A Special Performance Audit

Torrance State Hospital of the PA Department of Public Welfare: Lax monitoring of contracted medical professionals

February 2012

Jack Wagner, Auditor General

Pennsylvania Department of the Auditor General
Bureau of Special Performance Audits

February 16, 2012

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Dear Governor Corbett:

Enclosed is our special performance audit report of Torrance State Hospital (also referred to as "Torrance" or "hospital") of the Pennsylvania Department of Public Welfare, or DPW. The report covers the period of July 1, 2009, through March 9, 2011, with updates through early December 2011 as noted.

Our audit objective was focused on evaluating how Torrance monitored selected aspects of a statewide contract with Liberty Healthcare Corporation, or Liberty. We concentrated primarily on certain psychiatric services provided under the contract.

Our findings were troubling. Torrance spent millions of taxpayer dollars to contract for psychiatrists but did not effectively manage something as critical as ensuring that doctors engaged in patient care instead of other activities, or something as simple as verifying that doctors actually worked the number of hours they reported. For example, in the 2010-11 fiscal year, Torrance paid $413,000 for the services of one psychiatrist (at the rate of $168.68 an hour) whose contracted duties required him to provide direct patient care. The psychiatrist reported that he worked more than 47 hours a week on average, but we found sufficient evidence to suggest that Torrance should have questioned those hours, especially based on the doctor's activities related to a private company he owns.

Torrance also spent $351,000 in the same fiscal year for a Liberty-contracted chief medical officer responsible for supervising the clinical work of the above-mentioned psychiatrist. However, the chief medical officer himself serves on the staff of the psychiatrist's private company. If not an actual conflict, there is surely the appearance of one when Torrance's chief medical officer supervises the psychiatrist at the taxpayer-owned hospital while working *for* him (with the apparent opportunity for financial gain) at the psychiatrist's private company. Regardless, the chief medical officer's position should not be held by a contracted employee.

Overall, based on examples like the preceding ones and combined with the rest of our audit work, we concluded that Torrance's most senior officials, specifically the chief executive officer and the chief operating officer, did not adhere to their executive responsibilities in a number of ways and are thus responsible for the problems. Of greatest significance is the lack of accountability—i.e., these most senior officials did not adequately review and question invoices from Liberty. Instead, they approved the payment of taxpayer dollars (1) for activities other than providing direct care to patients as intended by the contract, (2) in ways that clearly compromised the hospital's supervisory role based on conflicting interests, whether in appearance or in fact, and (3) despite being questioned repeatedly by at least one of Torrance's own mid-level managers.

Following our work at Torrance, we will be analyzing the controls at other state facilities that contract with Liberty for medical personnel to see if the Torrance problems exist statewide. For personnel supplied to Torrance alone, Liberty received $2.7 million in fiscal year 2009-10, $2.8 million in fiscal year 2010-11, and is projected to receive $3.2 million in fiscal year 2011-12. That's $8.7 million in total just for Torrance, but the Commonwealth pays Liberty for its services elsewhere, too. In fact, Liberty has a statewide contract through March 2014 worth $17.5 million to provide health and medical services to multiple Commonwealth entities besides Torrance State Hospital.

In total, our audit report presents 5 findings and 18 recommendations. The report also includes the written response from Torrance management. On a positive note, at an audit exit conference we convened in Harrisburg prior to the release of this report, we learned from DPW and hospital officials that Torrance has already begun to make various changes in response to our findings.

We conducted this special performance audit pursuant to Sections 402 and 403 of the Fiscal Code and in accordance with generally accepted government auditing standards. Those auditing standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained does indeed provide a reasonable basis for our findings and conclusions based on our audit objectives.

Sincerely,

JACK WAGNER
Auditor General

Enclosure

cc: The Honorable Gary Alexander, Secretary, Department of Public Welfare
Blaine Smith, Deputy Secretary, Office of Mental Health and Substance Abuse Services
Edna I. McCutcheon, Chief Executive Officer, Torrance State Hospital

Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
February 2012

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Results in Brief

Troubling findings about loose controls should be of concern to taxpayers

In this special performance audit of the Department of Public Welfare's Torrance State Hospital, our objective was focused on evaluating how Torrance monitored selected aspects of a statewide contract with Liberty Healthcare Corporation, a provider of medical professionals.

Overall, we found that Torrance did not effectively monitor its contract with Liberty, primarily regarding the administrative supervision of psychiatrists.

Our five findings are troubling, and Pennsylvania taxpayers should be concerned about the state's loose controls over millions of dollars that went to contracted doctors whose work hours and activities were poorly supervised by the hospital's most senior officials.

$17.5 million being spent statewide, $8.7 million by Torrance alone

Liberty provides psychiatrists and other personnel to Torrance and other state facilities under a $17.5 million contract that runs through March 2014. For personnel supplied to Torrance alone, the state's tab is $8.7 million. Specifically, Liberty received $2.7 million in fiscal year 2009-10, $2.8 million in fiscal year 2010-11, and a projected $3.2 million for fiscal year 2011-12.

Weakened resolve by both Torrance and the Department of Public Welfare

Based on a constructive and collaborative process by which we approach our audits, we initially expected that the Department of Public Welfare and Torrance would actively address our findings. However, in the time between our exit conference with DPW and Torrance officials on January 9, 2012, and our receipt of the DPW/Torrance written response on January 24,

2012, the officials appear to have weakened their strongly expressed initial resolve to acknowledge our audit findings and implement our recommendations.

That weakened resolve has led to our overall conclusion that DPW and Torrance do not truly understand the seriousness and significance of the issues we have identified.

Five findings, 18 recommendations

Our findings cover the period of July 1, 2009, through March 9, 2011, with updates through early December 2011 as noted in the report.

- **Finding One.** Torrance State Hospital paid almost $414,000 a year to contract for a psychiatrist while inappropriately collaborating with him and the private company he owns.

  and

  Torrance also paid $351,000 a year for a contracted chief medical officer who supervised the psychiatrist's work but who himself is employed by the psychiatrist's private company, thus creating an apparent conflict of interest.

  Summary of recommendations. Torrance should (1) eliminate any real, apparent, or potential conflicts that compromise the hospital's supervisory role; (2) ensure that its contracted relationships are disclosed in public documents; (3) not contract out for the position of chief medical officer; and (4) avoid any actual or apparent endorsement of a private company owned by one of the contracted doctors.

- **Finding Two.** Torrance State Hospital spent at least $30,000 for contracted doctors to conduct training that was not part of the contract. Conducting the training took time

away from patient care, often promoted one doctor's private business, and was not cost effective.

Summary of recommendations. Torrance should (5) immediately stop using its contracted psychiatrists to conduct training events; (6) find specialized trainers other than its contracted doctors; (7) seek reimbursement from Liberty Healthcare for time that contracted personnel spent on training sessions; and (8) seek reimbursement for the estimated $6,750 that Torrance paid for food and training materials for educational events in October 2010.

- **Finding Three.** Torrance State Hospital did not effectively monitor the working hours of its contracted doctors and likely paid for hours they did not work.

  Summary of recommendations. Torrance should (9) ensure it pays only for hours worked by contracted doctors and stop using call-in/call-out attendance procedures for those doctors; (10) document its work-hour verification procedures in writing; (11) stop approving and paying for hours on time cards unless doctors have followed verifiable work attendance procedures; (12) seek a $1,349 refund from Liberty Healthcare for the services of a psychiatrist who said he was at Torrance when he was working elsewhere; and (13) determine the propriety of continuing to use the services of the previously referenced psychiatrist.

- **Finding Four.** Torrance State Hospital spent at least $42,000 in taxpayer dollars for Liberty-contracted professionals to travel to conferences when it was not Torrance's responsibility to pay. Some of the conferences were out of state or in Canada.

  Summary of recommendations. Torrance should (14) stop paying time and travel expenses for the

continuing education courses of contracted professionals; (15) seek a $42,000 refund from Liberty for the continuing education and travel expenses identified in this audit; and (16) determine and collect any other inappropriately paid education and/or travel expenses incurred by Liberty-contracted professionals.

- **Finding Five.** Torrance State Hospital paid more for contracted psychiatrists because it had difficulty recruiting its own psychiatrists. Part of the problem was that Torrance's lax monitoring and special treatment of contract doctors made the contracted jobs more attractive than staff jobs.

  Summary of recommendations. Torrance should (17) develop a long-term solution to its problems in recruiting psychiatrists; and (18) monitor the Liberty contract much more closely until a long-term solution is found for the hospital's recruitment difficulties.

Methodology; response from DPW and Torrance

Our audit was conducted under generally accepted government auditing standards, and our complete methodology is presented in Appendix A. The full written response from DPW/Torrance is presented in Appendix D; a summary of that response, along with our evaluation, is included after the recommendations that follow each finding.

Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
February 2012

Introduction

Audit objective and scope, profile of Torrance State Hospital, and use of this report

Objective and scope of this audit

The objective of this special performance audit was narrowly focused on evaluating how Torrance State Hospital of the Pennsylvania Department of Public Welfare monitored selected aspects of a state contract with Liberty Healthcare Corporation, which we also refer to as Liberty. In particular, we concentrated on certain psychiatric services provided under the contract primarily for the period of July 1, 2009, to March 9, 2011, with updates through early December 2011 as noted.

Overall, Torrance State Hospital paid Liberty Healthcare almost $6.3 million for contracted medical professionals—in addition to Torrance's own staff—to provide care to Torrance patients.

Also see Appendix C for the complete tables of projected-versus-actual payments and hours for individual medical professionals in each of the fiscal years.

Summary: In just over two years and three months, Torrance State Hospital paid $6.3 million to Liberty Healthcare for contracted medical personnel

Fiscal Year	Work hours reported by contracted professionals	Torrance payments for work hours of contracted professionals	Torrance payments for travel of contracted professionals	Total paid for contracted professionals
2009-10 *(7/1/09-6/30/10)*	21,761 hrs	$ 2,693,377	$ 8,392	$ 2,701,769
2010-11 *(7/1/10-6/30/11)*	21,726 hrs	$ 2,772,586	$ 7,247	$ 2,779,833
2011-12 *(7/1/11-10/14/11)**	6,234 hrs	$ 806,765	$ 1,304	** $ 808,069
Totals	**49,721 hrs**	**$ 6,272,728**	**$ 16,943**	**$ 6,289,671**

*posted as of early December 2011
**projected to be $3.2 million by the end of the fiscal year

Interestingly, when we looked at purchase orders for the two already-completed fiscal years of our audit (i.e., not including the first months of the 2011-12 year that started on July 1, 2011), we found that the $5.5 million paid by Torrance actually

represents 8,659 *fewer* work hours, or about $1.57 million *less* than Torrance had originally projected.

It was not among our objectives to determine if Torrance based its projections on real need or if Torrance instead over-projected to allow for unexpected need. At the same time, however, we found that in several cases the projections were skewed higher for a valid reason. For example, the original purchase orders for three psychiatrists had been written in anticipation they would work for certain terms, such as a full year, but the psychiatrists left before completing their terms. Thus, when new purchase orders were used to acquire replacement doctors, the un-worked hours from the original purchase orders remained in Torrance's overall projections.

Based on the preceding explanation, we lowered the original projections to account for the unanticipated departures. Even with that adjustment, we found that Torrance had over-projected by 5,565 hours, or about $940,000.

Ultimately, Torrance's inflated projections did not matter and it was good that Torrance paid for fewer hours than projected. We make that statement because Torrance did not effectively monitor the *actual* hours and services for which it paid.

To be even more clear about the scope of our work for this audit—and about the scope of services provided by Liberty Healthcare to the entire Commonwealth—we again emphasize that we limited our evaluation to Torrance's contract monitoring of selected services. Liberty actually provides health and medical services to multiple state-owned entities besides Torrance under a $17.5 million contract[1] valid through March 2014. However, as a result of our work and the problems outlined in this report, we will be analyzing the controls at other state facilities that contract with Liberty for medical personnel. Our intent will be to see if the Torrance problems exist statewide.

[1] Contract #4400004062 between the Commonwealth of Pennsylvania and Liberty Healthcare Corporation (based near Philadelphia) was originally effective March 27, 2009, through March 9, 2011. The contract was later changed, effective October 27, 2010, to be valid through March 9, 2014, and is for Liberty's provision of various health and medical services to Commonwealth entities statewide. The contract is online at http://www.emarketplace.state.pa.us/FileDownload.aspx?file=4400004062%5CContractFile.pdf.

