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TRIBUNE-REVIEW**

## Passavant Homes under fire over chief's salary

By Anne Michaud  
TRIBUNE-REVIEW  
Wednesday, March 20, 2002

At a time of tight budgets and long waiting lists, the head of one of greater Pittsburgh's largest caregivers for the mentally retarded is making more than three times the average salary for someone in his position.

Rick D. Senft, president and chief executive of Passavant Memorial Homes, was paid \$273,909 in 1999, the most recent year for which figures were available. A survey by GuideStar, which researches nonprofits, showed that the average salary for a CEO in a large, Pittsburgh-area human services organization is \$80,097.

Additionally, Senft received \$172,722 in salary from the organization's for-profit consulting and pharmacy business, Passavant Development Corp., according to its filings with the Internal Revenue Service.

Senft's 1999 nonprofit salary alone puts him among the top 1 percent of residential home providers, said Elizabeth Boris of the Urban Institute in Washington, D.C., which maintains the National Center for Charitable Statistics. Of 1,300 chief executives, she said, only five made \$200,000 or more.

Yesterday, Passavant Memorial Homes said it plans to report a salary of \$203,572 for Senft on the organization's tax filing for 2000, which it has yet to submit to the IRS. Additionally, Passavant Development Corp. will report a salary of \$194,919 for Senft in 2000 — an overall pay cut of about 11 percent.

Senft's salary history has provoked outrage among former board members.

Passavant Memorial Homes, based in Harmarville and

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Rick D. Senft

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not related to UPMC Passavant, runs residential and vocational programs for 410 mentally retarded and developmentally disabled clients. Many are served at the organization's Rochester campus in Beaver County; most live in group home scattered throughout eight counties surrounding Pittsburgh.

Former board members of Passavant Homes and Passavant Development Corp. raised concerns to the Pittsburgh Tribune-Review after meeting with inaction by oversight agencies, such as the IRS. Among them:

- Three board members who raised questions about Senft's and others' compensation said they were asked to resign last April. One member who refused said he was "fired."
- An employment contract dated April 1, 1998, guarantees key employees severance and bonuses totaling \$930,000, according to that year's annual audit.
- The employment contracts surfaced late in the auditing process, the audit report said, leading auditors to issue a "qualified opinion," saying it could not be sure that management had been open about everything. The parties dispute whether Rochester-based Cottrill, Arbutina and Associates, PC, then quit or was fired, putting an end to the 10-year relationship.
- At the same time that Passavant Homes was approving huge raises for Senft, it was holding fund-raising drives to build basketball courts and a greenhouse and to replace cracked and leaky chapel windows. In a 1999 report to the IRS, the organization said it had raised \$119,648 from fund-raisers and direct contributions.

"People are making donations thinking their monies will be used for direct care for disabled and handicapped people," said Dr. Ravi Kant, a former board member who raised questions about top executives' salaries and bonuses. "They don't know the administrative cost. It is totally out of proportion with other agencies."

Senft declined to be interviewed for this story, but released a written statement Tuesday.

"It is regrettable that with all of the exceptional work accomplished by Passavant Memorial Homes and our outstanding team, that my compensation has become the central issue for this story," Senft wrote.

"I stand by the record and reputation of this agency that has been fulfilling its mission for over 100 years," he concluded.

Chief Financial Officer Patrick DeMico, legal counsel J. Stevenson Seuss and other Passavant Homes officers defended Senft's compensation, saying he had the vision and leadership qualities to expand the organization from \$1.5 million in revenue in 1989 to \$22.4 million a decade later, serving nearly six times as

many clients. Both Passavant Homes and the for-profit Development Corp. are profitable, they argued, and are doing good work.

"There were a lot of underserved people in this county, and because of Mr. Senft's vision, we have been able to access federal and state dollars to serve them," DeMico said. "We have been extremely successful, and that is a direct result of Mr. Senft's dedication and vision supporting people with disabilities."

Passavant Homes conducted a review of comparable salaries before it set Senft's compensation, DeMico said.

Further, the IRS audited Passavant Homes in September for the 1999 filing year, including compensation, and gave the organization a clean bill of health. The IRS requires organizations that qualify for tax-exempt status pay "reasonable compensation" to their executives.

"I don't know what more a company can do if it wants to attract the best and the brightest," Seuss said.

## **BOARD MEMBER RESIGNS**

If some on the board were uncomfortable with Senft's salary, others seemed not to be aware of that.

The Rev. Robert Hartman of Trinity Lutheran Church in New Brighton, who has served on Passavant Homes' board for more than a decade and is now chairman, said in a prepared statement, "All executive compensation has been thoroughly researched, and unanimously endorsed during my tenure on the board. I can speak with complete confidence that no board member, past or present, ever cast a dissenting vote, or questioned compensation as part of their duty and obligation to review and approve executive compensation for our organization.

"Passavant Memorial Homes is in the business of serving people," Hartman wrote, "and does not wish to be tainted by any allegation of impropriety."

However, former board members say dissent led to four resignations last year.

"Everything started when I raised questions about compensation and bonuses," said Kant, a Bridgeville head injury specialist who served six years on the board of Passavant Development Corp. He said Hartman last year asked him to resign, but Kant objected and said he did not want to walk away from his responsibility.

"That's when, the next day, I got a letter from the chairman of the board saying I was removed," Kant said.

The letter stated that he was relieved of his duties, and that he should return any board materials and abide by "the confidentiality agreement." Kant said he does not believe he ever signed a confidentiality agreement.

Another member of the Passavant Development Corp. board, Anita Zeiders of Mt. Washington, resigned last April. She read a prepared statement, declining to elaborate, because she believes she may have signed a confidentiality agreement.

"I resigned because, in my opinion, management tried to control the board and prevent the board members from performing their oversight responsibilities," said Zeiders, a marketer for long-term care facilities.

Ed Rayburg of Venetia, who could not be reached, also left. Carolyn Buick of McKees Rocks, who sat on both boards, resigned after management asked her to sign a full employment contract for employees including Senft, which went well beyond an annual raise, she said. Passavant Homes declined to provide a copy to the Trib.

"I was basically told they did comparisons to what was offered (chief executives) in other places. I asked to see it, and they said, you really don't have to. We need to have this authorized today," Buick recalled. She said nobody explained the need for immediacy.

She resigned, she said, because she was being asked to sign off on things she hadn't had time to research, and also because the salaries were high —not just Senft's, but others too. According to IRS filings, DeMico made \$187,100 in 1999 as an officer for Passavant Development Corp. An administrative secretary who has since left, Barbara Colbert of Pittsburgh, was paid by both organizations a salary totaling \$301,285.

By contrast, the caregivers at Passavant Memorial Homes make between \$8.75 and \$10.50 an hour, DeMico said.

Passavant Homes officials characterized Kant, Zeiders and Buick as a faction whose members raised no objections during board meetings and in fact joined in unanimous votes on compensation. DeMico said that Buick actually proposed doubling Senft's bonus at one point.

"There was never any pressure by us," DeMico said.

Kant is disgruntled, Seuss said, because he owes Passavant Homes \$8,900 for remodeling his office and home last year, and the organization has sued Kant for the money. Seuss said Kant "is a dangerous person." The suit was filed last Thursday.

Ken Curcio, chairman of Passavant Development Corp. board, said he is not worried about criticism of Senft's salary. Curcio, who works as a chief financial officer for The Academy, a residential program in Pittsburgh for troubled youth, said, "I'm not uncomfortable with the compensation. The corporations are very profitable; they are very successful."

