The lease remained in JEJAT's name until March 2008, when Mr. Wanga wrote to the Bank of America requesting that the lease be changed from JEJAT Properties to GHCS-Maryland, stating the "JEJAT Properties, LLC was a Real Estate business but is no longer in operation. We however, are now doing business in the same Office in the name of and as Guest House Community Services, Inc."

In addition to the lease payments made by GHCS-Maryland, the Commission's investigation also found that GHCS-Maryland paid for at least six monthly phone bills incurred by JEJAT Properties totaling over $2,400. Besides JEJAT Properties, it appears that other businesses possibly related to Mr. Wanga were operated out of the New Hampshire Avenue second floor office, including Kenyan Telecommunications Investment Group Ltd., Maryland Realty Exchange Inc., and B4K, LLC.

ii. 3322 Cliftmont Avenue

In addition to benefiting from the New Hampshire Avenue property, it also appears that Mr. Wanga was personally enriched from residential property that he owned in Baltimore, Maryland, and leased back to GHCS-Maryland. As noted earlier, according to the March 2005 board minutes, the board reportedly resolved to "look at property belonging to the board Chairman…on condition that it is within the fair market rented rate or below. According to the Chairman, the neighborhood rentals of the same are current (sic) going for $1,250.00 to $1,350.00 for three bedrooms."

The 3322 Cliftmont Avenue property is a two-story, center unit building located in a low-income, high crime section of Baltimore, Maryland.[5] The building was

[5] According to the web site Zilpy.com (an on-line rental market facts and analysis service), the Cliftmont neighborhood is located in a low-income, high crime area.

purchased by Justus and Esther Wanga in January 2004 for $55,500. Between 2005 and 2006, the Wanga's rented the property to at least one individual that the Commission interviewed, who stated that they paid $1,000 a month in rent, plus utilities. On January 30, 2007, GHCS-Maryland entered into a two-year lease with the Wangas beginning February 1, 2007 for $1,200 per month, a 20% increase over the previous tenant's monthly rental.

Although the Commission's investigation could not determine who lived at the property in 2007 or 2008, it appears, based on a review of utility records, that the property was occupied during this period. For example, a review of the water usage from January 2007 to July 2007 reflected that about 114 gallons of water were used per day. This would be consistent with data from the state of Maryland which reflects that the average Maryland citizen uses about 100 gallons of water per day.[6] Additionally, a review of available phone and cable invoices,[7] which were in the name of Mr. Joseph Akumu, reflected that GHCS-Maryland paid for services at the Cliftmont address from at least August 2007 through November 2008. Further evidence that someone occupied the premises was the fact that in May 2008, the cable bill was changed to pay for "preferred bundled services," which included high-speed internet access. Finally, in April 2009 Commission staff conducted a site visit to the Cliftmont property and interviewed the current tenants, who stated that they moved into the home in late September, or early October 2008. The Commission confirmed that for a three-month period (October 2008 until January 2009), the current tenants paid a realty-management company $1,000 a month in rent while GHCS was simultaneously paying Mr. Wanga rent.

In addition to personally benefitting from the Cliftmont property, it appears that Mr. Wanga misrepresented his ownership interests in the property when GHCS applied for a license with the state of Maryland. As part of the license renewal process, GHCS was required to complete a form assessing the board of directors. The form specifically asked "Does this Board member own property that is leased back to the licensee?" The application, which was dated and signed by Mr. Wanga on March 6, 2008, stated "NO." Mr. Wanga, up to this point, had already received $16,700 in rent payments from GHCS-Maryland for the Cliftmont property.

iii. 3803 Dunsinane and 3809 Chesterwood

The Dunsinane and Chesterwood properties are townhouses also located in Silver Spring, Maryland. GHCS-Maryland began leasing both properties in April 2008 from two different landlords. Again, although it appears that no services were ever provided to persons with developmental disabilities, based on a review of the utility records and interviews with neighbors and the realty-management companies, both properties appear to have been occupied. Neithbors of the Chesterwood property told Commission staff that they believed someone from the military was occupying the home but were not sure. Neighbors of the Dunsinane property told Commission staff that it appeared a family

[6] State of Maryland, Department of the Environment, Water Supply Program, 2007.
[7] Citing various legal reasons, Comcast, Inc. (the phone and cable provider), did not honor the Commission's subpoena to obtain all invoices related to the Cliftmont property.

from New York was occupying the home, as a van with New York license plates was often at the home. Perhaps most telling however, were the phone charges from both residences which showed extensive activity since April 2008. According to documents obtained by the Commission for the two townhouses, there were more than 2,200 phone calls totaling over 20,000 minutes of usage. During the period from April 2008 through March 2009, the Commission tracked many of the phone calls and found that most of the calls were made to a company called "I Buy Phone Card" which allows a user to access an 800 number to make international calls at discount rates.