This audit was conducted according to generally accepted government auditing standards issued by the Comptroller General of the United States.

History and mission of Torrance State Hospital

The Pennsylvania Department of Public Welfare owns and operates six state hospitals, one of which is Torrance State Hospital, Westmoreland County, 50 miles east of Pittsburgh. The hospital, which we will also refer to as Torrance, opened in 1919.

Torrance provides inpatient services for individuals with severe and persistent mental illness. The Department of Public Welfare's website for Torrance State Hospital[2] explains that it has three distinct service areas. Following is our summary of the website information about those service areas:

(1) **Civil.** Individuals are generally admitted from community inpatient psychiatric hospitalization. In such cases, the community hospital's referring physician determines that longer-term psychiatric care is needed. A referral to Torrance is then initiated from a county program office. Counties served by this civil program include Allegheny, Armstrong, Beaver, Bedford, Blair, Butler, Cambria, Fayette, Greene, Indiana, Lawrence, Somerset, Washington, and Westmoreland.

(2) **Forensic.** The Regional Forensic Psychiatric Center program transferred from Mayview State Hospital, Allegheny County, in November 2008. The program provides active psychiatric treatment and/or psychiatric evaluation in a secure facility for persons under criminal detention in a county system, and who will likely return to the judicial system. Referrals occur from 48 counties throughout the county court system.

[2] See http://www.dpw.state.pa.us/foradults/statehospitals/torrancestatehospital/index.htm. Accessed September 23, 2011. Regarding forensic referrals, the website said they occur from 35 counties; we refer to 48 counties based on updated information we requested from Torrance's CEO on February 13, 2012.

(3) **Sexual.** The Sexual Responsibility and Treatment Program is responsive to Act 21 of 2003, as amended,[3] which requires the Department of Public Welfare to provide mental health sex-offense specific treatment for certain persons committed to adolescent treatment facilities for sex crimes, and who may still be at risk to re-offend after they reach the age of 21. The program operates within a secure treatment environment, employs cognitive-behavioral and sex-offense specific intervention, and provides treatment to offenders from across the state.

The mission statement of Torrance is also contained on its website:

> *Torrance State Hospital is committed to provide all persons who have serious mental illness, including those with a co-occurring disorder, the opportunity for growth, recovery, and inclusion in their community. This is provided through evidence and promise-based psychiatric treatment and substance abuse services, access to the supports and services of their choice, so individuals may enjoy a quality of life that facilitates personal growth and achievement.*

Torrance organization: Governance and management

Torrance operates under the direction of a chief executive officer and a staff that numbered 675 as of October 17, 2011. The CEO reports to the Harrisburg-based acting director of the Bureau of Community and Hospital Operations at the Department of Public Welfare, which is the agency that provides ultimate oversight under the Governor's jurisdiction. Torrance's organization chart is illustrated in Appendix B.

[3] *See* 42 Pa.C.S. § 6401 *et seq*. Act 21 provides for the "rights and procedures for the civil commitment of sexually violent delinquent children who, due to a mental abnormality or personality disorder, have serious difficulty in controlling sexually violent behavior and thereby pose a danger to the public and further provides for additional periods of commitment for involuntary treatment for said persons."

Funding and expenses

The schedule on the next page presents selected unaudited operating statistics for four fiscal years ended June 30, 2011.

Use of this audit report

We present 5 overall findings and 18 recommendations, and we expect that our findings and recommendations will assist Torrance and the Department of Public Welfare in making improvements to the hospital's overall operations. Our report should also be of use to others who have an interest in the conduct of Torrance and the Department of Public Welfare, such as the General Assembly with its legislative oversight, individual taxpayers to whom state government is accountable, and media organizations who report this information to those individual taxpayers and other users.[4]

[4] Paragraph 7.14 of the generally accepted government auditing standards (July 2007 revision) under which this audit was conducted has this to say about the users of audit reports: "One group of users of the auditors' report is government officials who may have authorized or requested the audit. Other important users of the auditors' report are the entity being audited, those responsible for acting on the auditors' recommendations, oversight organizations, and legislative bodies. Other potential users of the auditors' report include government legislators or officials (other than those who may have authorized or requested the audit), the media, interest groups, and individual citizens. In addition to an interest in the program, potential users may have an ability to influence the conduct of the program. An awareness of these potential users' interests and influence can help auditors judge whether possible findings could be significant to relevant users."

Torrance Operating Statistics[5]

	2008	2009	2010	2011
Operating expenditures[6]	$42,962,189	$52,694,784	$59,754,703	$66,112,691
Employee complement				
Filled at year end	456	601	630	659
Vacant at year end	29	67	66	44
Total at year end	485	668	696	703
Bed capacity at year end[7]	240	323	313	357
Available patient days of care[8]	89,841	104,519	116,506	130,670
Actual patient days of care[9]	84,545	98,158	107,592	110,811
Avg daily patient population[10]	231	269	295	304
% utilization (based on days of care)	94.1%	93.9%	92.3%	84.8%
Avg daily cost per patient[11]	$508	$537	$555	$597
Annual avg cost per patient[12]	$185,928	$196,005	$202,575	$217,905

[5] The increase in operating statistics between June 30, 2008, and June 30, 2009, was caused by the transfer of the forensic treatment unit from Mayview State Hospital to Torrance State Hospital.
[6] Operating expenses were recorded net of fixed asset costs, an amount that would normally be charged as part of depreciation. In addition, regional level direct and indirect costs were not allocated to the totals reported here. Prior to the fiscal year ended June 30, 2010, federal appropriations were not fully allocated to the hospital until after completion of closing and other audit adjustments. Starting with the fiscal year ended June 30, 2010, federal mental health appropriation amounts were disclosed for the hospital.
[7] The bed capacity at year end includes beds for the civil hospital, the forensic treatment unit, and the Sexual Responsibility and Treatment Program unit established pursuant to Act 21 of 2003, as amended. All locations are under direct Torrance responsibility. The forensic treatment unit opened on November 13, 2008.
[8] The bed capacity for the civil hospital, the forensic treatment unit, and the Sexual Responsibility and Treatment Program unit varied throughout the audit period. Available patient days of care were calculated by multiplying the bed capacity by the number of relevant days.
[9] Actual patient days of care include census days for the civil hospital, the forensic treatment unit, and the Sexual Responsibility and Treatment Program unit.
[10] Average daily patient population was calculated by dividing the actual patient days of care for the year by the number of calendar days in the year.
[11] Average daily cost per patient was calculated by dividing the total operating expenses by the actual patient days of care. This rate is not the same as a certified per diem rate, since the total operating expenses excluded depreciation and allocated direct and indirect costs from region and department level offices.
[12] Annual average cost per patient was calculated by multiplying the average daily cost per patient by the number of calendar days in the year. (2008 was a leap year and thus had 366 days.)

Finding One

Torrance State Hospital paid almost $414,000 a year to contract for a psychiatrist while inappropriately collaborating with him and the private company he owns. Torrance also paid $351,000 a year for a contracted chief medical officer who supervised the psychiatrist's work but who himself is employed by the psychiatrist's private company, thus creating an apparent conflict of interest.

Under the Department of Public Welfare's statewide contract with Liberty Healthcare Corporation, Torrance State Hospital pays approximately $170 an hour—and sometimes higher—for psychiatrists to provide professional psychotherapy and psychiatric services to individuals who receive care at Torrance. During our audit period, Torrance contracted with Liberty for seven psychiatrist positions, six of which were full time.[13]

Our three tables in Appendix C document by fiscal year the individual positions of all Liberty-contracted professionals, including projected pay and hours versus actual pay and hours. Readers should note that, because Torrance had some short-term and/or shared positions for psychiatrists, these comprehensive tables may make it appear that there were more than six or seven psychiatrist positions.

This finding addresses primarily the activities of one of the full-time contracted psychiatrists. We will refer to him as Psychiatrist A.

According to purchase orders associated with the Liberty contract, Psychiatrist A was authorized by Torrance to provide services valued at three-quarters of $1 million in fiscal years 2010-11 and 2011-12, as follows:

[13] Torrance also contracted with Liberty for personnel to fill the following positions: a chief medical officer, a podiatrist twice a week, a neurologist twice a month, physical therapists as needed, and professional staff for the Sexual Responsibility and Treatment Program (including the part-time psychiatrist as noted in the above narrative). For some positions, more than one person provided the contracted hours.

- **$413,941** for 2,454 hours at $168.68 an hour in fiscal year 2010-11.[14]

- **$342,420** for 2,000 hours at $171.21 an hour in fiscal year 2011-12.[15] As of December 7, 2011, Torrance had thus far paid Liberty $106,236 for Psychiatrist A's services for 3.5 months of the fiscal year, from July 1 through October 14, 2011.

As the contract with Liberty requires, Psychiatrist A is a medical doctor who possesses a current license to practice medicine in the Commonwealth of Pennsylvania.[16] The contract also requires completion of a residency or training program in psychiatry that meets American Board of Psychiatry certification requirements, which we did not confirm. However, a resume submitted on Psychiatrist A's behalf in October 2000 to the Allegheny County Council includes a lengthy list of board statuses, accomplishments, memberships, professional activities, publications/research, teaching/presentations, faculty appointments, employments, references, and experiences.[17] In more current documents from other sources, Psychiatrist A is listed not only as "staff psychiatrist" and "faculty" at Torrance but also as an associate professor of psychiatry at the University of Pittsburgh's school of medicine.[18]

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[14] Purchase Order No. 4300233224 with Liberty Healthcare, effective 08/19/2011, issued 09/20/2011. This purchase order represents a change from the original purchase order that was effective 06/21/2010.
[15] Purchase Order No. 4300289188 with Liberty Healthcare, effective 08/11/2011, issued 09/20/2011. This purchase order represents a change from the original purchase order that was effective 06/29/2011.
[16] On September 29, 2011, the Pennsylvania Department of State's online license verification database listed Psychiatrist A as a medical physician and surgeon with an active license.
[17] The curriculum vitae was included with a letter dated October 25, 2000, from Allegheny County's then-chief executive to members of Allegheny County Council. The chief executive was recommending Psychiatrist A and three other candidates to serve as members of the Allegheny County Board of Health.
[18] Our audit objective related to this finding was not to question Psychiatrist A's professional credentials. We list such credentials here as background information but, except for current medical licensure as explained above, we did not verify them. However, we add the following two notes: (a) The title of "faculty" at Torrance does not exist at that hospital according to official records and is also not part of Psychiatrist A's duties as set forth in the contract with Liberty Healthcare Corporation; and (b) We did not find the name of Psychiatrist A on September 29, 2011, when we conducted an online search of faculty for the University of Pittsburgh's Department of Psychiatry.

In addition to his contract position at Torrance and his reported teaching position, Psychiatrist A is the president/owner of a professional corporation based in Westmoreland County. According to the Pennsylvania Department of State, the entity was created in July 2004. As described on its own website, the company was founded for "the purpose of providing dignified and compassionate care based on wellness principles for recovery. Seeking wisdom of East and West in an original, provocative, warm and relaxing environment.…"

Psychiatrist A is featured prominently on his company's website, which throughout our audit work listed him as medical director and pictured him on virtually every page. His position as contract psychiatrist for Torrance was not directly noted in the site's narrative.[19] Following his name and bio on the company's list of practice staff ("Meet the staff") were 12 additional practitioners, including three other medical doctors, one who formerly worked full-time at Torrance under the Liberty contract, and the other—described as "presently serving as Chief of Medical Services at Torrance State Hospital"—who still works there. The latter doctor is indeed Torrance's chief medical officer and, as such, is responsible for supervising Psychiatrist A's clinical work at the hospital.

Blurred lines exist between contracted activities and Psychiatrist A's private business, creating the appearance of conflicting interests that compromise the hospital's supervisory role

As we reviewed documents from and/or about Torrance, we found various ties to Psychiatrist A and his private for-profit business. These ties raise significant concerns about the propriety of the relationship between Psychiatrist A and Torrance when that relationship falls outside the one covered under the Liberty contract. Relationships not covered by the contract pose conflicts—whether real or perceived—that

[19] His position at Torrance as "staff psychiatrist" or "faculty" was noted on some of the links available on the website (based on our review of the site on various dates in 2011).

compromise the hospital's ability to monitor the contract objectively, including Psychiatrist A's activities and work. The next paragraphs explain some of these blurred lines.