## **OLD INSTITUTION, NEW LEADERSHIP**

Overlooking the Ohio River in Rochester, Beaver County, Passavant Memorial Homes was founded in 1894 to serve patients with epilepsy. It was a dream the Rev. Dr. William Alfred Passavant hoped to import from Germany, but he died before it could be realized. His son, Rev. William Passavant, carried the dream forward by opening a center for about 40 epileptic patients at the former site of a home for orphaned girls.

Over the years, with the development of new medications, epileptic patients began to live independently. Passavant Homes needed a new mission. In 1981, the organization re-focused to serve the developmentally disabled. Senft, a graduate of the University of Pittsburgh with a degree in criminal justice, accepted the post of CEO and president in 1989. Passavant Homes served 70 clients with revenue of \$1.5 million, officials said. The Rochester campus operated as a center where disabled patients could live, attend vocational classes, receive medication and find other supports they needed.

Through the 1990s, Senft guided Passavant Homes to a new type of care for its clients: community homes. The organization purchased three houses in residential neighborhoods that year, staffed them with caregivers around-the-clock and opened them to about two to four clients as their new homes. Today, Passavant Homes operates 87 community homes in eight counties, and centers in Rochester and Harmarville offer vocational skill-building and support.

The need for services is great. Allegheny County has more than 100 people who need services immediately and more than 390 on the waiting list. The limit on serving them: Money, said Donald Clark, deputy director of the Office of Mental Retardation/Developmental Disabilities for the Allegheny Department of Human Services.

"We never get enough dollars to serve all our need," Clark said. "People are waiting for all these services."

Passavant Homes answered that call in a manner that made former board member Joe Belas proud, he said. The community homes were always well-kept. "When they purchased homes," he said, "they always wanted them to look the nicest on the street."

Senft eventually earned a master's degree in organizational management from the University of Phoenix, DeMico said. The university runs online learning programs. People who know Senft describe him as charismatic and demanding. He understands his field and has been out front bringing cutting-edge services to greater Pittsburgh, DeMico and other admirers say.

"He's a workaholic," said Belas, a semi-retired banker. "How do you put a value on that and what he does for society? Maybe he's overpaid, I don't know. I'm not one to judge."

## **SALARY BENCHMARK QUESTIONED**

As recently as 1996, Passavant Homes paid Senft an annual salary of \$80,000.

But two years later, Passavant Homes apparently had decided that was "grossly inadequate," in Seuss's words. Senft made \$358,254 in 1998 (\$210,840 of it from the nonprofit side) and \$446,631 the following year.

When Passavant Homes formed the Passavant Development Corp. in 1998, and Senft took on the added responsibility of running the consulting and pharmacy supply business, the salary seemed low, officials said. Passavant Development Corp. serves Passavant Homes and other customers, and together the two bring in \$37 million in revenue today, Passavant Homes officials said.

The GuideStar average salary, \$80,097, more closely matches Senft's 1996 pay. GuideStar's 2001 survey was based on forms, called 990s, that tax-exempt organizations must file annually with the IRS. The government requires agencies to list the salaries of its top five officers over a certain threshold.

DeMico argued the GuideStar survey method is almost guaranteed to produce low figures, for the simple reason that most nonprofits have affiliated for-profit companies, and they don't report the salaries a chief executive earns from each. So, the \$172,722 Senft earned from Passavant Development Corp. would normally remain secret, DeMico said, and Passavant Homes is being penalized for being so open.

Stacy Palmer, editor of the Chronicle of Philanthropy in Washington, D.C., said DeMico is right. Nonprofits often form separate entities, pay their executives additional salary and don't disclose it to the IRS.

"It's a common practice," Palmer said. "It is definitely a loop-hole in terms of what nonprofits are able to do and expected to do."

She added that taking just the nonprofit salary Senft earns — \$273,909 in 1999 —his pay is high compared with others.

Another agency that specializes in salary surveys, Abbott, Langer & Associates of Crete, Ill., says the median income for a nonprofit CEO is \$73,000; secretaries to the CEO make \$32,550. Allegheny Valley School in Coraopolis, which also cares for people with mental retardation and developmental disabilities, paid its executive director, Regis Champ, \$125,000 in 1999. The organization's revenue, \$70 million, is much higher than Passavant Homes and it serves 811 clients, nearly twice as many.

Champ said the \$125,000 represents his entire salary. There are no contributions from affiliated for-profit organizations because Allegheny Valley School never formed any. "We know others have created these for-profits," Champ said, "but we never have."

## **GOING OVER THE BOOKS**

Passavant Homes executives argue the clean bill of health from the IRS should settle the matter of whether Senft is overpaid. "The IRS reviewed this

completely, and they have determined that nothing is wrong," DeMico said.

The IRS refused to talk about its audit, saying that Passavant Homes has a right to privacy. However, a spokesman at the regional office in Philadelphia said he will send an inquiry to the IRS's Exempt Organizations division. "Decisions on unreasonable compensation are highly case-specific," said IRS spokesman Greg Semanick. "However, any time issues such as these are raised, they are forwarded to the appropriate IRS office for further consideration."

The former auditor appears to have had some concerns. Cottrill, Abutina's final report for Passavant Homes reads, "We were unable to obtain satisfactory management representation as required by generally accepted auditing standards."

In the auditing world, that means the firm is not sure it has received all financial information from the organization's managers, said Laurie Harvey, a CPA and a director of the Pennsylvania Institute of CPAs. Asking for management representation is "basically asking management, 'Are you telling us everything we need to know in order to issue an opinion?'" Harvey said.

However, if there had been significant financial problems, the auditor could have issued an adverse report, Harvey added, saying, "A qualified opinion is sort of in the middle." Passavant Homes was completely open with Cottrill, Abutina, countered DeMico, and even approved its request to return and review the employment contracts after the firm withdrew.

The current auditor, Larry Metz of Metz & McCaw CPAs in Butler County, said he doesn't understand why the former firm would not accept management's representation. Metz said, "I can't offer an explanation for that."

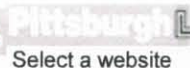
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## Passavant Homes wants board silenced

By [Anne Michaud](#)  
TRIBUNE-REVIEW

Saturday, March 30, 2002

Passavant Memorial Homes, stung by reports about its chief executive's high pay, wants its board to stop talking to reporters and has asked a judge to silence a former board member.

On Wednesday, Passavant Homes' for-profit subsidiary, Passavant Development Corp., asked an Allegheny County judge to stop former board member Dr. Ravi Kant of Bridgeville from talking about Passavant Homes. The organization claims Kant violated a confidentiality agreement.

The lawsuit was filed after a story in the Pittsburgh Tribune-Review quoted Kant, a head injury specialist, questioning the salary paid to Passavant Homes' president and chief executive, Rick D. Senft. In 1999, Senft earned \$446,631 from Passavant Homes and Passavant Development Corp.

"For them to be silencing their board members should be raising a very big red flag with donors," said Daniel Borochoff, president of the American Institute of Philanthropy in Bethesda, Md. "These are people who should be talking up the organization from the mountain tops."

Borochoff isn't alone. Pennsylvania's Chief Deputy Attorney General Mark Pacella and former

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Passavant Homes board members criticized such practices as removing board members, allowing managers to help set their own pay and, in one instance, providing about \$9,000 worth of work on a board member's home.