4. Jas Van

For at least the past 10 years, GHCS has been receiving loans from another company called Jas Van, purportedly to help the agency with cash flow problems. The Commission's investigation, however, has found that the loans were highly suspect, generally had nothing to do with GHCS's cash flow problems, and had many of the characteristics of money laundering.

From January 1999 to January 2009, GHCS received a total of $128,920 in deposits from various sources that were recorded as "loans" in GHCS's general ledger in an account called "Jas Van Loan" or "Jas Van Loan Payable." Because many of the funds deposited were either cash or money orders, the origin of the funds was difficult and often impossible to trace. From these accounts, GHCS disbursed $125,720, leaving a net amount due of $3,200.[8]

The "loan" account was reported for the first time on GHCS's 2007 annual financial statement issued in August 2009 and identified as "Due to Officers," even though transactions had been occurring for the previous eight years. Prior to this time, GHCS's financial statements made no mention of the loan activity. Due to the unreliable nature of GHCS's financial records, the Commission was unable to determine whether all of the loan activity was captured or whether the "balance due" was accurate.

According to Mr. Akumu, Jas Van was a transportation company that he started in 1999 or 2000 and was eventually taken over by his sons. This contradicts a later statement that Mr. Akumu made to Commission staff that Jas Van hadn't conducted business since 1999. Mr. Akumu stated that when Guest House needed cash to pay current obligations, Jas Van would occasionally loan GHCS money on a temporary basis. However, the Commission questions this explanation for the following reasons.

1. The existence of Jas Van cannot be verified:

    - No company by the name of Jas Van was ever incorporated in New York according to a search of the Department of State database.[9]

[8]The Commission found that one deposit for $4,000 that was attributed to Jas Van loan had actually bounced, leaving a balance due from Jas Van of $800.

[9] Pursuant to Section 402 of the Business Corporation Law, a completed Certificate of Incorporation must be filed with the Department of State.

- Invoices were created by Mr. Akumu reflecting that Jas Van was an active company located at an address in Wappinger Falls. The Commission conducted a site visit to this address and found an overhead door company.
- GHCS had no formal loan agreement with Jas Van regarding the loan or the repayment terms.
- There are no vehicles currently registered to a Jas Van in New York State. The last known vehicle registration, which lapsed in 1996, was to a company called Jas Van Services. It is unknown whether Jas Van Services and Jas Van are the same company.
- The postal supervisor responsible for mail delivery stated that there was no Jas Van at the Wappinger Falls address.

2. Funds were received and disbursed to company officers.
   - Some of the loans under the Jas Van account were reportedly made by company officers but recorded as being made by Jas Van. Mr. Akumu explained that corporate officers were prohibited by law from making loans so they "used" Jas Van as a vehicle to make the loan. Because many of the loans were made in cash, there was no way to verify the origin of the loans.
   - Checks drawn from GHCS to Jas Van to repay the loan were deposited into Mr. Akumu's personal bank account.
   - Others payments were made to Justus Wanga (the board president), Boaz Olang (the quality assurance manager)[10], and to another person who was not related to GHCS.

3. Transactions have many of the characteristics of money laundering.[11]
   - Many of the "Jas Van Loans" to GHCS were in the form of cash or cash equivalents, thus obfuscating the true origin or destination of the proceeds.
   - Several times funds were deposited in an account of GHCS and withdrawn a few days later (and in one instance the same day) with no clear financial purpose for these transactions. For example, a "Jas Van Loan" was made to GHCS on February 5, 2005, and on the same day, a check was drawn to Jas Van for repayment of the loan.
   - In another instance, it appears that a check drawn from GHCS for $5,859 to pay for payroll taxes was re-deposited into a GHCS account the next day and recorded as a Jas Van loan, making it appear that Jas Van actually loaned GHCS the funds.
   - One repayment of a Jas Van loan was to board president, Justus Wanga. Although the check was written to Mr. Wanga, the memo section of the check recorded "*Loan Via Jas Van.*" It appears the loan account was being used as a "vehicle" to transfer money from one party to another.

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[10] Effective April 21, 2010, the Guest House board appointed Mr. Olang as Acting Executive Director

[11] According to the US Financial Crimes Enforcement Network, money laundering is the "process of making illegally-gained proceeds (i.e., "dirty money") appear legal (i.e., "clean"). Typically, it involves three steps: placement, layering and integration. First, the illegitimate funds are furtively introduced into the legitimate financial system. Then, the money is moved around to create confusion, sometimes by wiring or transferring through numerous accounts. Finally, it is integrated into the financial system through additional transactions until the "dirty money" appears "clean."