- **Clinical supervision by the chief medical officer: not clear who works for whom.** The chief medical officer at Torrance has ultimate responsibility for supervising Psychiatrist A's clinical work there. But the supervisory role of the chief medical officer—also hired under the Liberty contract—was compromised by his concurrent employment as a staff member and consultant for Psychiatrist A at his private company. Stated another way, an apparent conflict exists because Torrance's chief medical officer supervises Psychiatrist A in a public entity (Torrance) while working *for* him in a private setting (Psychiatrist A's private company) with the apparent opportunity for financial gain. Torrance should surely be aware of the relationship and should not tolerate it.

  Regardless, the position of chief medical officer should not be held by a contracted employee. Even if the current chief medical officer would not be affiliated with Psychiatrist A's private company, the contracted relationship itself compromises Torrance's ability to supervise that position.

- **Administrative supervision by the chief executive officer: again, not clear who's in charge.** The chief executive officer of Torrance, who has ultimate responsibility for supervising Psychiatrist A in administrative matters as opposed to clinical matters,[20] has collaborated with Psychiatrist A at various events (as we describe in this report) where the contracted relationship went undisclosed. In some cases where the two appeared together, the publicly available materials contain no reference to the contracted employer-employee relationship. References instead suggest a partnership between Torrance and either Psychiatrist A or his private

[20] The role of the CEO is in contrast to the role of the Liberty-supplied "chief medical officer" who is responsible for Psychiatrist A's clinical work at Torrance.

business. In addition, whether or not the suggested references to an equal partnership were intentional or simply careless, they also camouflaged the fact that Psychiatrist A was paid with taxpayer dollars through a state contract.

All in all, when we consider our subsequent findings that Torrance was lax in monitoring the Liberty contract, it becomes clear that Torrance's outside-the-contract relationships with Liberty personnel—in particular with Psychiatrist A—compromised the hospital's ability to conduct itself as the in-charge employer.

- **Separation of roles: Torrance's apparent endorsement of a private company owned by a contracted employee is inappropriate.** On the website of Psychiatrist A's company, we found a publicly available brochure promoting a September 2011 course titled *Medicine, Culture, and Spirituality* and offering various continuing education credits. On the brochure's cover, Torrance State Hospital ("In Collaboration with Participating Organizations") was billed as the apparent course offeror. However, the logo of Psychiatrist A's private company was featured just as prominently, as was the company's website address for purposes of registration and information. Only two "course directors" were listed on the cover, including—in this order—Psychiatrist A and Torrance's chief executive officer.

  While this course may well have been valuable, and while it did offer the opportunity for participants to earn continuing education credits, state-owned Torrance State Hospital should not *appear* to endorse—and should not be *used* to endorse—a private company, notably one owned and operated by a contracted employee. Nowhere in the brochure was it disclosed that Torrance employed this contracted psychiatrist. Nor did the brochure mention that Psychiatrist A was the owner of the private company, only that he was "Associate Professor of Psychiatry, University of Pittsburgh School of Medicine." To readers, the

appearance was that Torrance and its CEO were partnering with—and endorsing—both Psychiatrist A and his private company, which was tagged distinctively as "Enlightening with Knowledge."[21]

Also not disclosed were other relationships between Psychiatrist A and the "participating organizations" with which Torrance collaborated as well. For example, in addition to owning the private company and working under Liberty's contract with Torrance, Psychiatrist A is—or has been in the past—an officer or director of at least one of the organizations involved in the September 2011 course, as well as a board member of the organization to whom conference registration checks were made payable.

In Finding Two, we extend this discussion to report how Torrance paid Liberty Healthcare for Psychiatrist A's time to plan, conduct, and attend the September 2011 event. Thus, in addition to the *appearance* of an endorsement when Torrance partnered with the doctor and his private company for this event, there was an *actual* and *indisputable* endorsement when Torrance used taxpayer dollars to pay for his time as well.

Additional examples compound the problem

The September 2011 conference is not the only example of collaborations between Torrance and Psychiatrist A that compromised the hospital's role in supervising him. Although not as recent, other events benefitted the private business of Psychiatrist A, too, meaning that Torrance repeatedly allowed that individual doctor and private business owner to profit in a capacity that should have remained separate from his Torrance-contracted and taxpayer-paid duties.

[21] Inside the brochure, the "participating organizations," including Torrance, were listed solely by name—except for Psychiatrist A's company, which included the "Enlightening with Knowledge" tag. The other organizations appeared to be mostly government entities or nonprofits, several of which had or have ties to Psychiatrist A (e.g., executive director, board member) as we describe above.

- **October 2010.** Torrance was the site for five days of training in the use of a treatment method called dialectical behavior therapy, which is used to help persons with mental health disorders. The course was offered to mental health professionals, and the participants could earn continuing education credits. Torrance not only provided its auditorium as meeting space for the training, but the hospital also supplied the participants—of which there were at least 66—with their food and training materials. Even so, in the brochure promoting the training, Torrance was not advertised or acknowledged as the event's host and was mentioned only as the location for the training. By all appearances (such as its logos on both the front and back covers of the brochure), the private company owned by Psychiatrist A was responsible for the five days of training. Psychiatrist A himself was listed as the only course director, and there was no listed association with Torrance. Yet Torrance used taxpayer monies to pay for the time he spent on this event and also paid for all participants' food and training materials. Finding Two discusses this issue further.

- **September 2010.** Psychiatrist A and Torrance's CEO were listed as the only two course directors for a conference titled *Mindful Zones: Secrets to a Healthy Life* in September 2010. In the course brochure, Psychiatrist A *was* listed as having associations with Torrance, but his listed associations were not entirely accurate or complete.

  - ✓ Specifically, under the headings of "Speakers" and "Course Directors," Psychiatrist A was listed as "Faculty, Torrance State Hospital," along with an academic association with the University of Pittsburgh. Regarding Torrance, we are not aware of any such "faculty" position there, and "faculty" is not part of the Liberty contract.

  - ✓ In addition, under the heading of "Upcoming Events" (also see next bullet), Psychiatrist A was listed as "Staff Psychiatrist, Torrance State Hospital," as well as "Medical Director [of his

private company]," and "Clinical Assistant Professor of Psychiatry, School of Medicine, University of Pittsburgh." Regarding Torrance, "Staff Psychiatrist" suggests that he is a state employee, not a contracted psychiatrist through Liberty Healthcare.

This conference, too, offered attendees continuing education credits. The conference brochure, in discussing such accreditation, notes that faculty and others associated with such events are expected to disclose any conflicts of interest.[22] Finding Two offers more financial details.

- **September 2010 [in reference to October 2010].** Under the heading of "upcoming events," the brochure that we cited in the preceding bullet publicized (1) the upcoming October 2010 five-day training in dialectical behavior therapy and (2) a $50 event on October 2, 2010, taught, in part, by Psychiatrist A. For more information about the October 2 event, readers were directed to the website of Psychiatrist A's private company, or to call or contact the "registrar," a doctor associated with Psychiatrist A's company (in the company's newsletter as of April 2009, she was listed as a member of the company's board of directors and an associate editor of the newsletter). Again, by all appearances, the October 2 event was a project of Psychiatrist A and his private company, but Torrance paid for the doctor's associated hours. Finding Three has additional details.

- **June 2010.** According to an email communication from a Liberty official to Torrance management, Psychiatrist A was said to view himself as a representative of the hospital when he conducted disaster response training at a June 2010 event in Pittsburgh. Yet Torrance State Hospital was

[22] The specific narrative said this: "**Disclosure:** Faculty and all others who have the ability to control the content of continuing medical education activities sponsored by the Cambria-Somerset Council for Education of Health Professionals, Inc.[,] are expected to disclose to the audience whether they do or do not have any real or apparent conflict(s) of interest or other relationships related to the content of their presentation(s)."

not mentioned anywhere in the flyer for the event (titled *Understanding Pennsylvania's Disaster Response System*). Moreover, the flyer's summary of speakers and their professional titles referred to Psychiatrist A solely as the medical director of his private company, not as a full-time contract psychiatrist for Torrance. Once again, however, Torrance paid Liberty for Psychiatrist A's time to attend this event. Finding Two has additional details.

Torrance's top management overrode repeated concerns from at least one subordinate who questioned payments to Liberty for non-contracted activities

During our review of documents at Torrance, we noted that the hospital's facility financial manager repeatedly expressed concern about the activities of Psychiatrist A and others covered by the Liberty contract. The facility financial manager, who is responsible for processing payments, questioned both the hospital's chief executive officer and the chief operating officer about the propriety of paying for certain activities that he (the facility financial manager) believed were not covered under the contract. In almost every case, he was directed to process the payments.

We also found that Liberty was aware of the questions being raised and, in fact, tried itself to address them on at least one occasion. But Torrance's top management overrode even Liberty's concerns. Specifically, for the June 2010 disaster response training, and based on our review of various documents such as emails, invoices, and time cards, Liberty questioned whether it should be paid by Torrance for Psychiatrist A's reported hours. In response, Torrance's senior management confirmed the hours in question and paid the related invoice.

Based on the preceding evidence and on the rest of our audit work, we have concluded that Torrance did not adequately carry out its responsibility to review, question, and pay or refuse to pay invoices from Liberty. Instead, the hospital's most senior officials demonstrated an alarming lack of

accountability when they approved the payment of taxpayer dollars (1) for activities other than providing direct care to patients as intended by the contract, (2) in ways that clearly compromised the hospital's supervisory role based on conflicting interests, whether in appearance or in fact, and (3) despite being questioned repeatedly.

In the next finding, we continue our discussion with the addition of financial details.

Recommendations:

1. Torrance State Hospital, in cooperation with the Department of Public Welfare's legal staff, should take the necessary steps to ensure that any real, apparent, or potential conflicts are eliminated that compromise Torrance's role in supervising its contracted doctors. Such issues include those we reported in this finding regarding the role/activities of Psychiatrist A, the clinical supervisory role/activities of the chief medical officer, and the administrative supervisory role/activities of the hospital's top executives.

2. Torrance State Hospital, in cooperation with the Department of Public Welfare's legal staff, should ensure that the hospital and its contracted personnel disclose their contracted relationship in public documents if Torrance's name is used in conjunction with the contracted personnel and/or if contractors reference their own involvement or affiliation with Torrance.

3. Torrance State Hospital should not contract for a chief medical officer but should instead have a chief medical officer who is actually on Torrance's staff.

4. Torrance State Hospital should avoid any actual or apparent endorsement of Psychiatrist A's private company, whether or not the hospital continues to use the services of Psychiatrist A.

Summary of the DPW/Torrance response

The Department of Public Welfare and Torrance State Hospital have responded jointly to this audit report. Readers should turn to Appendix D for that full DPW/Torrance response, which we summarize in the italicized paragraphs that follow.

With regard to Recommendation 1, DPW/Torrance responded that the hospital will follow our recommendation "to the extent possible" regarding conflicts of interest related to supervising contracted psychiatrists, that supervision by the chief medical officer has been "appropriate" with no evidence of conflicts, that neither the CEO nor the COO has observed any compromise of professional standards on the part of the chief medical officer, that the hospital overall "has been and will remain actively involved in monitoring and supervising contracted psychiatrists," and that "[o]ngoing attention to assuring elimination of the potential perception of conflict of interest will occur." The DPW/Torrance response also said there was active involvement by Liberty regarding performance of Liberty-provided personnel.

With regard to Recommendation 2, DPW/Torrance said that prior approvals will need to be obtained before contracted personnel could reference Torrance in publicly distributed information, that all such current references made by contracted personnel or their private affiliations will be eliminated, and that current references made by Torrance about private entities will also be eliminated.

With regard to Recommendation 3, DPW/Torrance noted that the current chief medical officer is "highly qualified," that he "did not consider and would not have taken the position on staff due to his individual circumstances," that the position has been a contracted one for more than ten years and is critical in delivering the "highest quality medical services" at the hospital, that efforts to hire a chief medical officer as an employee were not successful, that "no contracted professional staff may be hired without exhausting efforts to hire

personnel," and that "efforts to hire a staff Chief Medical Officer" will occur "as determined appropriate."

With regard to Recommendation 4, DPW/Torrance repeated it would eliminate current and future references to Torrance in conjunction with its contracted personnel and private entities. DPW/Torrance also said that administrative staff would be trained "to assure future avoidance of any actual or perceived endorsement of Psychiatrist A or anyone's private businesses."