Senft's salary made him the 12th-highest-paid charity head in the nation, just ahead of the director of the noted St. Jude's Children's Research Hospital in Memphis, based on a study done by the American Institute of Philanthropy, Borochoff said. Senft has declined to discuss his salary or the organization.

The 107-year-old Passavant Homes, based in Harmarville, provides residential and vocational services to 410 mentally retarded people in eight counties surrounding Pittsburgh. In its most recent tax filing, Passavant Homes reported revenue of \$22.4 million.

Officials at Passavant Homes declined to be interviewed for this story. In fact, attorney Jay D. Marinstein sent a letter to the Pittsburgh Trib saying, "I would request that you cease contacting members of the Board of Directors, officers, and employees of PMH and PDC regarding the substance of the articles that the Tribune-Review has recently published."

Three board members declined to speak and directed questions to Passavant Homes. Several more did not return phone calls.

In the past, board members have defended Senft's salary.

"As a community, we can choose to take exception to the salaries paid to senior executives in this and other healthcare institutions in our region," wrote the Rev. Robert Hartman of Trinity Lutheran Church in New Brighton, chairman of board of directors. "But it is a fact of business that to compete and survive, organizations like ours must offer compensation to attract and retain individuals who can navigate the many challenges inherent in our industry."

### **Decorating as a side business**

The lawsuit filed Wednesday is the second time Passavant Homes has taken Kant to court in two weeks. On March 14, Passavant Development Corp. sued him for nonpayment of \$8,879.75 for work done on Kant's house by Passavant Homes employees.

The lawsuit states workers painted several rooms, added ceilings in the kitchen and family room and replaced window treatments. Kant said workers had done some redecorating at his office, and he had paid Passavant Homes for it.

But Kant said he did not receive bills for the work done on his home in July 2000 until March 2001 — days after he complained about Senft's compensation to fellow board members.

Patrick DeMico, chief operating officer for Passavant Homes, said in an interview last week that fixing up board members' homes "was one of our very minor business lines. We were selling the excess capacity of our renovators."

On staff at Passavant Homes are an interior design coordinator, a maintenance director and a property director. The organization owns 87 group homes in residential neighborhoods.

DeMico said such work was done for family members, too, and that everyone who benefited was expected to fully reimburse Passavant Homes. "It's not something we advertise," DeMico said. "It's not something we do regularly. It's not something we do any longer."

Borochoff, from the American Institute of Philanthropy, said employees doing work for board members and others is a bad idea.

"That is not something the organization should be doing for its board members because it could bias their decision-making," Borochoff said. "It could clearly create a conflict of interest."

Pacella, chief deputy attorney general in charge of charities, would not comment on Passavant Homes' case specifically. But he said gifts to board members become a problem when they are so large that they probably did not come from the manager's personal bank account.

"I would be interested in the source of the money," Pacella said. "Can the giver do it with his salary, or is he using the nonprofit's money?"

Most of Passavant Homes' revenues come from contracts with state and county governments.

### **Removing dissent**

Two board members were removed and two others quit the Passavant Homes board in March and April last year after raising questions about salaries.

Ed Rayburg, a pharmaceutical sales manager, said board chairman Hartman accepted a resignation he never offered. Rayburg had mentioned to a Passavant Homes secretary in January 2001 that new job duties might make it difficult to attend board meetings. But Rayburg said he discovered there was no conflict.

He began raising questions about proposed salaries for DeMico, Chief Financial Officer Russell Wise and then-Chief Operating Officer Barbara Colbert. In a 1999 report to the Internal Revenue Service, DeMico's pay was listed as \$187,100, Wise's as \$98,168 and Colbert's as \$301,286.

Rayburg said he could not remember the proposed increases last year, but he recalled his reaction. "I was at home reading the salary proposal, and I was basically floored by it," he said.

He expressed his concern to DeMico and within days he received the letter from Hartman accepting his resignation based only on the months-earlier conversation with a secretary. Rayburg contends he was dismissed for challenging the salaries.

Lisa LaMontagne, a spokeswoman for BoardSource, which publishes guiding principles for good nonprofit board management, said challenging staff

proposals is a board member's duty.

"The responsibility of the board member is to ask the tough questions," she said.

Further, a board member should be voted off, not dismissed by the chairman alone, she said. If there is a dismissal, the full board should vote as soon as possible on whether it agrees.

A pamphlet for nonprofit boards, published by Attorney General Mike Fisher's office, specifically charges board members with asking financial questions: "They must exercise the degree of care, caution and diligence that prudent persons would exercise in handling their own personal investments and finances ... Fiduciaries who carelessly or negligently invest funds may be personally liable for any losses sustained."

State law also says that individuals should not be involved in setting their own compensation.

Kant and Rayburg said that when they asked for a salary survey to compare Passavant Homes with similar organizations, they were shown a two-page document pulled from an Internet site such as salary.com, which does not include nonprofit organizations. Rayburg said Passavant Homes' salaries were being benchmarked with big Pittsburgh companies such as Alcoa and PPG Industries.

Another board member who resigned, Carolyn Buick, said managers refused to show her supporting documentation for the salaries.

If salaries are found to be excessive, the IRS may fine managers as well as board members themselves.

The IRS audited Passavant Homes last September, including a review of salaries, and gave the organization a clean bill of health. The IRS has refused to discuss its audit, saying Passavant Homes has a right to privacy. But an IRS spokesman said the issue will be referred to the Exempt Organizations division.

### **Openness and trust**

LaMontagne, of BoardSource, said the atmosphere at a nonprofit should reflect an "open working relationship" between board members and management.

Most people who join the board of a charity don't expect to deal with weighty issues of fiduciary responsibility and what to do when things go sour, Borochoff said.

"A lot of people use it as a networking opportunity or as social time," he said. "But they need to take it very seriously because they're the ones ultimately responsible for the organization."

If board members fail to involve themselves and ask questions, he said, management ends up with too much power.

"Far too often in the nonprofit world, the board of directors does not fulfill its responsibility to oversee and govern the organization. They lean too heavily on the staff to make decisions and call the shots," Borochoff said. "It's not clear that the (Passavant Homes) board members are truly independent, and that's what they need to be."

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## Passavant Homes executives mulch boss's bushes

By [Anne Michaud](#)  
 TRIBUNE-REVIEW

Friday, April 5, 2002

Two top executives of Passavant Memorial Homes spent Thursday spreading mulch around the bushes of their boss's Cranberry Township home.

A Pittsburgh Tribune-Review photographer and reporter witnessed the landscaping by Chief Administrative Officer Larry Kushik and Chief Quality Officer Bill Nerone outside the home of Passavant President Rick D. Senft, one of the nation's highest-paid nonprofit executives.

The Trib decided to visit Senft's home after receiving tips about the landscaping from some Passavant employees.

A Passavant Homes spokesman said the executives were taking vacation days to do the work for Senft. A Downtown public relations expert hired by Passavant dismissed the revelations as "much ado about nothing."

- advertisement -

But critics doubted that.

