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Friendship Ridge Criminal Investigation Findings.

This report is based on the findings of the forensic audit conducted by Nottingham Group. LLC, and the criminal investigation conducted by the Detectives of the Beaver County Detective Bureau as ordered by the District Attorney of Beaver County into allegations of possible theft and misappropriation of public funds that may have occurred prior to the sale and during the implementation of the terms of the Sale Contract of Friendship Ridge between the County of Beaver as the Seller and Comprehensive Healthcare Management Services as the Purchaser.

This report contains no critique of the financial methods, or documentation used to fulfill the provisions of the Sale Contract, nor is there any critique of the current or former County Elected Officials or County Employees entrusted to fulfill the provisions of the Sale Contract.

History:

Friendship Ridge was a Beaver County owned 589 bed skilled nursing facility. The existing facility opened in 1959 as the Beaver County Geriatric Center, and in 1993 the name was changed to Friendship Ridge. In November 2013, Beaver County signed an administrative services contract with Comprehensive Health Care Consulting Services LLC.to manage Friendship Ridge. Comprehensive Health Care Consulting Services continued to manage Friendship Ridge until March 1st, 2014 when Beaver County finalized the sale of Friendship Ridge to Comprehensive Health Care Management Services LLC. Subsequently, the facility name under Comprehensive Health Care Management Services LLC ownership has been changed to the Brighton Rehabilitation and Wellness Center.

Investigative Parameters

On 12/07/2015, then DA. Anthony J. Berosh ordered Detective Timothy Staub and Detective Robert Heberle to investigate a $275,000.00 dollar withdrawal on 10/14/2015 from Citizens Bank, Beaver branch, by Treasurer Connie Javens. The Citizens Bank account was held by Beaver County, but used exclusively by Friendship Ridge. The money was placed on a cashier's check and the check was given to a representative of Comprehensive Healthcare Management Services - Property LLC. The Detectives reviewed a copy of a letter DA. Berosh had received. The letter, dated 12/07/2015, from then County Solicitor Bernard Rabik; was directed to the Controller's Solicitor, Atty. Albert Torrence, stating Controller David Rossi believes the transaction was improper and possibly violated the Pennsylvania County Code, and Mr. Rossi is required under 16 P.S. Sec. 1702 to report any default or delinquency immediately to the Commissioners and the District Attorney.

In January 2016, Detectives Staub and Heberle discussed the Friendship Ridge investigation with District Attorney David Lozier. DA. Lozier ordered the investigation continued into violations of the County Code and expanded the investigation into possible violations of the Crime Code, Title 18. The potential criminal violations investigated are as follows:

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Title 18:
Theft by Unlawful Taking, Sec. 3921
Theft by Deception, Sec. 3922
Misapplication of entrusted property and property of government or financial institutions, Sec. 4113

Potential County Code Violations:

County Code,
Misapplication of funds collected for specific purposes, 16 P.S. Sec. 805
16 P.S. Sec. 1750

Friendship Ridge Bank Accounts

Beaver County owned Friendship Ridge maintained Bank Accounts at both Citizens Bank and PNC Bank at the Beaver Branches. The Citizens Bank accounts were for deposit of insurance carrier moneys, and other monies generated by Friendship Ridge. The PNC Accounts were the depository for the Resident's Medicare, Medicaid and Social Security monies. After 03/01/2014, Comprehensive Healthcare Management assumed full ownership of Friendship Ridge, as per the Installment Land Contract and Purchase Agreement, Section 4.2 (m) between Beaver County and Comprehensive Healthcare; the Citizens accounts and the PNC accounts would remain open for the electronic deposit of funds for an unspecified amount of time. All the monies held in the Friendship Ridge Beaver County held Citizen Bank accounts and the PNC accounts after 03/01/2014 belong to Comprehensive Healthcare, and are held in trust for Comprehensive Healthcare Mgt. (Purchaser) by Beaver County (Seller). This was done to allow the time for Comprehensive Healthcare to open bank accounts for the deposit of operational monies, and the transfer of the Resident's Medicare, Medicaid and Social Security monies into Comprehensive Healthcare bank accounts.

Further, the Installment Land Contract and Purchase Agreement, Section 4.2 (m) states " Such funds for services rendered after the Operations Closing shall be the sole property of the Purchaser and unless set forth herein shall be held in trust for the Purchaser. Any monies held in the Beaver County Friendship Ridge Citizen's Bank or PNC Bank accounts now in question, did belong to Comprehensive Healthcare, and were held in trust after the Operations Closing on 03/01/2014. Therefore, the monies, by the fact of being held in trust as per the contract, are NOT PUBLIC FUNDS or taxpayer money. This was stated by former County Chief Solicitor, Mr. Joseph Askar, and he further stated that Commissioners Amadio, Spanik and Nichols, and Chief of Staff Vince LaValle all understood this.