Our evaluation of the DPW/Torrance response

The DPW/Torrance responses to our Recommendation 2 and Recommendation 4 appear to address our recommendations satisfactorily.

In contrast, regarding the responses to Recommendation 1 and Recommendation 3, we find that neither DPW nor Torrance appreciates the seriousness and significance of the issues prompting our recommendations. Our judgment is based on the qualified responses—i.e., that Recommendation 1 will be implemented "to the extent possible" to address conflicts of interest and that Recommendation 3 will be implemented "as determined appropriate" regarding potential "efforts" to hire a staff chief medical officer.

The DPW/Torrance position that supervision of contracted professionals at Torrance has been appropriate—whether it was supervision by the chief medical officer or ultimately by the CEO and COO—belies the very facts we have reported. One example of several: if supervision had been appropriate, Torrance officials and the chief medical officer would have known that Psychiatrist A was not working for or at Torrance when he said he was; nor would Torrance have paid for those hours.

Overall, both the CEO and the COO clearly failed to monitor various aspects of the Liberty contract, thus allowing the deficiencies and apparent abuses we have reported. Therefore,

we have no confidence in the effectiveness of the CEO and the COO with regard to their referenced "active" monitoring, or even in their *ability* to be effective in active monitoring. Nor can we be confident in the monitoring effectiveness of Liberty's regional program manager, whose own concerns were overridden by Torrance's CEO and the COO, for example, when Liberty questioned paying for the time of Psychiatrist A to attend the June 2010 disaster response training.

Regarding Torrance's defense of the current contracted chief medical officer, the DPW/Torrance response suggests that he is irreplaceable. Furthermore, the suggestion that Torrance exhausts its opportunities to hire staff personnel before contracting for them is also belied by the facts; specifically, the hospital's most recent documented effort to hire a chief medical officer occurred years ago in 2009 when Torrance officials unsuccessfully attempted to recruit the current contracted chief medical officer. Also, in pointing out that the chief medical officer's position has been contracted out for more than ten years, Torrance has pointedly disregarded the documented purpose of the state's contract to use Liberty Healthcare for **temporary** medical services.

Finally, at our exit conference attended by DPW and top Torrance officials, Torrance's CEO noted that potentially she would ask the chief medical officer to vacate his position at Psychiatrist A's private business. But that solution is never mentioned in the DPW/Torrance written response, giving further weight to our position that Torrance, in fearing it cannot recruit medical professionals for staff positions and/or that it might lose its existing contracted professionals, has treated the contracted personnel with a deference that puts them in the proverbial driver's seat. This type of serious supervisory obstacle occurs not only with Torrance's treatment of the chief medical officer, but also with the activities of Torrance's CEO in her partnering with Psychiatrist A at events where disclosure of her relationship as his ultimate supervisor is absent.

Finding Two

Torrance State Hospital spent at least $30,000 for contracted doctors to conduct training that was not part of the contract. Conducting the training took time away from patient care, often promoted one doctor's private business, and was not cost effective.

The contract between Torrance and Liberty Healthcare for staff psychiatrists requires those doctors primarily to provide direct patient care. There is no provision for Torrance to pay the contracted medical staff to conduct training seminars, but Torrance did so anyway. Torrance contended it paid for some of the events so that hospital employees could attend for free.

The training took contracted doctors away from providing direct care to Torrance patients as required, as did *planning* for the training. We also found that, for at least one case that came to our attention, Torrance paid for food and course materials.

Furthermore, particularly with Psychiatrist A whom we discussed in Finding One, we found that Torrance did not distinguish between *appropriately* paying him for contracted services and *inappropriately* paying him to plan and perform non-contracted services that benefitted his private business instead of—or more than—Torrance.

Torrance paid at least $2,558 for Psychiatrist A to work on the September 2011 conference rather than to provide direct patient care

In Finding One, we discussed the September 2011 course, *Medicine, Culture, and Spirituality*. We reported how that course promoted Psychiatrist A's private business and involved it as much or more than Torrance. Nevertheless, Torrance paid Liberty Healthcare at least $2,558 for Psychiatrist A's time to prepare for and conduct this course despite the contract requirement to provide direct patient care. The $2,558 figure is based on Torrance documents that we can tie unequivocally to the conference; we do not know if Torrance paid for additional time for which there was less obvious evidence.

Torrance also paid $26,000+ for Psychiatrist A and a second doctor to conduct other non-contracted training

The September 2011 conference is just one example of Torrance's questionable performance. By reviewing Liberty invoices and Torrance documents, we found 12 dates between September 2009 and November 2010 whereby Torrance paid a total of $26,272 to contract doctors (Psychiatrist A in all 12 examples, with Psychiatrist B included in 5 of the 12) for their time spent conducting this non-contracted training.

The table on the next page lists the 12 examples.

According to documents we reviewed, Psychiatrist A had an "understanding" that Torrance approved him to represent the hospital at various events based on a reciprocal relationship by which Torrance employees could participate at no cost in events related to his private company. But in one example discussed in Finding One, a June 2010 event called *Understanding Pennsylvania's Disaster Response System* held at the Allegheny County Emergency Operations Center, the flyer shows clearly that Psychiatrist A represented his private company, not Torrance, when he presented a session titled "Self-Care: What Medical Professionals Need to Know and Practice During Involvement in Disasters." Yet Torrance paid him with taxpayer dollars through the Liberty contract.

Regarding the "understanding" between Torrance and Psychiatrist A about payment for activities apart from the Liberty contract and involving his private company, the hospital could not provide us with documentation in support of that understanding. Nor does the Liberty contract include provisions for Torrance to pay Psychiatrist A for planning, conducting, or attending training events, including those related to or otherwise affiliated with his private business. Nonetheless, we found sufficient evidence that Torrance senior officials approved such payments, including (and despite) cases involving repeated and documented questioning by the facility financial manager.

Torrance paid more than $26,000 for the time that contract doctors conducted training that wasn't part of the contract

NOTE: Not included in this table are amounts that Torrance paid to doctors for any planning or preparation time for this training

Date of training	Trainer; training location	Training topic; targeted audience/attendees **Indicates that training promoted Psychiatrist A's private business*	Amount Torrance paid for training hours (*not* including planning time)
09-18-09 09-25-09 10-09-09 10-16-09	Psychiatrist A; sessions held at his private company	*DBT (dialectical behavior therapy); 18 non-Torrance employees and 2 Torrance employees	$ 5,398
06-19-10	Psychiatrist A; session held in Pittsburgh area (not Torrance)	*Understanding PA's Disaster Response System; for physicians, psychologists, mental health professionals	2,193
09-17-10	Psychiatrist A & Psychiatrist B; session held at hotel in Blairsville	*Mindful Zones: Secrets to Healthy Life; for doctors, nurses, social workers, other health professionals, educators, correctional counselors, law enforcement, consumers, family	3,458
10-01-10 10-08-10 10-15-10 10-22-10 10-29-10	Psychiatrist A (5 sessions) & Psychiatrist B (4 sessions); held at Torrance	*DBT (dialectical behavior therapy); for psychiatrists, psychologists, nurses, social workers, other mental health professionals	13,030
11-12-10	Psychiatrist A; session held in Harrisburg	Disaster Training; targeted attendees unknown. Session requested by chief psychiatrist at Office of Mental Health and Substance Abuse Services of the Pa. Dept. of Public Welfare	2,193

Total = $26,272

Torrance didn't "save" $4,550 in registration fees when it paid $18,000 instead, plus $6,750 in other expenses

We previously explained that, during 2009 and 2010, Torrance paid Liberty for hours during which Psychiatrist A and Psychiatrist B conducted training in dialectical behavior therapy, apparently so that Torrance employees could attend without paying registration fees. We also explained that this unwritten arrangement was outside the terms of the statewide contract with Liberty, and we explained how Torrance's actions compromised the hospital's ability to supervise its contracted personnel based on conflicting interests, whether in appearance or in fact.

Equally important is the financial impact. If it had simply paid the registration fees rather than creating a quid pro quo arrangement to benefit Psychiatrist A, Torrance would have paid far less than it did. (Note: Doing so would not have addressed the issues of conflicting interests that we've raised, however. Accordingly, we show at the end of this finding that similar training was available elsewhere.) But, again, both Torrance and its contracted psychiatrists, or at least Psychiatrist A, positioned the waiver of registration fees as a way to get "free" training.

In reality, the training was not free, there were no savings, and Torrance spent more than it saved. If we consider the two training sessions as explained in the following paragraphs, Torrance paid approximately $18,000 to avoid paying registration fees of $4,550! That arrangement makes no sense. The details follow:

- **Torrance paid $5,398 to "save" $700**
  Loss to taxpayers = $4,698

  Also see previous table for 2009 DBT training

  In 2009, Torrance could have spent just $700 to pay the $350 registration fee for each of its two employees who attended four sessions on September 18, September 25, October 9, and October 16 at the private company of Psychiatrist A.

Instead, Torrance paid $5,398 to Liberty for 32 hours of Psychiatrist A's time to conduct the training (again, not to provide direct patient care as the Liberty contract requires).

Equally significant is that, in paying $5,398 for Psychiatrist A's time, Torrance subsidized the 18 other persons who attended the sessions but who were *not* Torrance employees. Those 18 attendees were required to pay the $350 registration fee to the Cambria-Somerset Council for Education of Health Professionals, Inc., the organization that arranged for participants to receive continuing education credits.

The Cambria-Somerset Council also paid Psychiatrist A an honorarium of $1,000 for the training.

In summary, then, we found that Torrance State Hospital spent $5,398 **unnecessarily** to train only two employees when it could have paid just $700. Torrance also spent the $5,398 **inappropriately** (1) by paying Psychiatrist A to perform non-contracted duties and thus forsake his direct patient care responsibilities, (2) by subsidizing the training costs of 18 non-Torrance employees, and (3) by enabling Psychiatrist A to advance his private company for personal gain. Psychiatrist A achieved additional personal gain by accepting a double payment (i.e., from both Torrance and the Cambria-Somerset Council) for conducting the training.

- **Torrance paid $13,030 to "save" $3,850**
  Loss to taxpayers = $9,180

Also see previous table for 2010 DBT training

In 2010, Torrance could have spent $3,850 to pay a $350 registration fee for each of its 11 employees who attended a series of daylong training events held at Torrance on October 1, 8, 22, and 29, plus a half-day session on October 15.

Instead, Torrance paid $13,030 to Liberty for 77.25 hours of Psychiatrist A and Psychiatrist B's time to conduct the training. Just as in the previous example, people other than

Torrance employees attended the training as well—at least 55 others based on our conservative estimate using an attendance roster.[23] The actual number is unclear.[24]

Lest there be any question about whose training this was, the website for Psychiatrist A's private company has a blog (we accessed it as recently as December 5, 2011) on which the October 2010 training at Torrance is discussed as shown below in italic type. Please note that the "we" and "our" refer to the private company, not to Torrance:

> *Another aspect [regarding how] we are attempting to share new ideas and mindfulness is in our Dialectical Behavior Therapy Training courses. In October, we had one of our courses at Torrance State Hospital and brought a camera to capture some of the talks and thoughts coming out of those sessions. Our posted videos thus far include talks about how the attendees are applying DBT to their everyday work....*

By paying the $13,030 to Liberty for the time of Psychiatrist A and Psychiatrist B, Torrance subsidized those 55 other attendees. But unlike the training in the previous example, Torrance also paid for additional expenses beyond those that covered the hours of Psychiatrist A and Psychiatrist B. As we noted in Finding One, Torrance provided its auditorium space rent free and paid for attendees' meals, refreshments, and training materials.

[23] In addition to the 11 Torrance employees and the (at least) 55 non-Torrance employees, 6 Torrance patients were listed as registrants on the roster we obtained from the Cambria-Somerset Council for Education of Health Professionals, Inc. We mention this fact not only because it affects the number of attendees, but also because of the potential for Torrance or its psychiatrists to suggest that this training should be labeled direct care (since direct care, not training, is covered in the contract). But such a suggestion is not supported by the evidence. Instead, the associated brochure says the "program is intended for psychologists, psychiatrists, nurses, social workers and other mental health professionals," and the objectives state that program participants should be able to apply the theory into their clinical practice.