"A vacation day to landscape?" asked Bennett Weiner, chief operating officer of the Better Business Bureau Wise Giving Alliance in Arlington, Va. "I think you're right to question it. If employee time is being used for (the chief

Photo Gall



[Chief Qual Nerone](#)

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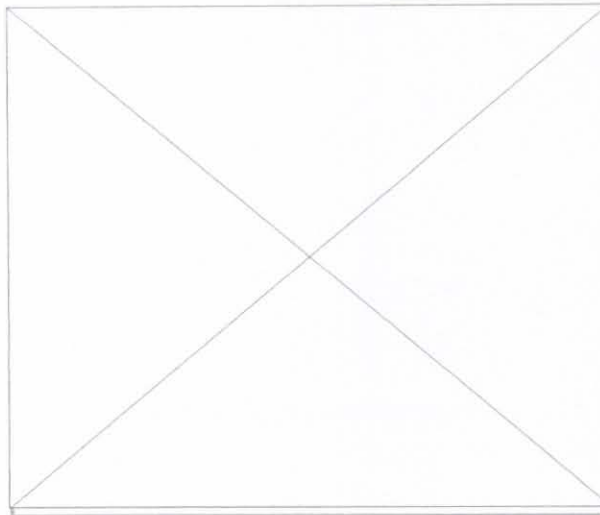


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executive's) personal purposes, that certainly would be of concern to donors who have given their monies and may also be of concern to government officials as well."

Passavant Homes, based in Harmarville, provides services to 410 mentally retarded or disabled people in part with taxpayers' dollars. The organization has been criticized in recent

weeks over Senft's high salary, the dismissal of dissident board members and its use of employees to paint and redecorate a board member's home.

Patrick DeMico, chief operating officer of Passavant Homes, said yesterday that Kushik and Nerone mulched Senft's home on Glen Eden Road on their own time. DeMico said Senft paid his administrators out of his own pocket.

Said former Passavant Homes board member Ed Rayburg: "My comment on the whole thing is, if they are doing it on Passavant time and not being paid, that's an outrage."

Daniel Borochoff, president of the American Institute of Philanthropy, said having employees do yard work creates so many potential problems he didn't know when

"It's problematic if they're doing this as a way of currying favor, to obtain an advantage, or if it's an indirect or hidden requirement of keeping a job," Borochoff said. "It's best to avoid mixing organizational and the personal to avoid the appearance of a conflict of interest."

He said he would strongly advise the board of directors to quiz Kushik and Nerone about the quo. "They need to see this does not happen. It could get ugly if these employees are let in an unfavorable way. They could bring this up."

Public relations consultant William J. Green, who was retained yesterday to advise Passavant, said, "There is no wrongdoing here. These people volunteered, they can say no if they were paid from Rick's personal pocket, and they are not violating company policy. We think it's about nothing."

Passavant Homes last week sued former board member Dr. Ravi Kant for defamation and asked an Allegheny County judge to prevent him from speaking about the organization. Kant requested \$446,631 paid to Senft in 1999 — which made him the 12th-highest-paid, nonprofit administrator among the 450 charities tracked by the American Institute of Philanthropy.

The lawsuit states Kant signed a confidentiality agreement in December 1999 after Passavant's former auditor, Cottrill Arbutina and Associates PC, raised issues that were "highly confidential."

Cottrill Arbutina has declined to discuss the report. Passavant Homes was audited by the Internal Revenue Service last September and received a clean bill of health.

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Last spring, two board members resigned and two more were removed after they questioned Passavant Homes' top officials. Rayburg and Kant said they were removed. Further, Kant Passavant Homes workers did about \$8,880 worth of redecorating in his home, but he was billed until after he raised questions about executives' salaries.

In a March 25 letter to "Passavant Friends and Families," board chairman Rev. Robert J. defended the organization and Senft.

"I know we have invested wisely in our future by selecting an exceptional leader to guide the organization," Hartman wrote. "Passavant Memorial Homes meets all of the necessary standards for governing executive compensation. Some may feel justified in questioning the salaries of executives of nonprofit organizations. But it's a fact of business that to compete and survive, organizations must offer competitive compensation to attract and retain leaders who can effectively run the organization."

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# Passavant Homes chief at high end of pay gap

## Disparities plague agencies that care for retarded

By Anne Michaud  
TRIBUNE-REVIEW

Compensation paid to Passavant Memorial Homes' chief executive dwarfed that of his counterparts at the 45 agencies with contracts to provide homes for mentally retarded people in southwestern Pennsylvania, a Pittsburgh Tribune-Review survey found.

The average compensation for an agency director — including salary, benefits and expenses — was \$88,820, the five-county survey showed. Passavant Chief Executive Rick Senft topped out at more than \$438,000, nearly double what the next-highest-compensated agency director earned. The Trib has reported Senft's salary before, but not in comparison with his counterparts' compensation.

Passavant officials have challenged the Trib's past reporting of

Senft's salary, claiming that his compensation was not out of line with others'. The agencies are almost entirely supported by county, state and federal tax dollars.

Senft's compensation of \$438,508 in the 2001 fiscal year comprises \$206,838 from the nonprofit Passavant Homes in Harmarville and \$231,670 from its wholly owned management subsidiary, Passavant Development Corp.

"That amount quoted in your newspaper is outside the bounds of reasonableness," said Jay Pagni, a spokesman for the state Department of Public Welfare, which oversees mental retardation services.

The next-highest reported compensation is that of William "Clark" Luster, executive director of Pressley Ridge Schools on Pittsburgh's North Side. He made \$220,372, according to the organization's most recent tax filing, from

2000. Luster, who is retiring this month after 32 years, could not be reached for comment.

"That's more than double, so that makes quite a statement there," Daniel Borochoff said, comparing Senft's and Luster's salaries. Borochoff is president of the American Institute of Philanthropy, a charity watchdog service in Chicago.

"It doesn't look good for him (Senft) to be paid way more than the other people, and he needs to have a pretty darn good reason why he's paid more than the heads of similar agencies," Borochoff said.

Senft, Passavant managers and board members declined to comment on the survey and referred questions to William J. Green & Associates, a public relations firm hired to respond to criticism.

PLEASE SEE **PASSAVANT/A10**

### By the numbers

**\$88,820**

Average compensation for local directors of agencies that provide around-the-clock residential care for the retarded

**\$438,508**

Compensation of Rick Senft, chief executive of Passavant Memorial Homes, in 2001

**\$220,372**

Compensation of the next-highest-paid agency director, William "Clark" Luster of Pressley Ridge Schools, in 2000

► Compensation figures for 45 local agencies: chart, Page A10.

Rick Senft of Passavant Memorial Homes is credited with expanding Passavant from a \$1.5 million operation in 1989 to \$31.3 million today.



July 14, 2002



## PASSAVANT FROM/A1

In past statements, Passavant Homes' board chairman, Robert Hartman, has contended that Senft has shown unusual foresight, building the 107-year-old agency from a \$1.5 million operation in 1989 to \$31.3 million today. Passavant executives have said that Senft anticipated the move away from warehousing the mentally retarded in large institutions to caring for them in two- to four-person group homes with around-the-clock supervision, and he made sure Passavant Homes capitalized on the trend.

Senft also created a for-profit subsidiary, Passavant Development Corp., which sells pharmacy and management services.

In 1998, when the subsidiary was created, Senft and several other Passavant Homes officials began collecting a second salary for the additional work. The subsidiary made \$4.7 million in revenue last year, Passavant Homes said, declining to disclose whether it was profitable.

"Clearly, we have an individual who is running two separate businesses," said Thomas Meinert, a vice president with William J. Green & Associates. "If you are comparing MR (mental retardation) organizations, why are you still using a combined salary? We think that's unfair."

Organizations that survey non-profit groups' salaries — including the American Institute of Philanthropy and Philanthropic Research Inc., of Williamsburg, Va. — combine all sources of compensation, for-profit and nonprofit. The Internal Revenue Service wants nonprofit groups' tax filings to report compensation exceeding \$10,000 from affiliated organizations for executives who make \$100,000 or more.