Mr. Akumu told Commission staff that he was aware of the practice of using Jas Van as a vehicle to make loans to GHCS and, while it was probably an unprofessional practice, stated "that is what I did." When asked about using Jas Van as a vehicle to, in effect, hide the true source of the funds, Mr. Akumu said that he did this because "I did not want to be personally involved directly" (with loaning money to GHCS) and that the individuals who loaned him funds knew that he was using Jas Van as a vehicle to loan funds to GHCS. Mr. Akumu said that if he didn't do this, GHCS would not have had the funds to continue operations.

5. Other Fiscal Issues

- **Unpaid Payroll Taxes -** GHCS has accrued taxes, penalties, and interest related to unpaid payroll taxes and unfiled tax returns, with the most recent lien filed in December 2009. [12] Over the past three years, seven tax liens were filed totaling slightly more than $175,000. However, because GHCS's books and records were so poor, the Commission could not determine the total liability due. Mr. Akumu asserted that the agency fell behind on paying its payroll taxes because of incompetent CPAs, poor bookkeepers, and a "tight cash flow." The Commission, however, believes that GHCS's revenue was more than adequate to cover expenses related to operating the agency, and that the poor cash flow was a result of missing Medicaid revenue, personal use of agency funds, and extremely poor business decisions on the part of Mr. Akumu and the board. As of March 15, 2010, GHCS owed the IRS over $60,000 for payroll taxes for the quarters ended December 2007 and March 2008.

- **Loans from and Payments to Various Parties and Unrecorded Loans -** In addition to the questionable transactions with Jas Van, the Commission's review uncovered many loans from relatives, employees, and unknown entities that were difficult to trace, poorly documented, and, in some cases, questionable.

  - The most notable of these questionable loans involved an entity called "The Umoja Group," which reportedly loaned over $7,000 to GHCS over the course of a few years. Similar to Jas Van, the loans from Umoja Group were paid back through other related parties, including other GHCS employees, payments in cash, and a woman who Mr. Akumu identified as his wife, Catherine Otieno. Mr. Akumu had initially told the Commission that The Umoja Group was a temp agency, but later told us that it was his wife's "social group." Like Jas Van, the Commission could find no evidence of the legitimacy of The Umoja Group.

  - GHCS received another loan from someone Mr. Akumu identified as his sister-in-law, Benter Okuom. Ms. Okuom supposedly made two loans to Guest House, one in 2007 for $5,000 and a second one in 2008 for $7,000. A review of GHCS's books and records could not verify that the first loan for $5,000 was actually deposited into GHCS's accounts. Further, a letter from

[12] For the period January 2004 to December 2008, GHCS has paid more than $116,000 in fines, penalties or interest in related to these delinquent payments.

Ms. Okuom in 2008 asked that her unpaid balance of $4,000 be repaid immediately (GHCS had already paid back $3,000 on the $7,000 loan at this time), raising a question as to whether there was, in fact a $5,000 loan in 2007. Mr. Akumu told Commission staff that Ms. Okuom's original computation of what was owed to her was wrong, and that she was repaid in 2009 once the discrepancy was found.

The Commission questions most of these loans because all but one was lacking proper documentation that a loan was actually provided (e.g., loan agreement, copies of the deposit instruments, deposit tickets, repayments terms, etc.).

Programmatic and Medicaid Billing Review

As part of its overall review of GHCS, the Commission conducted an examination of At-Home Residential Habilitation (Res-Hab) services for the period April 1, 2007 through January 31, 2009. This examination included a detailed review of the clinical records for 43 of the 48 individuals (24 of whom were under the age of 18) receiving Res-Hab services and a statistically valid sample of 374 Medicaid claims.

As a result of this review, the Commission identified numerous recordkeeping problems summarized below and is recommending to the NYS Office of the Medicaid Inspector General that approximately $804,000 of $1.5 million billed for Res-Hab services be disallowed.