[24] Arriving at the actual number of attendees was difficult based on the unreliable data. Attendees may have attended some but not all of the five sessions, while others may have attended partial days. However, as we indicate in the footnote that follows this one, Torrance prepared for 80 participants.

With regard to food and training materials, Torrance spent approximately $2,250 for meals and refreshments and $4,500 for training manuals.

Like the other attendees in the previous example from 2009, the non-Torrance attendees (again, at least 55 others) for these October 2010 sessions were also required to pay a $350 registration fee to the Cambria-Somerset Council for Education of Health Professionals, Inc.[25]

The brochure promoting the training noted that the $350 fee would cover event costs, including "four sessions, consultation [the half-day session], materials/tools, lunch and refreshments." Despite that claim, according to our inquiries, Torrance was *not* reimbursed for its costs, including the "materials/tools, lunch and refreshments" for approximately $6,750 as previously mentioned.

Overall, and without considering the cost of the "donated" auditorium space, Torrance spent at least $19,780 for this training: $13,030 for the time of Psychiatrist A and Psychiatrist B, plus $4,500 for training materials and $2,250 for food.

Without knowing precisely the full amount of registration fees collected, we estimate they could have totaled about $19,250 ($350 x 55 non-Torrance attendees). If such is the case, those fees would have covered most of what Torrance spent on the trainers, the training materials, and the food.

Torrance was fiscally irresponsible in not seeking reimbursement

Not pursuing reimbursement for its expenses can be viewed as either a gesture of goodwill on the part of Torrance or,

[25] Some payments may have been partial if, for example, a registrant did not want to attend all five sessions. We could not find reliable documentary evidence to support a precise dollar value regarding total registration fees.

alternatively, as an act of carelessness. But whatever the reason, Torrance (1) must act in a fiscally responsible manner and (2) must be fully accountable to Pennsylvania taxpayers. Torrance was neither responsible nor accountable in the cases we cite.

Final note: Training was available elsewhere

Psychiatrist A's private company was not the only local provider of the training in dialectical behavior therapy that Torrance State Hospital clearly found to be important. We found, for example, that the Western Psychiatric Institute and Clinic of UPMC (University of Pittsburgh Medical Center) offered a one-day session of this training for $80 in April 2011. According to its website, the Western Psychiatric Institute and Clinic of UPMC has been a national leader in providing research-based care and treatment of mental health and addictive disorders for more than 60 years.[26]

In short, Torrance did not need to pay Liberty Healthcare for Psychiatrist A or Psychiatrist B's time to provide Torrance employees with this specialized training. Had it looked elsewhere, Torrance could have avoided the lengthy list of issues that we have identified—including conflicting interests, compromised supervision, and unnecessary/inappropriate costs—while training its employees *and* ensuring that its contracted doctors provided direct care to Torrance patients as required, and as those patients deserve.

At our audit exit conference held prior to this report's release, senior officials from DPW headquarters—along with Torrance's CEO and COO—told us they started to address our findings as we communicated them to the hospital officials during our audit work. With regard to this particular finding—paying contracted doctors to conduct training—the officials told us at the audit exit conference that, for the most part, they

[26] http://www.upmc.com/HospitalsFacilities/Hospitals/wpic/Pages/default.aspx accessed on October 24, 2011.

agreed with the finding and our recommendations and would consult with DPW legal staff regarding potential modifications to the contract language. The position of the officials has since been modified as noted in their written response to this report.

Recommendations:

5. Torrance State Hospital should immediately cease using its contracted psychiatrists to conduct training events and should instead ensure that the psychiatrists provide direct patient care as the contract requires.

6. Torrance State Hospital should find sources of specialized training for its employees other than its contracted doctors, thus avoiding questions of impropriety and allowing the doctors to provide direct patient care as required.

7. Torrance State Hospital should seek reimbursement from Liberty Healthcare Corporation for any time that Liberty-contracted personnel spent planning and/or conducting and/or attending training sessions.

8. Torrance State Hospital should seek reimbursement (from the registration fees paid by non-Torrance attendees) for the approximately $6,750 spent to provide food and training materials for the October 2010 training sessions.

Summary of the DPW/Torrance response

The Department of Public Welfare and Torrance State Hospital have responded jointly to this audit report. Readers should turn to Appendix D for that full DPW/Torrance response, which we summarize in the italicized paragraphs that follow.

With regard to Recommendation 5, DPW/Torrance responded that the statement of work incorporated into the purchase

order for contracted medical personnel did not limit their services solely to direct patient care; that both contracted and staff personnel are expected to share their knowledge and training with others who work with those treated by Torrance; that "Psychiatrist A was the only psychiatrist willing and able to attend and complete the [dialectical behavior therapy] training"; and that Torrance professionals and other professionals from the Commonwealth trained in dialectical behavior therapy would train others.

With regard to Recommendation 6, DPW/Torrance repeated its position that the scope of work performed by contracted professionals was not limited to direct patient care; that "other sources of training will be pursued for specialized training when possible"; that, in the future, Torrance will use "the appropriate procurement method" to choose trainers if in-house trainers are not available; and that dialectical behavior therapy training must be intensive training "such as that attended and subsequently provided at Torrance," rather than a one-day seminar "as referenced in the audit."

With regard to Recommendation 7, DPW/Torrance noted that the hospital's initial response to us [i.e., during our exit conference] "reflected action already taken to cease payment for training expenses incurred by contracted staff effective December 1, 2011." However, if DPW or the hospital determine that specialized training is needed, the hospital "may require staff participation with the expectation that time and associated expenses will be paid." DPW/Torrance said it was basing its position on "further evaluation including interpretation from the Department of General Services." The written response did agree that "planning for training that occurs off site from the hospital is not reimbursable."

With regard to Recommendation 8, the DPW/Torrance response said that the costs for training materials are being evaluated and that reimbursement from Liberty would be requested once the evaluation is finalized.

Our evaluation of the DPW/Torrance response

Once again, we have found that the DPW/Torrance response does not address the seriousness and significance of the issues prompting our recommendations.

With regard to the response to our Recommendation 5, we note that the contract between Torrance and Liberty Healthcare expressly requires the contracted psychiatrists to provide direct patient care, that there is no provision for Torrance to pay the contracted medical staff to conduct training seminars, and that the contracted job description for the position of psychiatrist does not include the language referenced in the DPW/Torrance response. Furthermore, the DPW/Torrance written response references a statement of work, *not language in the contract which should be the basis for any such work*, despite the fact that Torrance's COO told us during an interview on October 27, 2011, that he knew of no statements of work attached to Liberty purchase orders. Specifically, when we raised the question of a work statement with Liberty about another matter in this audit, the COO said he had not seen any such work statement, that work statements were not attached to Liberty purchase orders, and that he had questioned Torrance staff and the DPW program office, all of whom he said were unfamiliar with any such statement. Therefore, while this changed/new position of DPW/Torrance is peculiar, it still does not change our original finding and recommendation.

The Torrance/DPW response to our Recommendation 5 continues to ignore that the 2009 and 2010 training sessions in dialectical behavior therapy were conducted under the auspices of Psychiatrist A's private business. Even if the position of DPW/Torrance is now that such training was conducted for other community professionals *outside* of Torrance's employ because those other professionals still work with Torrance patients, it was not Torrance State Hospital that conducted the training. We repeat: It was Psychiatrist A through his private company that conducted the training, not Torrance, yet Torrance paid. Torrance should not be subsidizing the training

of outside providers, and Torrance was not fiscally responsible to do so nor was it fully accountable to Pennsylvania taxpayers.

With regard to Recommendation 7, the DPW/Torrance response does not actually address Recommendation 7. Instead, the response addresses Torrance's payment of the costs for Liberty-contracted professionals to travel to and attend outside conferences or training. These costs were the subject of Finding 4 and its Recommendations 14, 15, and 16. Thus, we have no DPW/Torrance response to Recommendation 7, and we reiterate that Torrance should seek reimbursement from Liberty Healthcare for any time that Liberty-contracted personnel spent planning, conducting, and/or attending training sessions.

With regard to Recommendation 8, the DPW/Torrance response does not say that the hospital will request reimbursement for the food that was provided at Torrance's expense, only that the hospital will request reimbursement for the training materials once such costs are evaluated. [On February 1, 2012, in a phone conversation between our audit manager and Torrance's CEO, the CEO clarified that the hospital would seek reimbursement for the food as well.] We also note that the DPW/Torrance response says that the hospital will request reimbursement "from Liberty" for the training materials [and for the food, too, according to our follow-up conversation with the CEO], but we remind Torrance that it should request reimbursement from the Cambria-Somerset Council for Education of Health Professionals, Inc., not from Liberty.

Finding Three

Torrance State Hospital did not effectively monitor the working hours of its contracted doctors and likely paid for hours they did not work.

According to interviews we conducted with Torrance's chief operating officer and a timekeeper on the clerical staff, Torrance requires both contracted and staff physicians (including psychiatrists) to call in to the human resources department when they report to work and then call out to the same personnel when they leave the work site.[27] A timekeeper in the human resources department maintains a daily log of such phone calls and then sends a copy of the log to Torrance's chief operating officer each week.

Also each week, every contracted physician must prepare and submit an electronic time card to Torrance's chief operating officer for review and approval. According to the chief operating officer, he compares the electronically submitted time cards to the written log of phone calls. Based on his approval, the time cards are then forwarded to Liberty Healthcare, who subsequently invoices Torrance for payment based on the Torrance-approved hours reflected on the time cards.

At best, Torrance's system of timekeeping is unreliable. At worst, it provides opportunities for abuse. The potential for such abuse should cause Torrance to tighten its policies and, at the very least, to raise obvious questions that need documented answers. For example, as we show on page 64 (Appendix C), Psychiatrist A reported 2,454 hours of work at $168.68 for fiscal year 2010-11, meaning that Torrance paid Liberty almost $414,000 for his services in that single year alone. Those 2,454 hours mean that, on average, the doctor worked for Torrance *47.19 hours a week* based on a 52-week work year. Yet when we consider the activities and responsibilities of this doctor

[27] Torrance procedures regarding physician work hour verification are not written, which is why we obtained our summary of current procedures from the hospital's chief operating officer and the timekeeper. We note, however, that these two people did not hold their current positions in 2005, which is the year in which some of our reported examples occurred.

related to his private company as we previously reported, they raise questions about how he could also have put in 47+ hours a week for Torrance.

Regarding the unreliability of Torrance's timekeeping system, several flaws are obvious. For example, if human resources personnel are unable to take a phone call (perhaps they step out of the office or the office is closed, as on a weekend or after normal business hours), the physicians leave voice messages to document arrival or departure times. Yet a voice message cannot let the timekeeper know whether or not the caller was indeed on the job and in the hospital.

There is also a problem even when someone answers a call-in or call-out in person. Torrance simply does not require its staff to ascertain the caller's whereabouts.

In summary, simply by relying on phone calls no matter from where they might originate, and with no other controls, Torrance has created the very real potential for callers to abuse the system by saying they are on-site when they are elsewhere. Indeed, according to several internal email communications from November and December 2005, and based on our interviews with management officials in 2011, the potential for abuse was evident, as was Torrance's laxness in addressing that potential.

In the sections that follow, we provide actual examples that we found during our audit work.

Torrance approved all hours on Psychiatrist A's time cards even though personnel reported they could not find him on hospital grounds.

Between November 1 and December 28, 2005, two Torrance staff members (the clerk-typist then responsible for the call-in/call-out log and the current facility financial manager) reported seven separate occasions in which the on-call doctor or other hospital personnel could not find Psychiatrist A on hospital grounds during work hours.

According to the reports, not only was Psychiatrist A not seen at the hospital on these seven occasions, but he also could not be reached through the hospital paging system, his personal pager, his office phone, or his personal cellular phone.

The seven reported absences were discussed collectively in 17 separate emails either sent or received by seven different Torrance employees, including the current chief executive officer, the former chief operating officer, a management physician, the facility financial manager, an accountant, and clerical staff. In one of the emails, the clerk-typist wrote that she had discussed her concerns with the chief medical officer—who was and still is the Liberty-contracted doctor responsible for supervising Psychiatrist A, and who is also a consultant on the staff of the private company owned by Psychiatrist A. (We reported this apparent conflict in Finding One.)

Nowhere in these 17 emails was there discussion to support a definitive conclusion that Psychiatrist A had actually been present at the hospital during the hours in question. Instead, the discussion supports the conclusion that Psychiatrist A had *not* been present.