Some nonprofits hide salaries in management-services companies, said David Jones, an IRS technical adviser in Washington, D.C.

"If you look at the instructions, that's certainly not what we're asking," he said.

Top executives at three local agencies reported salaries from subsidiaries and other organizations. For example, Marsha Blanco, the chief executive of Achieva, draws salaries and benefits from three affiliated organizations: \$40,688 from Arc-Allegheny, \$8,310 from Arc Allegheny Foundation and \$89,259 from Compro. The total: \$138,257.

Blanco said she has studied the time she spends working for each part of the organization and assigned a percentage to each. "That's the standard for the purposes of reporting and reimbursement," she said. "Auditors tend to be pretty insistent about it."

## COMPENSATION ISSUE PREVALENT

Paychecks are a hot button in the mental retardation community because low wages for direct-care workers are choking the growth of services, according to the Network for Quality M.R. Services in Pennsylvania. The organization of 22 agencies and four parent groups has sued the commonwealth for more money.

As agencies struggle to find employees for about \$9 an hour and cope with high turnover, mentally retarded people are living longer and outgrowing their aging parents' ability to care for them at home. Many are on group-home waiting lists.

Public revelations about Passavant Homes' salaries and its disputes with board members sparked an audit in April by the Allegheny County Department of Human Services and the county controller, Dan Onorato. The audit is ongoing.

Passavant Homes' practices have become water cooler conversation among agency directors, said Al Condeluci, chief executive of Community Living and Support Services in Oakland.

"Those stories you wrote really rocked the boat," he said. "We knew we took a vow of poverty when we entered this field, and to see some folks commanding these high salaries ...."

Condeluci, who makes \$85,000, said he has worked in the field for 30 years, has earned a doctorate and has written four books.

"There's a lot of things I could choose to do, but I choose to stay here because I feel good about the work we do and my personal relationship with my board of directors," he said.

Regis Champ, executive director of Allegheny Valley School in Coraopolis, said compensation is a concern from top to bottom.

"We have been asking the state for some guidelines at all levels, including executive compensation," said Champ, who made \$139,114 in 2000 for running an organization more than twice the size of Passavant Homes. "Everyone knows that even though there are these aberrations, salaries are generally pretty low."

One reason is that mental retardation agencies grew out of reli-

**"We all believe we are doing God's work, but people don't want to be paid as lay clergy anymore. They're raising families. They have car payments."**

**— Regis Champ**  
EXECUTIVE DIRECTOR  
ALLEGHENY VALLEY SCHOOL

gious organizations, he said.

"We all believe we are doing God's work, but people don't want to be paid as lay clergy anymore," Champ said. "They're raising families. They have car payments."

One director who falls through the cracks of IRS reporting guidelines insisted on telling the Trib her salary anyway.

"The reason it's not listed (on the tax filing) is I don't make more than \$50,000," said Laura Raftery, executive director of Kiski Valley Opportunities Unlimited in Vandergrift, Westmoreland County. "But I want to tell you because, regardless of what's been printed about Passavant Homes recently, most executive directors of human services agencies are not making that kind of salary."

Raftery said she works 30 hours a week and makes \$26,317 a year.

## COUNTIES MONITOR PROVIDERS

County governments administer mental retardation funding from the state, contract with agencies for services and oversee the agencies' performance.

Although Passavant Homes is based in Allegheny County, it operates in eight other counties in southwestern Pennsylvania. Passavant said it charged the counties only \$24,932 for Senft's 2001 salary. That figure meets salary caps set by the state Department of Public Welfare, said Randolph Brockington,

deputy director of the Allegheny County Department of Human Services.

"We make sure our reimbursements meet state allowable levels," Brockington said. "We are clearly aware, as are the providers, that if they have other funding sources to contribute to salaries, it's up to them to determine what that will be."

Allegheny County annually reviews independent financial audits from every mental retardation agency and will add a performance review beginning this year, Brockington said. Performance reviews, which measure nonfinancial goals, are standard for other types of agencies contracting with the county, he said.

The special audit of Passavant Homes should be concluded in a couple of weeks, Brockington said, and the county will announce results then. He said any action the county takes will focus on the best interests of Passavant Homes' 410 clients.

"We will work with the board and management staff to get a quick resolution, whatever the findings might be," Brockington said. "We would want to resolve

these findings without disrupting service. That's our No. 1 goal."

The state Department of Public Welfare has said it will step in to further examine Passavant Homes if warranted by the county review.

And the IRS said in March that it would consider a review of Passavant Homes because of news reports, even though an IRS auditor examined the agency last September and found that it continued to qualify for a federal tax exemption, according to a Feb. 25 letter from an IRS director, R.C. Johnson. Citing privacy issues, the IRS has refused to give details of the extent of that audit.

Tax law says that executive compensation at nonprofits must be "reasonable" and that boards of directors should rely on comparisons with like organizations when determining salaries. Boards and managers can be fined a percentage of excess compensation.

Three former board members of Passavant Homes — Carolyn Buick, Ravi Kant and Ed Rayburg — said they were not shown sufficient salary comparisons before being asked to approve raises. The agency has since sued Kant, alleging he violated a confidentiality

agreement by talking to the Trib.

Passavant Homes contends that the IRS audit last fall should put to rest any questions about compensation.

"We have been reviewed by the IRS, which to our minds is the ultimate approval," Meinert said. "We have been provided with a clean bill of health."

#### **METHODS CHALLENGED**

Only one director surveyed declined to state his salary: Richard Frech, director of Mercy Mental Retardation Services. Frech said revealing his salary would create discontent among his staff.

The IRS requires organizations to report only their five highest-paid employees, and because Frech's agency is part of a much larger organization — Mercy Life Center Corp. — those top five slots are taken by others. They range from Gregg Zoller of Catholic Health East, who reported compensation of \$638,364 in fiscal 2001, to James Weidner of Mercy Hospital, who made \$137,951.

In the past, the Trib has compared Senft's salary with figures

from GuideStar, a Web site produced by Philanthropic Research Inc. The watchdog organization calculated an average salary of \$80,097 in 2000 for Pittsburgh-area human services organizations with budgets of more than \$5 million. In the Trib's survey, the average salary for agencies of that size turned out to be \$112,771.

The Trib used more recent figures in many cases. Chuck McLean, vice president in charge of research at GuideStar, said the average salary figures probably differ because the Trib focused on a more specific type of agency in a wider territory. The 28 agencies in GuideStar's human services category could include such organizations as thrift shops and YMCAs, and its Pittsburgh region covers less area than the Trib survey's.

Meinert also criticized the Trib's methods by saying that agencies report salaries in a variety of ways. They may leave off the compensation a director receives from an outside company, he said. Luster formed at least two private companies while at Pressley Ridge Schools.

And some agencies form management services subsidiaries and then bill salaries to the company as an aggregate, preventing them from having to report individual salaries to the IRS.

In the Trib's survey, only McGuire Memorial billed itself for salaries. Its director, Sister Mary Thaddeus Markelewicz, could not be reached for comment.

Because of the way the mental retardation agencies are paid — through Medicaid, Medicare and state waiver programs, mostly — they are insulated from private donors, who act as a check on many nonprofits, said Borochoff, of the American Institute of Philanthropy.