The Commission also found that GHCS's documentation was so poor that it was difficult to determine what the valued outcomes were for each recipient and/or whether individuals were progressing toward these valued outcomes. Interviews with service recipients and parents confirmed that the plans documenting individual goals rarely changed, raising questions about the monitoring of the quality of services provided and that the services actually provided were more like respite services rather than Res-Hab in nature. For example, recipients or family members stated that "the Res-Hab staff person "talks to me," and "babysits for me" (which are not legitimate Res-Hab services).[13]

Regulations/OMRDD Administrative Directives

Res-Hab services are provided under the OMRDD Home and Community Based Services Waiver program which is designed to provide "the supports or services necessary to enable a person with a developmental disability to live, work, socialize and participate in the community."[14] Services are generally provided in the person's home, and include assistance with acquisition, retention or improvement in skills related to life safety and fire evacuation to activities of daily living, such as personal grooming and cleanliness, bed making and household chores, eating and the preparation of food, and social and adaptive skills necessary to enable the person to reside in a non-institutional setting.[15]

[13] Ms. P, the recipient of Res-Hab services.
[14] 14 NYCRR Part 635-10.2
[15] 14 NYCRR Part 635-10.4

Medicaid Billing Review

When delivering Res-Hab services, OMRDD requires **s**ervice providers to maintain a Res-Hab plan for each individual that describes the services and supports that will be provided to enable the person to pursue his or her valued outcomes as stated in an Individualized Service Plan (ISP). The ISP provides the authorization for delivering Res-Hab services. In addition to the ISP and Res-Hab plan, providers must also document the actual face-to-face Res-Hab services delivered and at least monthly, or more frequently if they so choose, write a progress note that summarizes the implementation of the person's Res-Hab plan, including the person's response to the services provided and any issues or concerns about the plan or the person.[16]

The Commission's Medicaid review of 374 claims found that GHCS failed to adhere to these regulatory documentation requirements in several key areas as follows:

- **Individualized Service Plans** – 61 claims were rejected due to problems with ISPs; 55 because plans were missing, 5 because plans did not contain valued outcomes and 1 because a plan was not signed by the consumer.

- **Residential Habilitation Plans** - 74 claims were recommended for disallowance due to problems with Res-Hab plans; 18 because plans were missing, 20 because the plan reviews occurred close to but before the ISP review[17]; 20 because the Res-Hab plans were not properly dated; 15 were not signed by a qualified mental retardation Professional; and 1 because the service listed was not consistent with the ISP.

- **Daily Notes** – 66 claims were rejected due to problems with the daily notes; 15 notes were missing, 30 notes described services not prescribed in the ISP Valued Outcomes, 15 for a service not provided and 6 notes contained other errors.

Services Provided by Guest House

A more troubling finding in the Commission's review of clinical records was that on several occasions, information was obtained which called into question the legitimacy of some of the documentation provided by GHCS staff. For example:

- During an interview with Commission staff, the parent of a consumer reported being asked by GHCS staff to sign blank timesheets and daily check-sheets used to bill for services. This parent further stated that she never met the employee who was eventually listed on these documents as providing services in her home.

[16] Administrative Memorandum - #2003-03

[17] Due to plans having incomplete or conflicting dates and because Res-Hab plans were dated prior to an ISP being developed, it was impossible for the Commission to determine if the service provided was actually authorized.

- On two occasions, the timesheet and daily check-sheet provided to the Commission were completed and signed by an employee who, according to payroll records, was not hired until after the dates of service.

- When the timesheet for a Res-Hab worker showed they did not work on two dates when services were billed, GHCS provided a second copy of the employee's timesheet showing that the employee did work on the two days in question. The second timesheet did not reconcile to the payroll records.

- On one occasion the timesheet and daily check-sheet provided to the Commission to support a Medicaid billing could not be reconciled to payroll records.

- Three daily check-sheets supporting billings in February, April and May of 2008 were in a format that was not adopted by GHCS until September 2008.

Accurate and complete documentation is an essential component in providing quality services. Through its review, the Commission found that GHCS's documentation was so poor that it was often difficult to determine if the services being delivered were aligned with the individuals' needs; if recipients were receiving any benefits from the services delivered; or, if in fact recipients were receiving any services at all. For example:

- Even though GHCS's own monthly summaries stated that the family was still waiting for a communication device, Res-Hab staff documented on the daily check-sheets that they assisted an individual with "use of communication device" once a week from February 2008 to January 2009, even noting the service required hand-over-hand assistance.

- The review of one recipient's ISPs for the time period January 2006 to October 2008 (consisting of an annual plan and three six-month reviews) all noted "no changes" and the records did not explain why the individual's outcomes and goals remained the same. Simply recording "no changes" in an individual's record does not adequately describe how the agency assessed whether the services being provided were benefitting the individual.

- An individual's Res-Hab plan dated May 30, 2008 describes a goal of "Counseling and Support" to address a valued outcome of being able to do housekeeping independently. The instructions to staff were to "offer ideas and advise on topics making her feel anxious or stressed out." A review of prior plans showed that this goal has been written like this since April 8, 2005. In addition, there was no documentation of any discussions of how this individual was progressing toward reaching this goal.