Despite the emails and the questions, Torrance's chief executive officer herself authorized every one of the seven instances for payment based on the time cards that Psychiatrist A had prepared and submitted. Her approvals of these questioned instances raise serious concerns that are heightened by (as we reported in Finding One) the collaborations that compromised the hospital's supervision of Psychiatrist A and, at the same time, served to endorse his private company.[28]

[28] It is not clear whether in 2005 it was (1) a normal function of the CEO to approve time cards and, if so, whether her approvals were simply administered routinely after other staff had reviewed and reconciled the information on the cards, or (2) whether the CEO approved these 7 instances *not* as a routine function but because they had been questioned. Regardless, Torrance's CEO is ultimately accountable for the entirety of Torrance's operations; thus, instances such as these from 2005 are prime examples of why *any* chief executive officer of any entity must avoid even the *appearance* of conflicts or other improprieties such as those we discuss in Finding One.

Torrance has continued to contract with Liberty for the services of Psychiatrist A despite his history of questioned absences

The above-reported questioned absences of Psychiatrist A precede the current Liberty contract,[29] but we include them here because (1) Torrance has continued to contract for the services of Psychiatrist A despite his history of questioned work hours; and (2) our review of the 2005 emails prompted us to interview Torrance's chief executive officer, who acknowledged her awareness of time and attendance issues with Psychiatrist A over the years. She indicated that she had recently counseled him regarding his lack of accountability and had, in fact, considered terminating his services.

Nevertheless, as of early December 2011 when this report was being finalized, Torrance was still using Psychiatrist A and had paid Liberty Healthcare $106,236 for his services from July 1 through October 14, 2011.

Torrance has also continued to pay doctors and other staff for work hours based on an unreliable tracking system

Also as of the end of our audit work, Torrance continued to use the same call-in/call-out system despite acknowledging—and knowing for years—that there are no management controls in place to verify the self-reported data.

Our interviews and review of hospital records indicate that Torrance officials have recognized for years that the hospital's call-in/call-out system is flawed. Our audit work has confirmed the problems.

[29] In 2005, the Department of Public Welfare contracted with Americare Services, Inc., for various medical and health services—including psychiatric services provided by Psychiatrist A—that are now provided by Liberty.

- **Time cards didn't match call logs, yet doctors were paid for the greater number of hours on the time cards.**

  What we tested. Looking at 12 different weeks between January 2010 and March 2011, we reviewed the time cards of 12 Liberty-contracted doctors and compared their reported hours (for which they were paid) to the call logs.

  Stated another way, Torrance should have paid the doctors for self-reported time card hours only if they matched the called-in/called-out hours on the phone logs.

  What we should have found. Altogether, we *should* have found 376 calls in order to support the hours reported (and thus paid) on the doctors' time cards.

  What we found instead. Based on the call logs, doctors did not make their required calls 88 times, or for 23 percent of the 376 required times.

  Doctors who did call. On the positive side, the call logs showed that 2 of the 12 doctors had called-in/called-out hours that matched their time card hours.

  Doctors who did not call. On the negative side, 10 of the 12 doctors had called-in/called-out hours that did NOT match their time card hours (but they were paid for their time card hours anyway). Notable exceptions:

  - ✓ Psychiatrist B failed to make her required calls 19 times in the 12 weeks, and she thus topped the list for the most missed calls. Yet she recorded the associated hours on her time card, and Torrance paid her (through Liberty) for those hours.

  - ✓ Psychiatrist A failed to make his required calls 15 times in the 12 weeks. He, too, recorded the associated uncalled hours on his time card, and Torrance paid him (through Liberty) for those hours.

- ✓ The chief medical officer (who supervises Psychiatrist A at Torrance and works for him at his private company) didn't make his required calls 4 times in the 12 weeks. As with the others, he recorded those uncalled hours on his time card, and Torrance paid Liberty for those hours.

How Torrance responded. As noted in the above examples, Torrance paid for the time card hours even though those hours did not match the call-in/call-out logs as Torrance supposedly required. Torrance's chief operating officer, or COO, told us that Torrance has experienced difficulties in enforcing the physician notification procedures (i.e., the call-in/call-out system). We also learned that the former COO advocated in December 2005 for the use of sign-in/sign-out sheets for its physicians. Finally, we learned that, in early 2010, the current COO actually warned Liberty that Torrance would not pay Liberty if its contracted doctors did not follow the call-in/call-out procedures.

The current COO repeated that same warning on at least one doctor's time card that we tested (Psychiatrist A's time card for the week ending October 1, 2010). However, despite his own warning, the COO still approved *all* the time cards that we tested, even those with exceptions *after* the warning to Psychiatrist A.

Yet another incident with Psychiatrist A shows how poorly Torrance monitored his time

On his time card for October 2, 2010, a Saturday, Psychiatrist A reported 13 work hours from 7 a.m. to 9 p.m. with a lunch hour at noon. But the call-in/call-out log shows that, instead, he called in at 4 p.m. and out at 9 p.m.

Torrance's COO approved the time card, and Torrance thus paid Liberty for Psychiatrist A's services for 13 hours.

Despite the unreliability of Torrance's call-in/call-out system, it would have "caught" the error in Psychiatrist A's time card if only someone from Torrance had compared the call log to the time card. But apparently no such comparison was made.

For the sake of argument, a case could be made that Psychiatrist A *did* start work at 7 a.m. but simply forgot to *call* until 4 p.m. However, evidence exists to show otherwise.

Specifically, we found promotional literature that lists Psychiatrist A as the faculty for a $50 retreat held at his private company on that same date, from 9 a.m. to 3:30 p.m. The event, titled *What's Got a Hold on Me?* and subtitled "The Inner Journey to Healing Addictions," was publicized as a retreat to help individuals heal personal addictions; thus, neither Torrance nor Psychiatrist A should suggest it was a Torrance-approved session for which mental health professionals could earn continuing education credits.

Again, had Torrance compared the call logs to the time cards, it should have caught the error. Likewise, Psychiatrist A himself should have ensured that his time card hours reflected his five called-in/called-out hours from 4 p.m. to 9 p.m. Instead, Torrance inappropriately paid Liberty $1,349 for the time that Psychiatrist A was by all appearances conducting (and charging attendees for) a retreat at his private company instead of providing direct care to patients at Torrance.[30]

Recommendations:

9. Torrance State Hospital must implement all necessary measures to ensure it pays only for hours in which contracted personnel actually work for the hospital. As part

[30] Because the event was not a continuing education seminar but rather a retreat at Psychiatrist A's firm, we were unable to obtain a roster of participants. Thus, we could not determine whether any of the participants were Torrance patients, in which case Psychiatrist A might attempt to argue that he was indeed providing direct care. However, even if Torrance patients had attended the retreat, Psychiatrist A's time at his private company would still not be chargeable based on the Liberty contract job description stating that the psychiatrist "is responsible for the care and treatment **in a Commonwealth facility**…." [Emphasis added.]

of such measures, Torrance should immediately stop using the call-in/call-out system and instead use—and monitor the effectiveness of—sign-in/sign-out sheets for contracted personnel.

[Update: Torrance and DPW officials told us at our audit exit conference that, as a result of our audit, the call-in/call-out procedure is no longer effective as of January 23, 2012, replaced instead with a sign-in/sign-out procedure as we have recommended. See Appendix D for Torrance's full response.]

10. Torrance State Hospital should document in writing its procedures to verify the work hours of its contracted personnel.

11. Torrance State Hospital should immediately cease approving and paying for hours that physicians submit on their time cards *unless* those physicians have followed procedures to show they have actually been on site at Torrance and performing their required duties.

12. Torrance State Hospital should obtain a refund from Liberty for the $1,349 paid for the services of Psychiatrist A on October 2, 2010, when he was reportedly conducting a retreat at his private company.

13. Torrance State Hospital should determine the propriety of continuing to contract for Psychiatrist A in view of the numerous questions raised by Torrance staff and discussed in this report.

Summary of the DPW/Torrance response

The Department of Public Welfare and Torrance State Hospital have responded jointly to this audit report. Readers should turn to Appendix D for that full DPW/Torrance response, which we summarize in the italicized paragraphs that follow.

With regard to Recommendation 9, DPW/Torrance responded that the hospital provided written notice to Liberty Healthcare effective January 23, 2012, that "all Liberty contracted personnel will be required to sign in and out in person at a 24 hour staffed [s]ecurity station at [the Sexual Responsibility Treatment Program] located in the Wiseman building of Torrance State Hospital." The response further noted that the new sign-in and sign-out sheets "must exactly match the electronic billing statement for payment [to Liberty] to occur."

Regarding Recommendation 10, Torrance agreed to develop a policy and procedure to describe its new sign-in and sign-out procedures.

Regarding Recommendation 11, Torrance re-stated and added to its previously referenced response about the new sign-in and sign-out sheets, saying they "must exactly match the electronic billing statement for payment [to Liberty] to be approved" and adding that, if discrepancies or omissions were found, Torrance "will not approve payment until acceptable documentation is provided."

Regarding Recommendation 12, Torrance confirmed our finding and said that a written request for reimbursement would be made to Liberty Healthcare.

Regarding Recommendation 13, Torrance did not address the recommendation directly, instead repeating that "all efforts to hire Commonwealth employed staff must be exhausted prior to proceeding to contracting individuals." The response went on to say that "further actions" would be taken to hire Commonwealth psychiatrists, that "there is a shortage of individuals entering the field of psychiatry especially in rural areas and in public psychiatric hospitals," and that contract psychiatrists would not be needed if there were an "adequate number of psychiatrists [that could be] hired."

Our evaluation of the DPW/Torrance response

With regard to Recommendation 9, Recommendation 10, and Recommendation 11, Torrance addressed them. At the same time, however, Torrance must recognize the potential for continued abuses. For example, it is possible for personnel to be observed signing in, then to leave observed for a period and to return unobserved, and then to leave for the day while once again being observed. This potential for fraud is real based on the errors and/or abuses that our auditors found.

With regard to Recommendation 12, Torrance said it would request a reimbursement from Liberty for the time that Psychiatrist A reported working at Torrance when he was instead conducting a retreat for his private company. We note, however, that Torrance acknowledged our finding only after first expressing doubt about it and then completing its own "further" investigation. Again, if Torrance's CEO, COO, and chief medical officer had been rendering the appropriate supervision that the DPW/Torrance response claims was rendered, we would not have needed to bring this case to Torrance's attention.

With regard to Recommendation 13, Torrance seems to suggest that—as in the case of the chief medical officer—Psychiatrist A is irreplaceable. Aside from (1) repeating but not showing evidence that hiring efforts "must" be exhausted before contracting for personnel, (2) citing a shortage of individuals entering the field of psychiatry, and (3) repeating that contractors would not have to be hired if there were not a shortage, the DPW/Torrance response does not say how or even if Torrance plans to address all the issues that this audit identified with regard to Psychiatrist A. With that concern in mind, we emphasize three specific discussions in this report:

- On page 35, we note that Torrance's CEO acknowledged to us her awareness of time and attendance issues with Psychiatrist A over the years, that she has counseled him about his lack of

accountability, and that she had considered terminating his services.

- On page 57, we note that Torrance cannot allow an apparent shortage of psychiatrists to diminish the hospital's accountability to Pennsylvania taxpayers, and that Torrance officials cannot relax standards or give special treatment to contracted doctors just because the hospital has been unable to recruit its own on-staff psychiatrists.

- On pages 19 and 50, we repeat our position that Torrance, in fearing it cannot recruit medical professionals for staff positions and/or that it might lose its existing contracted professionals, has treated the contracted personnel with a deference that puts them in the proverbial driver's seat, a deference that creates a serious supervisory obstacle.

In conclusion, we see that Torrance on one hand is aware of supervisory problems related to Psychiatrist A but on the other hand is incapable or otherwise unable to resolve them. This inaction on the part of Torrance's senior-most officials represents a serious lack of accountability to Pennsylvania taxpayers. Based on the fact that DPW/Torrance's response lacks a satisfactory acknowledgement and resolution of the problems such as those with Psychiatrist A (but not limited to those problems), we will forward our report to the Office of Attorney General and the Office of Inspector General for review and action as those offices deem necessary.

Finding Four

Torrance State Hospital spent at least $42,000 in taxpayer dollars for Liberty-contracted professionals to travel to conferences when it was not Torrance's responsibility to pay. Some of the conferences were out of state or in Canada.