County Contract Compliance Chief

As Chief of Staff, Mr. Vince LaValle was entrusted to carry out the provisions required to comply with

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the Sale Contract. Detectives could not locate any document signed by the Commissioners appointing Mr. LaValle as contract compliance chief, and any such document probably does not exist. However interviews with the Commissioners, Solicitor Joseph Askar , Comprehensive Healthcare Operations Manager, Ephram Lahasky, and other involved persons all stated that Mr. LaValle was in charge of contract compliance, and he spoke for the County Commissioners.

Treasurers' Office Involvement

Although Friendship Ridge was Beaver County owned, it was a semi -autonomous operation within County government. The Citizens Bank and PNC Bank accounts were dedicated solely to receive Friendship Ridge Funds. Friendship Ridge employed an Administrator, Chief Financial Officer and Controller on staff to handle financial transactions. The Friendship Ridge positions of Administrator, Chief Financial Officer and Controller were hired by the County Commissioners, and were not elected officials. These Friendship Ridge accounts at Citizens Bank and PNC Bank were not administered or managed by the Treasurer's Office. However, the County Commissioners, County Controller, County Treasurer, and the respective office deputies were listed on the Bank Signature cards.

The Citizens Bank Business Signature Card in regard to the Friendship Ridge account is dated November 23, 2005. This account was used for the deposit of Resident's insurance monies and monies generated by Friendship Ridge. By March 1st, 2014, this same Signature Card was still on file, and the only two County Officials still in authority to withdraw funds from the Friendship Ridge Account were Chief of Staff Vince LaValle and Treasurer Connie Javens. Mr. LaValle was listed on the 2005 Signature Card as Deputy Controller for Controller Richard Towcimak, and Treasurer Javens was Treasurer of Beaver County in 2005. The Signature Card states this is a joint signing account, and on the bottom of the front page is an apparently added typed note which states: " 2 signatures required . Must be one signature from treasures office and one signature from controllers office. " There is no signature or date on this added stipulation, so who ordered or when this stipulation was added is unknown.

The Signature Card for this same Citizens account was changed to a single signing account on 09/22/2015. This was signed off by the three Commissioners, Controller Rossi, Treasurer Javens, Chief of Staff LaValle, Dep. Controller William Calhoon and Dep. Treasurer Charles Gibbons. The 10/14/2015 withdrawal of $275,000.00 from Citizens Bank by Treasurer Javens at the request of Comprehensive Healthcare required one signature. Detectives reviewed the Citizens computed account records to determine if a notation for a joint signature requirement was placed in the computer file in regard to the 2005 Signature Card, and no computer record alert advising the bank employee to require two signatures was discovered.

The PNC Bank in Beaver held three Friendship Ridge / Beaver County Accounts used solely for receiving Resident's Medicaid, Medicare and Social Security monies. Initially it appears Friendship Ridge has only one account at PNC according to a Signature Card dated January 3, 2002, signed by

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Commissioners Donatella, Camp, and Albert. Additionally, signed by Treasurer Javens, Controller Towcimak and Dep. Controller Marsha DeCenzo. This Signature Card was still in force on March 1, 2014 when Comprehensive Healthcare assumed ownership of Friendship Ridge and the monies held in the PNC account.

On May 14, 2014, a new PNC Signature Card was filed, and designating three new Beaver County accounts for receiving Friendship Ridge Resident's Medicaid, Medicare and Social Security monies. This Signature Card is signed by Commissioners Amadio, Spanik and Nichols, with Controller Rossi, Treasurer Javens, Dep. Treasurers Frederick and Gibbons. Also listed on the Signature Card on all three Friendship Ridge Accounts are Comprehensive Healthcare employees, namely: Operations Manager Mr. Ephram Lahasky, Manager David Gast, Manager Sam Halper.

Treasurers' Office Involvement Con'd.

When questioned by Detectives, Mr. Lahasky stated he was authorized by the County Commissioners to be placed on the PNC accounts to facilitate the withdrawal of Comprehensive Healthcare monies.

What is also apparent from the numerous interviews with County Officials conducted is that Treasurer Javens and the Treasurer's Office had no part or input into the negotiations over the Sale of Friendship Ridge to Comprehensive Healthcare, nor was Treasurer Javens part of the transition team facilitating the transfer of ownership and the reconciliation of monies between Beaver County and Comprehensive Healthcare. Treasurer Javens was definitely requested by Chief of Staff LaValle, to assist in withdrawing monies from the Citizens Bank and PNC Banks accounts for transfer to Comprehensive Healthcare, to comply with the Sale Contract. This was accomplished by a Comprehensive Healthcare manager, usually Ephram Lahasky, notifying Treasurer Javens by phone or in person at the Treasurer's Office, to meet him at either Citizens Bank or PNC Bank for a withdrawal from one of the Friendship Ridge accounts. Treasurer Javens's only function was to sign the withdrawal slip, and Comprehensive Healthcare would then enter the amount. Citizens Bank and PNC Bank employees were interviewed by Detectives, and they stated Treasurer Javens only function was to provide a signature.