Senft "is in a nice position," Borochoff said. "The board or the IRS are the only ones able to keep him from receiving this salary."

Anne Michaud can be reached at [amichaud@tribweb.com](mailto:amichaud@tribweb.com) or (412) 380-5615.

# What they make

Agencies providing residential services to the mentally retarded, ranked by revenue; director compensation includes reported salary, benefits and expenses.

Janes' compensation from Valley Special Needs Programs Inc. and Alliance for Behavioral and Developmental Disorders totaled \$89,319.

Agency	Location/local offices	Revenue	Director	Compensation	Year
<b>Community Passages</b>	Philadelphia/Gibsonia	\$72.5 million	Robert Fishman	\$157,414	2000
<b>Northwestern Human Services</b>	Lafayette Hill/Greensburg, Pittsburgh	\$70.8 million	Michael Dieck	\$79,160	2001
<b>Allegheny Valley School</b>	Coraopolis	\$70 million	Regis Champ	\$139,114	2000
<b>Pressley Ridge Schools</b>					
Affiliate: Pressley Ridge Foundation	Pittsburgh (North Side)	\$50.8 million	William "Clark" Luster	\$220,372	2000
<b>Passavant Memorial Homes</b>					
Affiliates: Passavant Development Corp., Passavant Memorial Homes Self-Insured Workers Comp Trust	Harmarville	\$31.3 million	Rick Senft	\$438,508	2001
<b>Step-by-Step</b>	Wilkes-Barre/Pittsburgh	\$30.2 million	James Bobeck	\$131,288	2001
<b>Achieva (Arc-Allegheny)</b>					
Affiliates: Arc Allegheny Foundation, Arc Resource & Management System, The Family Trust, Compro	Pittsburgh	\$24.6 million	Marsha Blanco	\$138,257	2000
<b>Verland</b>					
Affiliates: Verland Foundation, Verland CLA	Sewickley	\$22.6 million	Carol Mitchell	\$124,744	2000
<b>Citizen Care Inc.</b>	Coraopolis	\$16.2 million	Donald DiMichele	\$86,364	2000
<b>Northern Area Multi-Service Center</b>					
Affiliates: Pennsylvania Residential Developers, Landmark Home Health, Landmark Manor	Sharpsburg	\$16 million	Jerry Donatelli	\$82,136	2000
<b>Mon Yough Community Services</b>	McKeesport	\$15.6 million	Douglas Williams	\$87,500	2000
<b>Allegheny East MH/MR Center Inc.</b>	Pittsburgh	\$14.3 million	Barbara Conniff	\$90,952	2000
<b>Family Services of Western Pa.</b>	Pittsburgh (Downtown)	\$13.7 million	David Gouhler	\$112,359	2000
<b>Community Living and Support Services (CLASS)</b>					
Affiliates: United Cerebral Palsy of Pittsburgh, United Cerebral Palsy Foundation	Pittsburgh	\$13 million	Al Condeluci	\$85,000	2000
<b>McGuire Memorial</b>					
Affiliates: McGuire Woodlands, McGuire Memorial Home Foundation, McGuire Administrative Services Inc.	New Brighton	\$12 million	Sister Mary Thaddeus Markelewicz	\$0	2000
<b>Lifesteps Inc.</b>	Butler	\$10.8 million	Daniel Musko	\$126,488	2000
<b>Turtle Creek Valley MH/MR Inc.</b>	Braddock	\$10.1 million	Judy Monahan-Grystar	\$59,822	2000
<b>Westmoreland Arc</b>					
Affiliates: Westmoreland Arc Foundation, Westmoreland Arc Real Estate Management, ProServe	Greensburg	\$10 million	William Barger	\$96,774	2001
<b>Mercy Mental Retardation Services</b>	Pittsburgh (North Side)	\$10 million	Richard Frech	Did not disclose	2000
<b>Diversified Human Services Inc.</b>	Monessen	\$8.5 million	Marvin Albert Batten	\$76,101	2000
<b>Chartiers Community MH/MR Center</b>	Bridgeville	\$6.5 million	Claudia Dezwick	\$105,855	1999
<b>Transitional Services Inc.</b>	Homestead	\$5.9 million	Sharon Alberts	\$70,339	2000
<b>HAP Enterprises Inc.</b>					
Affiliate: Help-A-Person Inc.	Beaver	\$5.6 million	Glenn Sipos	\$61,251	2000
<b>Arc Butler County</b>	Butler	\$5.6 million	Philip Rosenbauer	\$73,536	2001
<b>Laurel Highlands Foundation Inc.</b>	North Versailles	\$5.5 million	Tim Pearl	\$57,932	2000
<b>Valley Special Needs Programs Inc.</b>	Mt. Pleasant	\$5.3 million	William Janes	\$77,565*	2000
<b>Sharp Visions Inc.</b>	Pittsburgh	\$5.2 million	Ruth Siegfried	\$100,920	2001
<b>Washington/Greene Alternative Residential Services</b>	Washington	\$5.1 million	Martin Ware	\$52,295	2001
<b>Lafayette Resources Inc.</b>	Dubois	\$4.9 million	Kathryn Susano Morris	\$45,514	2000
<b>Arc Human Services Inc. (Futtrel Inc.)</b>	Meadow Lands	\$4.9 million	Michael Reardon	\$86,400	2001
<b>Community Living Care</b>	Greensburg	\$4.1 million	Hayes Treasure	\$58,285	2000
<b>Community Options Inc.</b>	Princeton, N.J./Pittsburgh	\$4 million	Bridget Fertal Haney	About \$52,000	2000
<b>United Cerebral Palsy of Beaver, Butler and Lawrence Counties</b>	Butler	\$3.9 million	Pat Brennen	\$46,862	2001
<b>Mainstay Life Services</b>	Mt. Lebanon	\$3.5 million	James Kirk	\$68,257	2001
<b>Southwinds Inc.</b>	Pittsburgh	\$3.3 million	Stacey Kubala	\$63,520	2000

<b>United Cerebral Palsy of Southwestern Pa.</b>	Washington	\$2.9 million	Jill Ealy	\$39,270	2000
<b>Greene Arc Inc.</b>	Prosperity	\$2.6 million	David Horvath	\$53,910	2001
<b>Beaver County Rehabilitation Center</b>	New Brighton	\$2.3 million	Paulette Miller	\$54,340	2000
<b>Community Endeavors Inc.</b>					
<i>Affiliate:</i> Children's Aid Society of Jewish Women	Pittsburgh	\$2.1 million	Nancy Lehm	\$59,762	2000
<b>Pennsylvania Mentor</b>	Pittsburgh	\$1.9 million	Kirsten Culler	\$52,500	2001
<b>Kiski Valley Opportunities Unlimited Assn.</b>					
<i>Affiliate:</i> West-in-Arms Inc.	Vandergrift	\$1.9 million	Laura Raftery (30 hours/week)	\$26,317	2000
<b>Alliance for Behavioral and Developmental Disorders</b>	Hermitage	\$843,700	William Janes (30 hours/week)	\$11,754*	2001
<b>Emmaus Community of Pittsburgh Inc.</b>	Pittsburgh	\$767,000	Lorraine Wagner	\$35,000	2000
<b>Arc-Beaver County Chapter Inc.</b>					
<i>Affiliate:</i> Guardianship Services of Beaver County	Monaca	\$599,800	Drew Grivna	\$79,500	2001
<b>Armstrong Care Inc.</b>	Kittanning	\$502,000	Edward Gerny	\$54,015	2000

Sources: Agencies' IRS filings, Tribune-Review research

## About the survey

To compile its compensation survey, the Pittsburgh Tribune-Review asked five counties to list agencies that provide residential services for the mentally retarded.