- On July 20, 2007, Res-Hab staff documented that they assisted an individual with his Communication Skills goal of being "able to communicate his feelings independently." The monthly note to support this claim says that, "[individual]

has improved a lot in this particular area. He can read the Chinese menu very well without help."

Falsification, Concealment, and/or Loss of Documents

Throughout its involvement with GHCS, the Commission gathered numerous documents related to the governance and operation of the agency, as well as clinical records of the individuals receiving services from GHCS[18]. Based on an examination of these records, the Commission concluded that many were unreliable. The Commission came to this conclusion after documents were found to be altered, or records were provided which were different than ones gathered at an earlier date. For example:

- As noted previously, blank time sheets to support Medicaid billings were "pre-signed," certifying that a service was provided when in fact the service was never provided. A GHCS staff subsequently filled-in the time sheet and then billed the service to the Medicaid program.

- A computer backup of the agency's accounting system differed from the records supplied to the Commission five months earlier. Notably, in April 2009, GHCS provided the Commission with a copy of its computerized accounting records which labeled all of the Maryland expenditures as "inactive." In effect, this eliminated the accounts from the company's general ledger, making it difficult to trace the expenditures. It is unclear why GHCS would do this, given that the company was still paying for the "Maryland Office" as recently as December 2009.

- Numerous records were incomplete or missing, including employee files, tax records and documents supporting numerous expenditures.

- Board minutes were inconsistent and/or falsified. Mr. Akumu could not explain the reason for the different versions and suggested we contact the board secretary, Joab Okello. Accordingly, the Commission obtained copies of minutes directly from Mr. Okello which in some instances differed from the minutes supplied by Mr. Akumu. For example, different versions of board minutes reflect that members were present in one version and absent in another. In addition, the lengthy discussions regarding the Maryland program in three of the four versions of the October 11, 2005, board minutes from Mr. Akumu were not mentioned at all in the version presented by Mr. Okello.

[18] The records were obtained both during on-site visits at GHCS's main office in Peekskill and through communication with GHCS's executive director, Mr. Akumu.

Guest House's Independent Auditor

Although it has been noted recently by OMRDD that GHCS is not "financially viable,"[19] the true financial condition of the corporation is difficult to ascertain for a number of reasons. First and foremost is the inadequacy and inaccuracy of the internal accounting records kept by GHCS. Second, the preponderance of cash transactions and large "net" journal entries makes following transactions through the general ledger all but impossible. Third, GHCS uses multiple bank accounts as depositories rather than a single account, making the tracing of transactions difficult (as described earlier with regard to the missing Medicaid checks). The disorganized nature of the internal accounting records appears to be more by design rather than error, effectively masking the true nature of transactions and making the identification of inappropriate transactions difficult. The result is that it is doubtful that a reasonably accurate balance sheet can be compiled from internal records in an acceptable timeframe.

This problem is further exacerbated by the actions of the independent certified public accountants hired by GHCS to audit their financial statements. Mr. Barry Prichep, CPA, issued financial statements for the years ended December 31, 2004, through 2007. Mr. Prichep is known to the Commission because he was, at one time, the independent auditor for Europa Associates (see footnote 3 supra p. 1). At Europa, the Commission found that Mr. Prichep performed substandard audits and issued financial statements which did not meet current Generally Accepted Auditing Standards (GAAS) of reporting.[20] These same conditions are also present at GHCS. The financial statements issued on behalf of GHCS also lacked adequate disclosures to meet current financial reporting standards. As was the case at Europa, Mr. Prichep has proven to be uncooperative. Numerous attempts to obtain even basic financial information from Mr. Prichep, such as depreciation schedules and other workpapers, have been unsuccessful.

In 2009, GHCS dismissed Mr. Prichep and hired Yeboa and Lawrence CPAs[21] to reconstruct the financial records for 2006 and 2007 and then audit 2008. This process is presently ongoing. Mr. Yeboa has encountered many of the same problems noted by the Commission with regard to the financial records at GHCS and has issued a draft management letter to the board detailing these issues. However, while the financial statements issued so far are more descriptive than those prepared by Mr. Prichep, they still appear to be lacking disclosures required by GAAS. Importantly, the numbers reported by Mr. Yeboa do not match those issued by Mr. Prichep. The result is that GHCS now has two "audited" financial statements for the same period, but with different numbers, further adding to the confusion over its true financial status.

GHCS's financial condition is further clouded by the treatment of expenses paid on behalf of the non-operating Maryland program. These costs have been accumulated and reported as an asset, specifically a loan receivable, of the corporation. It is the Commission's position, however, that this asset is inappropriately reported because GHCS is not expected to recover

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[19] OMRDD draft audit report to GHCS dated February 16, 2007.