$300,000.00 Savings Clause Payment

This Savings Clause Payment of $300,000.00 was wired to Comprehensive Healthcare to fulfill Section 6.2 of the Operations Transfer Agreement. According to Mr. LaValle there was a discussion between Commissioner Amadio, Solicitor Joe Askar, Controller Rossi and the $300,000.00 figure was approved. On April 4, 2014 a wire transfer of $300,000.00 was made to a Comprehensive Healthcare account held at Chase Manhattan Bank. Wire Transfer is signed by Charles Gibbons for the Treasurer's Office and Controller David Rossi. A copy of the wire transfer is in the investigative file.

$1.2 Million Dollar "Loan" Question

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Mr. LaValle stated the $1.2 Million dollar payment was used to fund to ongoing operations of Friendship Ridge prior to the closing. Mr. LaValle stated the term "loan" on the memo was not a correct characterization. Mr. Lahasky requested the funds and payment was recommended by Solicitor Joe Askar and approved by Commissioners Amadio and Nichols. Detectives cannot find any official document approving this $1.2 Million dollar transfer, however Commissioner Amadio and former Commissioner Nichols both recalled the $1.2 million dollar transfer and stated it was legitimate, and the money was returned to the County by Comprehensive Healthcare at the closing. This money return was confirmed by Mr. Ricardo Luckow, Chief Financial Officer.

Summary

As in any financial investigation, two separate investigations are necessary. A Criminal Investigation where documents are gathered and interviews of the participating individuals are conducted and a Forensic Accounting Investigation where the methods and transactions involving money are examined, and documented. Upon completion of the Criminal Investigation and the Forensic Accounting Investigation, a review and an information comparison is conducted to determine if any crimes have been revealed. The Forensic Accounting Investigation report compiled by The Nottingham Group, LLC states on the bottom of Page 5, Section IV. States," In the course of our investigation in this matter, we did not uncover any direct evidence of impropriety or a specific intent of one the parties to misappropriate assets or misrepresent or mislead the parties to the transaction." Also, the Nottingham Forensic Accounting Investigation on Page 5, states eleven findings which highlight the complexities of the Sale Contracts between Beaver County and Comprehensive Healthcare.

Our investigation concurs with the findings of the Nottingham Forensic Accounting Investigation. The criminal investigation conducted by the Detectives of the Beaver County District Attorney's Office, Detective Bureau can find no evidence or incidence of Theft by Unlawful Taking, Section 3921, Theft by Deception, Section 3922, and Theft by Failure to make Required Disposition of Funds Received, Section 3927; as defined in Title 18, the Pennsylvania Crimes Code; by any elected official or any employee involved in the transactions between Beaver County and Comprehensive Healthcare. Also, the criminal investigation uncovered no evidence or incidence of misappropriation and/ or misapplication of funds, where the monies involved in the transactions between Beaver County and Comprehensive Healthcare were applied or spent for a purpose other than which the funds were intended, as per Title 18, Pennsylvania Crimes Code, Section 4113, Misapplication of Entrusted Property of Government of financial Institutions, or the Pennsylvania County Code, Section 805, Misapplication of Funds Collected for Specific Purposes.

The fact is the sale of Friendship Ridge by Beaver County (Seller) to Comprehensive Healthcare Management Services LLC (Purchaser) is covered by contract, and as per the Installment Land Contract and Purchase Agreement, Section 4.2, after March 1st, 2014, all the monies in the Friendship Ridge Citizens account and the PNC Bank accounts belong to Comprehensive Healthcare Management Services LLC. The Comprehensive Healthcare monies are held in trust in Beaver County bank accounts,

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and Comprehensive has the right to access the money belonging to them. The County Commissioners, the County Solicitor, the Chief of Staff knew this contract provision and understood the monies held in the dedicated Friendship Ridge bank accounts was not public money or tax money. The Commissioners chose Chief of Staff LaValle to head contract compliance. Mr. LaValle requested Treasurer Javens to assist him in the contract compliance because the Citizens Bank and PNC Bank Signature Cards were not updated. Treasurer Javens did as asked and acted as the withdrawal signature person to allow Comprehensive Healthcare access to their fund. Later, after March 1st. 2014, when the Commissioners updated the Citizens Bank and PNC Signature Cards, the updated Cards were single signature and on the PNC Signature Cards the Comprehensive Health Care Manager, Mr. Ephram Lahasky and two other employees were listed on the PNC Signature cards for access to all three Friendship Ridge bank accounts.

The above findings clearly demonstrate the Commissioners intended to comply with the provisions of the Sales Contracts and to allow Comprehensive Healthcare to access the funds belonging to Comprehensive Healthcare on demand. The current dispute over whether Beaver County or Comprehensive Healthcare still owes money in regard to the sale of Friendship Ridge is properly a civil law issue.