Mental retardation agencies can specialize in a range of services, including day treatment, vocational support and sheltered workshops. Residential services, which are staffed two or three shifts a day, rank among the most expensive to provide. The Trib tried to level the field by examining only agencies providing residential services.

The newspaper then reviewed the disclosure form that each agency submitted to the Internal Revenue Service. The documents, known as Form 990s, are available online at GuideStar.com. The Trib used the most recent figures, which run from

1999 through 2001.

When the forms weren't clear, a Trib reporter called the agencies to double-check figures and relationships among affiliated organizations.

When several agencies were related, the Trib added the revenue and the salaries paid to the person in charge. The purpose was to present a picture of a director's full compensation and the budget for which he or she is responsible — the size of the budget representing one's level of responsibility.

When a local office was part of a larger organization with operations throughout Pennsylvania or in several states, efforts were made to identify the local budget and the regional director's salary. For example, Community Options Inc., based in Princeton, N.J., operates

in eight states. That agency provided a breakdown of local revenue and salary, as did National Mentor, operating locally as Pennsylvania Mentor.

Local figures were not available for Community Passages, a Gibsonia agency headquartered in Philadelphia under the name Resources for Human Development Inc; Northwestern Human Services, based in Lafayette Hill, near Philadelphia; or Step-by-Step, a Wilkes-Barre organization.

In calculating average compensation, the Trib excluded the "zero" salary reported by Sister Mary Thaddeus Markelewicz of McGuire Memorial in New Brighton, and the refusal to report a salary by Richard Frech of Mercy Mental Retardation Services, on Pittsburgh's North Side.

July 14, 2002



Keith Hodan/Tribune-Review

Joe Rocco (center) smiles toward Patty Fulton as they and Ray Latshaw assemble testing apparatus for American Textiles at the Arc Human Services vocational workshop in Meadow Lands, Washington County.

## Low pay makes finding, keeping workers difficult

Leota "Tiny" Cummins restrains a 32-year-old man by his left hand and a rear belt loop. It's a gentle restraint, but a firm one, for he is likely to spin off at any moment into an overzealous hug or a body slam.

The man, who lives in a group-home, is autistic. He can't speak and sometimes wets himself. Until recently, he was too hostile to share a home with another mentally retarded person.

"When we first got him, he was a real challenge. He's come a long way," said Cummins, a diminutive grandmother who has cared for him at least 40 hours a week for the 21 months he has been with Arc Human Services in Claysville, Washington County.

Cummins brings him home to play with her grandchildren on holidays. Her care has calmed his soul.

People like Cummins are the heart of the group-home system, which relies on direct-care workers so heavily that the staff nearly always outnumber the clients.

Yet good direct-care workers are quitting for better-paying jobs, and replacements are becoming harder to find. Those problems are hindering the growth of mental retardation services, say advocates, who have filed two statewide lawsuits.

Allegheny Valley School took out a loan three years ago to give raises to front-line workers, said Regis Champ, director of that Coraopolis agency.

"It was either that or start closing down services," he said.

In the past 18 months, Arc Human Services has had room for just two new clients, said Executive Director Michael Reardon, adding, "I look around our workshop and see 35 people whose parents are elderly and who will need housing. I don't know what we're going to do."

The statewide waiting list is 21,000 people long. Needed services include community living programs, job coaches, in-home support and day programs, according to the Pennsylvania Waiting List Campaign, which has filed a class-action suit in U.S. District Court over a proposed cut in the state's promised budget.

Former Gov. Tom Ridge proposed a five-year, \$853 million plan to address the need, beginning in 1999. But Gov. Mark Schweiker's new budget represents a 30 percent cut in the third year of that plan.

Jay Pagni, a state Department of Welfare spokesman, said the Schweiker budget is a 6 percent increase from the previous year's funding. In these tough budget times, he said, "this increase demonstrates the governor's commitment to community mental retardation services."

Ilene Shane countered that people need to take a longer perspective of the Ridge-Schweiker administration.

"It was five years of nothing, then two years of a five-year plan, then suddenly they're cutting back on that," said Shane, executive director of the Disabilities Law Project in Philadelphia, which represents the Pennsylvania Waiting List Campaign.

Another lawsuit was filed in state court in April by a group of 22 agencies and four parent organiza-

**"I look around our workshop and see 35 people whose parents are elderly and who will need housing. I don't know what we're going to do."**

— **Michael Reardon**  
EXECUTIVE DIRECTOR  
ARC HUMAN SERVICES

tions. United under the name Network for Quality M.R. Services in Pennsylvania, the agencies protested meager or nonexistent funding increases that are keeping wages low. The suit claims that the state Department of Public Welfare has violated the Public Welfare Code by failing to reimburse agencies for costs incurred to recruit, train and maintain a stable direct-care staff.

The Welfare Department does not comment on ongoing litigation, Pagni said, but added that in the last fiscal year, the department

released more than \$33 million in grants for direct-care staff in mental retardation, mental health and other human services.

Susan Mussman, a Pittsburgh lawyer representing the Network, said low pay is still an issue.

"This is a serious problem in this industry," she said. "Wages have been a problem in this industry for a long time, and efforts to negotiate with the state have been unsuccessful."

The lawsuit seeks reimbursement of direct-care staff costs and court

costs, as well as the appointment of a master to oversee compliance.

The Conference of Allegheny Providers, an industry association representing more than 300 agencies, recently conducted a survey of wages at all levels among 26 members. Stephen Christian-Michaels, president of the conference and chief operating officer of Family Services of Western Pennsylvania in downtown Pittsburgh, said the survey showed that the median salary for front-line workers is \$9 an hour.

"We're competing with Sheetz and McDonald's. They pay more in some cases," Christian-Michaels said. "These people are dealing with extremely complicated medical conditions, and yet all you have to do is flip a hamburger at McDonald's to make more money."

In group homes, a direct-care position can turn over three or four times a year, the survey found. At a typical agency, payroll makes up at least 65 percent of the budget.

Thirty years ago, direct-care workers could start at today's

equivalent of about \$28,000, said James Kirk, another conference member and executive director of Mainstay Life Services in Mt. Lebanon.

Today, the annual wage amounts to about \$18,000.

"We've lost ground," Kirk said. "We've had to work harder training folks with limited skills and education to bring them to level."

*Anne Michaud can be reached at amichaud@tribweb.com or (412) 380-5615.*



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# PITTSBURGH Tribune-Review

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## Passavant Homes audit paints picture of excess

By **Anne Michaud**  
 TRIBUNE-REVIEW  
 Wednesday, October 2, 2002

Passavant Memorial Homes has overbilled taxpayers \$5.3 million, paid salaries two to four times state limits and used tax dollars for employees' first-class travel expenses, gym equipment and season tickets to the Pirates and Penguins, an audit released Tuesday by Allegheny County Controller Dan Onorato said.

The Harmarville-based agency, which houses mentally retarded people in eight western Pennsylvania counties, receives 98 percent of its money from state and federal taxes, Onorato said.

"We argue that if we're overbilled, that money should come back to us," Onorato said. "They argue that's their profit for good management. It's not what the state regs say; it's not what the federal regs say. We believe this is our money."