[20] Based on the Commission's review of Europa, Mr. Prichep was referred to the NYS State Education Department Office of Professional Discipline due to his violation of accounting and auditing standards.

[21] Mr. Yeboa, although licensed in New York State, is not currently registered to practice. In NYS, a Certified Public Accountant must both be licensed and registered in order to practice Public Accountancy in the State.

these funds from their Maryland operation. This fact alone makes this asset worthless. The net effect is that by reporting the Maryland program as an asset of the corporation, GHCS is, by definition, overstating the financial health of the organization.

Board Governance

According to Section 717(a) of the NY Not-for-Profit Corporation Law, "Directors and officers shall discharge the duties of their respective positions in good faith and with that degree of diligence, care and skill which ordinarily prudent men would exercise under similar circumstances in like positions." Given the enormity of the problems noted in this report, the Commission believes that the GHCS board has failed in its fiduciary duty to properly oversee this corporation. Examples are:

- The internal controls present at GHCS were either inadequate or nonexistent, allowing more than $132,000 in Medicaid funds to be misappropriated from GHCS accounts.

- It is unclear what expenditures, if any, were approved by the board for the Maryland program. However, it is undisputed that the agency began spending funds before any approval was given and continued to spend funds even after the board ordered the expenditures stopped. As recently as February 2009, the board resolved to suspend expenditures supporting the development of the Maryland program until further notice, yet funds continued to be paid to the Maryland headquarters through at least December 2009.

- Different minutes of the same board meeting were provided, calling into question the validity of the minutes as well as the board resolutions.

- Two board members are related (cousins) to the agency's executive director, calling into question their independence.

- The board president and executive director participated in transactions with Jas Van which have many of the characteristics of money laundering without the practices ever being questioned by the board.

Robert Boehlert, Esq.
Counsel State of New York Commission on
Quality of Care and Advocacy for Persons with Disabilities
401 State Street
Schenectady, NY 12305-2597

Re: **CQC Report on Guest House Community Services, Inc.**

Dear Mr. Boehlert:

The Board of Directors of Guest House Community Services, (the Board) have reviewed the Commission's preliminary report dated April 8, 2010, (CQC Report), and are very grateful to the Commission for providing them with an opportunity to respond before the Commission issues its final report.

The board is deeply concerned about the factual findings and the allegations contained in the CQC Report. Through its tenure, the Board has taken its fiduciary responsibilities very seriously and has met several times since the CQC Report was made available to them on April 8, 2010. During those meetings, the board resolved to achieve three goals: first, act promptly to address the issues revealed in the CQC Report which required immediate action to protect the funds and the assets of the corporation. Second, conduct a full and impartial investigation of all matters addressed in the CQC report, and, third, to remedy the problems uncovered by the CQC Report and the Board's investigation.

The Board's ultimate goal remains the same-to ensure the continued integrity of GHCS's program and the delivery of services to the people we serve in a fiscally and operationally sound manner.

Specifically, the Board has taken the following preliminary steps in response to the CQC Report:

1. The Board suspended Mr. Joseph Akumu's authorization to transact any business or incur debt on behalf of GHCS effective April 9, 2010. This included the use of bank cards, bank slips, over the Web banking, wire transfers, credit cards and any other manner of financial transaction on behalf of GHCS. Mr. Akumu was informed that any transaction performed thereafter will be treated as criminal and referred for law enforcement.

2. The Board removed Mr. Akumu as a signatory to GHCS's bank accounts including the cancellation of bank cards, checks, withdrawal slips and access to GHCS Web banking on April 29, 2010. The Board had to wait until this date to insure we could continue to meet payroll and pay other ongoing expenses.

3. The Board asked Mr. Akumu, who was vacationing in Kenya, to come back as soon as possible and help with the investigations of the serious allegations concerning certain financial transactions revealed in the CQC Report.

4. The Board Suspended Mr. Joseph Akumu as the executive director of Guest House, without pay, effective April 21, 2010, pending his appearance before the board to respond to the allegations of the CQC Report concerning fraud, waste and abuse of Medicaid funds.

5. The Board is considering the use of outside resources to assist in investigating these serious allegations and findings in the CQC Report upon which the outside resource will issue a report with recommendations for Board action. The Board is narrowing down its choice to retain a Law firm

with familiarity with not-for-profit corporations governance and program management and operations issues and will make its choice very soon so that investigations can commence immediately. The Board is specifically interested in a law firm that can conduct thorough investigations and issue its findings with recommendations in the shortest time possible at a reasonable cost. So far, two Attorneys have been contacted. We plan to contact a third one before the Board votes on preferred choice.