In this finding, we address a different training issue from the training issues discussed earlier in this report.

The difference is this: Our earlier discussions focused on how Torrance allowed (and paid for) Liberty-contracted medical professionals such as Psychiatrist A and Psychiatrist B to *conduct* training despite the fact that such a role was not part of the contract and was inappropriate in other ways as well. In the discussion that follows, we are now reporting how Torrance inappropriately allowed (and paid for) Liberty-contracted medical professionals to *attend* training and conferences not as trainers but as participants. The cost to Torrance was at least $42,000 and may well have been higher.

We are not saying that Liberty-contracted personnel should stop attending conferences or training. If it is necessary for Liberty-contracted personnel to attend conferences or other training as part of their continuing professional education requirements or for their professional betterment, they should obviously continue to do so. But they should not do so at taxpayer expense solely because Torrance, as a facility owned and operated by the Commonwealth, has opted to do so.

To repeat what we have noted throughout this report, Torrance is supposed to be paying Liberty Healthcare for professionals to provide direct patient care. Thus, Torrance should not reimburse Liberty for the continuing education expenses of Liberty-contracted personnel, including the time and travel for education for professional licensing. The contract with Liberty is explicit in saying that, except for specialized training available only from the Commonwealth, training development courses are the sole responsibility of Liberty.

Torrance paid $7,300 to cover the time for Psychiatrist A, Psychiatrist B, and three others to attend a conference in Pittsburgh

As part of the $42,000 in unwarranted costs for training, Torrance incurred costs of $7,289 when the chief medical officer, Psychiatrist A, Psychiatrist B, and two other psychiatrists (Psychiatrist D and Psychiatrist H) attended a one-day conference in Pittsburgh. For the conference day of December 10, 2010, Torrance paid Liberty the hourly rates that all five doctors would have received had they been performing their required duties on-site at Torrance—i.e., $230.80 for the chief medical officer and $168.68 for each of the four psychiatrists. (See the 2010-11 chart of Appendix C.)

We verified the costs incurred for that one-day conference (topic: schizophrenia) by reviewing the previously discussed call-in/call-out logs for doctors, their time cards, and Liberty invoices.

We cannot say for certain how many other local conferences there may have been besides the one we found in Pittsburgh, and we are therefore limited in knowing the extent of such costs. Our limitation occurs because the Liberty invoices—all of which we reviewed for our entire audit period—indicate the number of hours that the psychiatrists and other professionals reportedly worked, but not *where* they were working unless they requested reimbursement for travel costs.

Even the corresponding time cards—again, all of which we reviewed for the entire audit period—did not routinely indicate where the professionals were working on a given day.

Thus, in cases where Liberty doctors did not seek travel reimbursement for attending conferences, we would not know how often Torrance paid for such attendance *unless* we had looked at every single call-in/call-out log during our audit period and *unless* the doctors had reported exactly where they were and the timekeeper had noted that information. Stated another way, since the doctors did not request reimbursement for travel to the local one-day Pittsburgh conference, we found the unwarranted conference costs

primarily because they fell within the 12 weeks that we sampled in our attempt to reconcile the call-in/call-out logs to the time cards.

Torrance also incurred $35,000 in costs for the time and travel of four other contracted professionals working elsewhere in the hospital

Regarding the remaining $35,089 of the $42,000 that Torrance paid for professionals to attend conferences, we found those instances because they involved non-local travel for which the professionals requested reimbursement.

Specifically, we found that Torrance paid Liberty $35,089 between July 1, 2009, and March 9, 2011, to cover $11,687 for registration fees and travel expenses and $23,402 for the reported service hours of four contracted professionals.

The four Liberty-contracted professionals all worked in Torrance's sexual responsibility and treatment program and included the clinical director, a psychologist, and two clinical therapists [on the next page, the two therapists are identified separately as Clinical Therapist A and Clinical Therapist C]. To be clear, we note that none of the $35,089 in costs were incurred by the previously mentioned medical doctors such as the chief medical officer, Psychiatrist A, or Psychiatrist B.

We also note that, despite the former Governor's call for state agencies to eliminate out-of-state travel,[31] five of the conferences were out of state: one each in Canada, Texas, and Arizona; and two in West Virginia. The breakdown of related expenses is shown on the next page.

[31] On September 16, 2008, the former Governor's office issued a press release calling for reduced spending and the elimination of out-of-state travel. See http://extras.altoonamirror.com/ForTheRecord/Documents/govv.pdf. Accessed on November 3, 2011, and re-verified on December 2, 2011. Under the current Governor, the website of the Office of the Budget shows this ongoing restriction: "In most cases, employees under the Governor's jurisdiction are prohibited from using state funds for out-of-state air travel and overnight expenses." See http://www.portal.state.pa.us/portal/server.pt?open=514&objID=554519&mode=2 Accessed on December 8, 2011.

	Four contracted professionals in Torrance's sexual responsibility and treatment program (SRTP): Where they traveled and for what	Costs for time, travel, and/or registration		Totals
		In-state	Elsewhere	
1	Weirton, WV Rational hypnotherapy seminar		1,880	
	Toronto, Canada Convention--American Psychological Assn.		4,183	
	Pittsburgh, PA Trauma seminar	1,922		
	Weirton, WV Advanced rational hypnotherapy seminar		2,564	
	Dallas, TX Conference--Assn. for Treatment of Sexual Abusers; Sex Offender Civil Commitment Programs Network		3,320	
	Pittsburgh, PA Emotional manipulation training	926		
	Pittsburgh, PA Eye movement desensitization and reprocessing (EMDR) and mindfulness training	947		
	Phoenix, AZ Conference--Assn. for Treatment of Sexual Abusers; Sex Offender Civil Commitment Programs Network		4,935	
	Harrisburg, PA Forensic rights and treatment conference	1,313		
	Totals for clinical director	**$5,108**	**$16,882**	**$21,990**
2	Mars, PA Continuing Education and Ethics	480		
	Pittsburgh, PA Toxic anger conference	858		
	Phoenix, AZ Conference--Assn. for Treatment of Sexual Abusers; Sex Offender Civil Commitment Programs Network		4,679	
	Totals for psychologist	**$1,338**	**$4,679**	**$6,017**
3	State College, PA Conference--Sex Abuse Prevention/Education Network	978		
	Dallas, TX Conference--Assn. for Treatment of Sexual Abusers; Sex Offender Civil Commitment Programs Network		4,077	
	Totals for [Clinical Therapist A]	**$978**	**$4,077**	**$5,055**
4	Export, PA Dialectical behavior therapy (DBT) training	2,027		
	Totals for [Clinical Therapist C]	**$2,027**	**$0**	**$2,027**

Grand Totals **$9,451 + $25,638 = $35,089**

As we previously noted, at an audit exit conference we held prior to this report's release, senior officials from DPW headquarters—along with Torrance's CEO and COO—told us they started to address our findings as we communicated them to the hospital officials during our audit work. With regard to this particular finding about paying for travel expenses when it was not Torrance's responsibility to pay, the officials told us that, as a result of our audit, they had stopped paying for *travel* to these conferences as of December 1, 2011. However, the officials also said that, on a case-by-case basis, Torrance might continue to pay for the attendees' *time* to attend the conferences. The position of the officials is explained more fully in their response that we have included in Appendix D of this report.

Recommendations:

14. Torrance State Hospital should immediately cease paying all expenses, including time and travel, for the unallowed continuing education courses of Liberty-contracted professionals.

15. Torrance State Hospital should obtain a refund from Liberty for the more than $42,000 in continuing education and travel expenses identified in this audit.

16. Torrance State Hospital should conduct a thorough review to determine and collect from Liberty any other inappropriately paid education and/or travel expenses incurred by Liberty-contracted professionals.

Summary of the DPW/Torrance response

The Department of Public Welfare and Torrance State Hospital have responded jointly to this audit report. Readers should turn to Appendix D for that full DPW/Torrance response, which we summarize in the italicized paragraphs that follow.

With regard to Recommendation 14, DPW/Torrance repeated its response to Recommendation 7, saying that if DPW or the hospital determines that specialized training is needed, "it may require staff participation with the expectation that time and associated expenses will be paid." DPW/Torrance again noted it was basing its position on "further evaluation including interpretation from the Department of General Services." The response further said that "[t]he prohibition of travel out of the state will continue to be enforced."

With regard to Recommendation 15, DPW/Torrance said that, concerning the $42,000 expenditure cited in the audit report, "further evaluation" would occur "to determine what training attendance was required by the facility versus what the staff requested to attend." Depending on the results of the evaluation, DPW/Torrance said that it "may" request a reimbursement from Liberty Healthcare.

With regard to Recommendation 16, DPW/Torrance repeated its response to Recommendation 7 and Recommendation 14. The response also noted that Torrance "will continue to review any costs associated with training provided to Liberty contracted professionals and will seek reimbursement for any payments made that are deemed inappropriate."

Our evaluation of the DPW/Torrance response

With regard to the DPW/Torrance response to all three of the recommendations in this finding, we first refer to the referenced "interpretation from the Department of General Services," which was provided on January 13, 2012, to Torrance officials, who shared it with us. We note that the Department of General Services based its interpretation about paying for training on a question and answer contained in the request for proposals documents used to procure Liberty Healthcare's services. In other words, the interpretation—which we will show is incorrect—did not come from

something written in the actual contract, which clearly provides as follows:

> "…The Commonwealth shall have no obligation to reimburse licensing fees or any related continuing educational expenses, including [a contracted individual's] time spent on continuing educational endeavors that are necessary for the [contracted individual's] continued professional licensing."
>
> "Training development courses (excluding specialized training development that is only available from the Commonwealth) necessary to enhance resource skills, will be the sole responsibility of the selected offeror."

Even if the language in the contract were not so clear, DPW/Torrance now chooses to rely on what it says is an interpretation from the Department of General Services. Again, as we noted on the previous page, that interpretation is based on a question and answer in the request for proposals that resulted in Liberty's contract. But the interpretation ignores an exception that we have emphasized (in bold type) in the applicable question-and-answer narrative below:

> "Question: If a [contracted individual] is required to attend a conference by the Agency or Facility **(excluding conferences necessary for the [contracted individual's] continuing education licensing requirements)**, will the [contracted individual's] time spent traveling to and attending the conference be billable to the Commonwealth?"
>
> "Answer: Conference cost, mileage, hotel, and subsistence would be covered. . . .Normal work hours are reimbursed but not evening/overnight hours."

In summary, and based on our interviews with Torrance's CEO and our review of registration forms, time cards, and conference flyers, the training events in question were indeed **"conferences necessary for the [contracted individual's] continuing education licensing requirements,"** and thus non-reimbursable. In short, Torrance should not be paying for the professionals' time and travel.

Regarding the DPW/Torrance response saying that the out-of-state travel prohibition "will 'continue' to be enforced," we note that the prohibition has *not* been enforced, as our audit has shown.

The resistance exhibited by DPW/Torrance related to our finding and recommendations here is troubling. This resistance further reinforces our stated position that Torrance, in fearing it cannot recruit medical professionals for staff positions and/or that it might lose its existing contracted professionals, has treated the contracted personnel with a deference that puts them in the proverbial driver's seat, a deference that creates a serious supervisory obstacle.

Finding Five

Torrance State Hospital paid more for contracted psychiatrists because it had difficulty recruiting its own psychiatrists. Part of the problem was that Torrance's lax monitoring and special treatment of contract doctors made the contracted jobs more attractive than staff jobs.

During the fiscal year ended June 30, 2010, Torrance paid Liberty Healthcare $1.6 million for six contracted psychiatrists who reported a total of 9,565 work hours. The hours worked by each psychiatrist ranged from a low of 706 to a high of 1,968.

The $1.6 million total does not include benefits like health insurance or retirement since neither Torrance nor Liberty provides such benefits—or overtime pay—to contract doctors.

For its on-staff psychiatrists (i.e., state employees), Torrance pays for benefits such as health insurance, pension contributions, and vacation/sick/personal time. Torrance also pays on-staff psychiatrists (at their regular rate) for on-call/ overtime hours worked at the hospital beyond a 37.5-hour week.

In comparing the pay for contracted versus on-staff psychiatrists, we must remember the benefits and overtime/on-call potential for the on-staff doctors versus the lack of benefits and overtime/on-call pay for the contracted doctors.