Officials from Passavant Homes declined yesterday to speak to the Pittsburgh Tribune-Review, which first raised problems at the agency in March. In a 146-page, point-by-point response, the agency said Onorato has confused public and private money, giving the appearance that "hundreds of thousands of public dollars were unaccounted for."

### Photo Gallery

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**County Controller Dan Onorato**

Philip G. Pavey/Tribune-Review

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**Allegheny County Human Services Director Marc Cherna (left) and Onorato**

Philip G. Pavey/Tribune-Review



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"We are disappointed," the response continues, "that instead of an objective report, much of the material prepared by the Controller's office has more political overtones than factual and accurate information. Whether this was pure politics, poor auditing practices alone, or a combination of both, the public has received a report that reaches inaccurate conclusions and misleads the reader at every opportunity."

In a related development yesterday, two former board members of Passavant Homes said they have been contacted to speak to the Pennsylvania attorney general's office, which is investigating the agency for state law violations.

The county audit found no problems with Passavant Homes' services in the 87 group homes it owns.

Passavant Homes tried to have Onorato sign a confidentiality agreement when he began the audit, he said, meaning he could not release the findings to the public. He said he has been threatened politically by the agency and its representatives, Downtown public relations firm William J. Green & Associates, which has ties to the Republican Party.

"I was threatened several times, at the end, that I would regret the day I ever released this," said Onorato, a Democrat. "Neither this office nor I will ever be intimidated by an auditee."

Onorato and Marc Cherna, director of the Allegheny County Department of Human Services, which contracts with Passavant Homes for services, defended the professional ability of their auditing staff. The two departments audited together, and Onorato's office wrote the report.

"We have many seasoned auditors, including some with CPAs, with over 25 years experience in this field," Cherna said, "and they were there every day going through the books." He said Passavant Homes tried at first to limit the scope of his department's audit.

Among the findings:

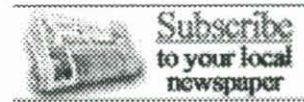
- Passavant Homes overbilled Allegheny County \$1.8 million, most of it in excess charges for workers' compensation and unemployment compensation expenses. The agency told Onorato that it was able to save money by self-insuring for workers' compensation, and the savings reflect

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good management.

- Passavant Homes used the overbilled accounts to pay management salaries far in excess of state regulations. The Trib has reported that Chief Executive Rick Senft last year was paid \$438,508. Onorato said eight top employees were overpaid \$961,883 last year.
- The agency spent \$140,940 unrelated to its programs over two years, including donations to Seneca Valley School's wrestling program and Quarterback Club, which were billed to Passavant Homes.
- Passavant Homes overbilled surrounding counties \$1.2 million and built up a workers' compensation reserve of \$2.3 million, for a total of \$5.3 million overcharged to state taxpayers.
- Passavant Homes contracts with a wholly owned subsidiary, Passavant Development Corp., for pharmacy and other services for \$2.9 million. Onorato said the services, by state law, should have been put out to bid.

Officials also confirmed that Senft has a severance agreement that would pay him \$600,000 should he leave for any reason, including a resignation.

"I haven't seen (the agreement), but I was informed that it does exist," Cherna said, "and I have never in my 30 years' experience heard of anything like that in this industry."

A former board member of Passavant Development Corp., Dr. Ravi Kant, said yesterday he is happy the facts are out in public. Passavant Homes sued Kant in March for breaching a confidentiality agreement by talking to the Trib.

"I'm glad the audit has been done and made public," he said. "Now let other people decide on their own. They will have a better picture of what was going on."

Kant and another former board member, Ed Rayburg, said they have been approached by the Attorney General's Office to set up an appointment. Both have said they were let go from the board after raising questions.

Cottrill, Arbutina & Associates, a Rochester-based auditing firm that terminated its contract with Passavant Homes early in 2000, withdrew its opinion of the 1999 figures it originally vouched for. Harry Kunselman, a lawyer for the firm, said the withdrawal should have raised a red flag.

"In the auditing world, that was the equivalent of a fire alarm," Kunselman said. "We have no clue why nobody paid attention to that."

Cherna, whose department oversees 330 service providers, said he began looking into problems at Passavant Homes earlier this year after receiving telephone calls.

## At a glance

The Allegheny County Controller's Office listed four pages of expenses over two years that it said had nothing to do with Passavant Memorial Homes' mission to care for the mentally retarded and mentally ill.

Passavant Homes disputes that it charged the items to taxpayers.

Among the items:

- An annual operations meeting for administrative staff at Nemaquin Woodlands Resort. Price tag: \$5,792.
- A payment of \$13,511 to an MBNA America account under the name of Rick Senft, Passavant Homes' CEO and president.
- \$6,384 to Seneca Valley School District's sport programs, where Senft's children attended school.
- A programmable treadmill for \$2,942 and a second Exercare Fitness Equipment purchase for the same amount.
- Gift certificates worth \$72,997 for Kaufmann's, listed under "staff appreciation."
- A deposit of \$50,000 to a First Western Bank account for "deferred compensation."
- Rooms for 11 people at the Hershey Lodge, at a cost of \$3,309.
- Payments to MBNA, JC Penney and Kaufmann's totaling \$5,454 for which Passavant Homes refused to provide detail.
- \$4,000 to Izzo's for 650 khaki T-shirts.
- \$11,493 for Penguins' tickets and \$7,088 for Pirates' tickets.

*Anne Michaud can be reached at [amichaud@tribweb.com](mailto:amichaud@tribweb.com).*

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**Passavant Memorial homes to pay \$1.1 million in overbilling case**

The Associated Press

PITTSBURGH - A nonprofit agency that takes care of mentally retarded and disabled people will pay more \$1.1 million to settle claims that it overbilled the state and seven southwestern counties for its services.

Passavant Memorial Homes of Harmarville must pay the money over seven years with no interest, according to its attorney, Jay D. Marinstein.

"We're very pleased with the settlement. We said from the start that the allegations were far in excess of the real issues involved in the case," he said.

A 2002 Allegheny County audit found the nonprofit overbilled taxpayers by more than \$5.3 million.

The state later audited the nonprofit and concluded Passavant had overbilled taxpayers in several counties by \$2.2 million, saying that Allegheny County auditors misunderstood a relevant regulation and noting that Passavant wouldn't share key documents. Passavant will pay half that amount to settle the claims.

Last year, Passavant was fined \$450,000 and agreed to revise its pay formula for top executives. The state Attorney General's Office had sued after the Pittsburgh Tribune-Review published stories alleging excessive executive pay and lax internal controls.

The settlement does not include money to settle allegations of excess executive pay, Marinstein said. Retired federal Magistrate James Melinson mediated the settlement between Passavant

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and the state Department of Public Welfare and Passavant.

Then-Allegheny County Controller Dan Onorato later audited the agency's services to the county. Onorato, now the county's chief executive, found that Passavant paid executives two to four

times the going rate and spent tax dollars on first-class plane tickets, gym equipment and season tickets to Pirates and Penguins games.

When the Department of Public Welfare issued its audit last year, asking Passavant to repay \$2.2 million, Passavant responded with allegations that the state was late with \$5 million in payments for housing patients.

In settling the dispute, Passavant chairman Jack Waddel said the nonprofit's billings were "entirely proper," but that the out-of-court settlement made sense financially.

Passavant, with a \$40 million annual budget, serves 750 people in southwestern Pennsylvania.

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Information from: Tribune-Review, <http://www.triblive.com>

July 9, 2005 2:42 PM

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