6. The Board appointed Mr. Boaz Olang as the Acting Executive Director of GHCS effective April 21, 2010 after the Board was satisfied with his explanation of the allegations in the CQC Report that he may have received irregular payments from GHCS. Mr. Olang's statement and relevant evidence will be attached to the Board's final response to the CQC Report. Mr. Olang was made aware that the matter will continue to be investigated by an independent and impartial investigator to verify his explanation.

7. The Board determined from CQC that GHCS has no other active bank accounts that the Board was not aware of other than the accounts M&T and Wachovia. The Board will conduct further investigation to ascertain whether there are other bank accounts which may not be official or that the Board is not aware of.

8. The Board will retain an Independent auditor to investigate/review the CQC report on the fiscal matters and also conduct a fiscal viability assessment and issue a report and recommendations that will be implemented to streamline and tighten internal controls to ensure that sound fiscal management and accountability both at the executive and board levels.

9. The Board has retained the consulting services of Mr. James Shea to review the findings of CQC as it pertains to the programmatic and Medicaid billing review. A very preliminary review done by Mr. Shea indicates areas where the Board disagrees with the findings. We believe there are documented six month reviews of Residential Habilitation plans which as required by OMRDD Administrative Memorandum 2003-03. Similarly, there is no requirement that ISP and Residential Habilitation plans have the same effective date. We believe that there are instances where CQC cited "services not found in the ISP" where in fact there are references to these services in the person's profile, safeguards, or other sections of the ISP. Lastly, CQC appears to be utilizing a different audit protocol than the one used by OMRDD.

10. The Board is in the process of investigating the allegations in the CQC report which alleges that the Board members did not discharge their prospective positions in good faith pursuant to Section 717(a) of the NY Not for-Profit Corporation Law, and therefore failed in their fiduciary duty to properly oversee the corporation. The board members will cooperate with the professionals hired to investigate the allegations. The Board will take appropriate actions and steps to implement their recommendations strictly. The board is already in the process of reorganizing and will be contacting prospective consumer parents who may wish to join the Board.

Based on the foregoing, the Board is requesting the Commission to provide it with a six months period within which it will present to the commission a comprehensive response to the Report. The Board will ensure total compliance with regulatory agencies' requirements and standards in the running of Guest House and will respond to any requests by the Commission related to the issues under investigation.

Finally, it should be noted that Mr. Akumu was on a six week vacation in Kenya when the CQC Report was issued and is not expected back in the country until May 15, 2010. Although Mr. Akumu assured the Board that he was trying to cut his vacation short and come back on May 5, 2010, as of the time of this report, Mr. Akumu has not reported his presence. As the Commission must surely understand, his absence has slowed down the investigations and the ability of the Board to respond comprehensively to the CQC Report within 30 days.

This preliminary response is respectfully submitted on behalf of Guest House Community Board of Directors by the undersigned officials of the Board.

By

Justus Wanga
Chairman to the Board
On behalf of Board of Directors.

Watson&West
Attorneys at Law

David Watson
Michael West

Kevin Stadelmaier
of Counsel

May 27, 2010

Robert J. Boehlert, General Counsel
State of New York
Commission on Quality of Care and Advocacy for Persons with Disabilities
410 State Street
Schenectady, NY 12305-2397

RE: Your Correspondence of May 17, 2010

Mr. Boehlert, by way of introduction I am David J. Watson, Esq. of the independent law firm, Watson and West, PLLC. I am the General Counsel of Guest House Community Services, Inc., recently hired to address the recent negative report of the Commission on Quality of Care and Advocacy for Persons with Disabilities (CQC).

I have had several productive discussions with Mr. John Rybaltowski, Director of Fiscal Investigations. The summary of those conversations is that my client is ready, willing and able to cooperate fully with the CQC, our funding sources at the Office of Mental Retardation and Developmental Disabilities (OMRDD), and the various regulatory agencies, including the Office of the Medicaid Inspector General (OMIG) and the Office of the Attorney General of the State of New York to remediate and rectify the reported concerns and investigatory conclusions of your soon to be published report concerning our activities. Our goal is to remain transparent in this remedial action to regain the CQC's trust in our activities and programs and to ensure that our important community mission is maintained and allowed to flourish given the funding of OMRDD.

Be informed that Mr. Justus Wanga, the Chariman of the Board of Directors has resigned his position effective the 14th of May, 2010.

Please also be informed that Mr. Joseph Akumu, Executive Director has resigned his position.

The telephone system has been updated accordingly and the website is in the process of being updated, and should be complete within the week.

Currently, the Acting Executive Director is Mr. Boaz Olang. We are in regular contact over these matters. I am confident that the two of us can rectify the situation at Guest House Community

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Services, Inc. I am also confident that under his leadership the situation can be addressed to the satisfaction of all allow the community and my client's mission to be best served.

Guest House Community Services, Inc. has already taken several steps toward strengthening its internal controls, such as reviewing the Medicaid billing and the support there under, finding, I might add, several elements of documentation that will surely reduce the complaints and the potential disallowances under OMIG (which is being compiled to be sent under separate cover). While ADP has generally provided us with its payroll services, we have now added their tax processing services to ensure the appropriate remittal of our tax payments. We have also engaged a new CPA auditor to work with staff. A new and more functional billing system has been in place for several days with a great increase in the timing and veracity of billing. The Recommendations contained in the prior CPA Management Letter (Yeboa & Lawrence, CPA, LLC), that were, by the way never communicated to the entire Board of Directors, nor the Acting Executive Director, are being implemented currently. Finally, we have made several substantial payments to the Internal Revenue Service (IRS) since the 26th of April, and ultimately we are expecting a refund on some of the amount of the total being held by the IRS.

Also, our law offices are present and accountable to implement any agreed upon procedural changes and corrections that the CQC, OMRDD, OMIG or the AG recommends. As you may or may not be aware, my twenty-one (21) year tenure as the General Counsel and Senior Vice-President of the New York Council of Nonprofits, Inc. (formerly known as the Council of Community Services of New York State, Inc.) (NYCON) allows me a certain modicum of understanding of the best practices that each and every nonprofit provider of services within the State of New York should ascribe to. Our firm was founded in 2005 with all of the principles of NYCON alive and well within its advice and recommendations. We will ensure that Guest House Community Services, Inc. remains a viable, transparent nonprofit, exhibiting all of the best practices that a well wrought charitable direct service provider should in this State.

Watson and West, PLLC is the endorsed law firm of NYCON, and I work there on a part time basis in addition to my full time work at NYCON.

Our office looks forward to working with your Commission.

Please feel free to contact me at your convenience. Thank you for your cooperation and courtesies in this regard.

Sincerely,

David J. Watson, Esq.
General Counsel
Guest House Community Services, Inc.

cc. file
Members of the Board of Directors of Guest House Community Services, Inc.
Boaz Olang, Acting Executive Director
John Rybaltowski, Director of Fiscal Investigations

NYS Office of Mental Retardation and Developmental Disabilities
Putting People First

David A. Paterson, Governor
Diana Jones Ritter, Commissioner

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Sheila McBain, Ph.D., Deputy Commissioner

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June 7, 2010

Joash O. Munda
President
Guest House Community Services, Inc
311 North Division Street
Peekskill, NY 10566

Dear Mr. Munda:

This letter is to advise you as President of the Board of Directors for Guest House Community Service, Inc., that the Office of Mental Retardation and Developmental Disabilities (OMRDD) is recommending to the New York State Department of Health (DOH) that it execute a without cause cancellation for the HCBS Medicaid Provider Agreement issued to Guest House. This without cause cancellation means that Guest House is no longer approved to provide the following waiver services: Hourly Respite; Residential Habilitation, Residential Respite; Day Habilitation; Family Education and Training; Plan of Care Support Services; and Supported Employment effective August 31, 2010.

In addition, OMRDD is advising you of its intent to exercise Appendix A, Supplement Item 10, which provides for a non-cause cancellation with a minimum 30 days notice, of Guest House's MSC contracts with the Taconic DDSO and Hudson Valley DDSO, Contract Provider # 02528201 and # 02325157.

Both Taconic and Hudson Valley DDSOs will work with the staff and administration of Guest House for the orderly transition of these services. We anticipate that this transition will be completed by August 31, 2010. We are confident that the administration and staff of Guest House share the priority that the transition of services to other providers does not disrupt services for individuals currently receiving services from Guest House.

In order to effectuate this transition OMRDD expects and anticipates that Guest House's board, staff and management will fully cooperate in the transition of services for these individuals. If the transition of services is delayed OMRDD reserves the right to change the effective dates of these actions and will notify you of such in writing.

If you have any questions please contact Michael Kirchmer, Hudson Valley DDSO Director at (845) 947-6100

We help people with developmental disabilities live richer lives.

Thank you for your anticipated cooperation.

Sincerely,

Sheila McBain, PhD.
Deputy Commissioner
Division of Quality Management

cc: Joab Okello, Secretary
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