- **For the 6 contracted psychiatrists:**
  - ✓ Torrance paid $329,938 a year—no benefits—for a full-time psychiatrist (37.5 hours a week; 1,956 hours a year).
  - ✓ The **hourly rate remained $168.68** no matter how many or how few hours were reported.

- **For the 4 on-staff psychiatrist/employees:**
  - ✓ Torrance paid an average of $183,765 a year—with benefits and incentives—to on-staff psychiatrists for the same hours.[32] Straight salaries averaged $130,389.
  - ✓ The **average hourly rate was $93.95** with benefits and incentives, or a straight hourly rate (no benefits or incentives) of about $66.66.

[32] Our calculation includes the salary and associated benefits for regular work hours (no overtime), board certification bonuses, and quality assurance/longevity incentives for the four staff psychiatrists.

Again, Torrance paid Liberty Healthcare about $1.6 million for six contracted psychiatrists who reported working 9,565 hours in the fiscal year ended June 30, 2010. During that same year, Torrance paid its four staff psychiatrists all together about $907,000 in pay and benefits for 10,270 hours of work (including 2,386 on-call/overtime hours).

If Torrance had directly employed staff psychiatrists instead of contracting out for psychiatrists, it could have saved an estimated $701,000 in that fiscal year, **or close to half of the $1.6 million.**[33]

While it may sound like a simple solution to hire on-staff psychiatrists rather than to contract out for those doctors, we learned from our interviews and research that state hospitals have had difficulty in hiring staff psychiatrists. We discuss this difficulty in the next section.

At the same time, we have concluded that Torrance compounded its hiring difficulties with its lax monitoring and special treatment of its contracted psychiatrists, as reported in our earlier findings, that made the contract doctors' jobs so attractive.

Stated another way, some job-seeking psychiatrists might have found it preferable to work at Torrance through Liberty Healthcare because they could earn more, engage in additional business ventures endorsed by Torrance, and not be held accountable for their work hours and their patient care requirements.

Torrance and other state hospitals have found it difficult to hire staff psychiatrists

We interviewed Torrance's senior human resource analyst (the position of human resources director was vacant at the time of our interview), who indicated that Torrance had tried repeatedly but unsuccessfully to recruit psychiatrists to join the hospital's staff. Specifically, Torrance posted staff psychiatrist vacancies

[33] If Torrance had hired staff psychiatrists at $93.95 an hour to provide the 9,565 hours reported by the contracted psychiatrists, the cost to Torrance would have been about $898,600 instead of $1.6 million.

on JobNet (the Pennsylvania Civil Service Commission's online bulletin board for announcing state employee vacancies) six different times between January 2009 and November 2010.

In addition, in May and June 2010, Torrance conducted a statewide survey of eligible candidates through the Civil Service Commission. But that effort also yielded no applicants.

Not surprisingly—in view of their special treatment as discussed in findings earlier in this report—Torrance was also unsuccessful in attempting to recruit Psychiatrist A and the chief medical officer to become on-staff doctors. Those efforts were made in 2006 and 2009, respectively.

The most recent addition to Torrance's psychiatry staff occurred in 2008, when a psychiatrist transferred from Mayview State Hospital to Torrance State Hospital. Prior to that transfer, Torrance's most recent hire had occurred in October 1998.

The difficulty in recruiting staff psychiatrists is not unique to Torrance. We interviewed human resource personnel from four of Pennsylvania's five other state hospitals—Clarks Summit in Lackawanna County, Norristown in Montgomery County, Warren in Warren County, and Wernersville in Berks County. Officials from each of the four hospitals told us they had at least one psychiatrist vacancy; at three of the four hospitals, the officials said they planned to obtain the needed psychiatrist services through the Liberty contract.

The table that follows summarizes the results of our communications with those hospitals.

Psychiatrist vacancies at other Pennsylvania State Hospitals*

Name of state hospital (S.H.), county	Psychiatrists on staff (i.e., hospital/state employees)	Number and duration of vacancies	Recruitment methods	Plans to use Liberty doctors
Clarks Summit S.H., Lackawanna	5 staff psychiatrists (unspecified hire dates)	2 vacancies from: Dec. 2010 and June 2011 (for 2 staff psychiatrists)	▪ Pa. Civil Service Commission ▪ Advertised in *American Journal of Psychiatry*	yes
Norristown S.H., Montgomery	3 psychiatrist supervisors (hire dates in 1985, 1988, 2008) 7 staff psychiatrists (hire dates in 1980s, 1990, 2000, 2007, 2008)	1 vacancy from: Oct. 2008 (for staff psychiatrist)	▪ Advertised in *Philadelphia Inquirer* ▪ Advertised in *Modern Health*	not indicated
Warren S.H., Warren	2 psychiatrist supervisors (hire dates in 1995 and 1998) 1 staff psychiatrist (hire date in 2001)	4 vacancies from: June 2011 (for chief of psychiatry; also for psychiatry supervisor) Jan. 2010 and Oct. 2010 (for 2 staff psychiatrists)	▪ Pa. Civil Service Commission ▪ Advertised in unspecified media	yes
Wernersville S.H.,** Berks	5 staff psychiatrists (hire dates between 1993 and 2010, either with hospital or with state)	1 vacancy of unspecified duration (for staff psychiatrist)	▪ Pa. Civil Service Commission and its JobNet online bulletin board	yes

* Human resources personnel at Danville State Hospital, Montour County, would not respond directly to us.
**Wernersville also uses two Liberty-contracted psychiatrists.

Reasons given for difficulties in hiring

The human resources personnel we interviewed agreed that the compensation state hospitals can offer prospective candidates appears comparatively low. For example, the annual salary range listed by Torrance on its 2009 and 2010 postings on JobNet was $111,199 to $128,431.

This preceding salary range followed the terms of the most current agreement between the Commonwealth and the Pennsylvania Doctors Alliance.[34] This same agreement conferred additional compensation of up to $5,600 a year to those Commonwealth physicians certified by one or more specialty boards.

The Doctors Alliance agreement also provided for a quality assurance program that awarded monetary incentives to medical and dental professionals based on their years of service with the Commonwealth. The awards ranged from $5,000 for one year of service to $16,000 for twelve or more years of service.[35] Thus, a board-certified psychiatrist hired by Torrance as a result of the above job postings could have earned between $121,799 and $139,031 after the first full year of service.

In looking at this salary range offered by Torrance, we found mixed results. On one hand, the range compared unfavorably to national salary data reported for psychiatrists. On the other hand, we found that the range did compare favorably to state-reported salary data when we made the appropriate adjustments.

Specifically, the United States Bureau of Labor Statistics[36] reported that, for May 2010, the annual mean wage for psychiatrists employed in psychiatric and substance abuse

[34] The Pennsylvania Doctors Alliance is the collective bargaining agent for the bargaining unit for all those employees within the classifications established by a certification of the Pennsylvania Labor Relations Board, under Case No. PERA-R-1630-C (i.e., physicians and related occupations).
[35] Agreement between Commonwealth of Pennsylvania and the Pennsylvania State System of Higher Education and Pennsylvania Doctors Alliance, July 1, 2005, through June 30, 2009.
[36] http://www.bls.gov/oes/current/oes291066.htm. Accessed May 20, 2011. Verified December 27, 2011.

hospitals (such as Torrance) was $166,440. For other psychiatrists—i.e., not specifically those in psychiatric and substance abuse hospitals—the annual mean wage was slightly higher at $167,610, while the annual mean wage for such psychiatrists in Pennsylvania was $140,960.

The preceding figures were based on a 40-hour work week. Thus, when we adjusted them to account for a 37.5-hour work week such as that at Torrance, they were $156,519 for psychiatrists employed in psychiatric and substance abuse hospitals, $157,614 for psychiatrists nationally, and $132,558 for psychiatrists in Pennsylvania. The $132,558 figure was therefore closer to the salaries offered by Torrance.

According to the acting director of the Field Operations Division in the Department of Public Welfare's Bureau of Human Resources, Torrance's difficulties in hiring staff psychiatrists may also result from the "downsizing climate" of state hospitals. For example, in its move toward community-based care for Pennsylvanians with mental illnesses, the Department of Public Welfare closed Mayview State Hospital in 2008 and Allentown State Hospital in 2010.

Finally, we also spoke to the executive director of the Pennsylvania Psychiatric Society, who indicated a serious shortage of psychiatrists both in Pennsylvania and nationwide, especially in the public sector. The executive director explained that patients at state hospitals tend to have the most serious diagnoses, a seriousness that may make psychiatrists hesitant to work there. In addition, facilities in rural counties, such as Westmoreland County where Torrance is located, may have added difficulty in their recruitment efforts.

Torrance's recruitment problems should heighten its responsibility to monitor the Liberty contract

Torrance has attempted to resolve its recruiting difficulties by filling psychiatrist vacancies through the contract with Liberty Healthcare. But as that contract states up front and clearly, it is for **temporary** medical services. As such, Torrance should

view the contract as a short-term fix while diligently seeking a long-term solution for staffing.

In the meantime, and most important of all, Torrance cannot allow an apparent shortage of psychiatrists to diminish the hospital's accountability to Pennsylvania taxpayers. Just because Torrance has been unable to recruit its own on-staff psychiatrists, it cannot try to compensate by relaxing standards or giving special treatment to the contracted doctors.

Torrance must be certain to require that its Liberty-contracted psychiatrists provide quality care and follow contract requirements. In so doing, Torrance must closely monitor the Liberty contract to prevent the deficiencies and possible or apparent abuses that this audit report has highlighted.

The specifics of what Torrance must do bear repeating here from our earlier findings:

- ✓ Torrance cannot allow apparent or actual conflicts to compromise its contract monitoring.
- ✓ Torrance should not appear to endorse—and should not be used to endorse—any private company owned by a contracted psychiatrist.
- ✓ Torrance should pay Liberty only for the direct care services of its contracted professionals, not for non-contracted training provided by or to the Liberty professionals.
- ✓ Torrance must make sure that Liberty provides quality psychiatrists who report and charge for their work only when they are physically present on site at the hospital.
- ✓ Finally, Torrance must itself account for the physical presence of Liberty psychiatrists and pay them only for the hours they work.

Recommendations:

17. Torrance State Hospital should work with the Department of Public Welfare to research and analyze recruitment methods and compensation packages, both in Pennsylvania and in other states, and develop a long-term solution to its psychiatric vacancies.

18. Torrance State Hospital must monitor the Liberty contract much more closely and strictly until a long-term solution is found for the hospital's recruitment difficulties.

Summary of the DPW/Torrance response

The Department of Public Welfare and Torrance State Hospital have responded jointly to this audit report. Readers should turn to Appendix D for that full DPW/Torrance response, which we summarize in the italicized paragraphs that follow.

Regarding Recommendation 17, DPW/Torrance provided five bulleted responses, citing (1) already-held discussions with DPW's central human resources "to identify enhanced and more widespread advertising for psychiatrists"; (2) a planned statewide mailing by March 1, 2012, to all Pennsylvania-licensed psychiatrists regarding employment opportunities at Torrance; (3) the previously noted statement that "before contracted services may be considered, all efforts must be exhausted to hire a commonwealth staff psychiatrist"; (4) the development of civil service specifications for psychiatric nurse practitioners, and Torrance's planned exploration of using that new civil service classification to lessen the hospital's use of contracted psychiatrists; and (5) consideration "being given to resuming collaboration with the University of Pittsburgh Psychiatry Residency program which once was occurring at Torrance following the transfer of the Forensic Program from Mayview."

Regarding Recommendation 18, DPW/Torrance responded that "increased contract monitoring has begun and will continue."

Our evaluation of the DPW/Torrance response

With regard to Recommendation 17, the DPW/Torrance response addresses our recommendation, but we emphasize that DPW/Torrance should be even more aggressive in recruiting.

With regard to Recommendation 18, we note that the referenced "increased contract monitoring" must also be strengthened even further.

We also note that, in the time between our exit conference with Torrance officials on January 9, 2012, and our receipt of the DPW/Torrance written response on January 24, 2012, DPW and Torrance officials seem to have weakened their strongly expressed initial resolve to acknowledge our findings and implement our recommendations. That weakened resolve has led to our overall conclusion that DPW and Torrance do not truly understand the seriousness and significance of the issues that we identified and had expected to resolve in the collaborative process by which we approach our audits.

Appendix A

Audit objective, scope, and methodology

The Department of the Auditor General conducted this special performance audit pursuant to Sections 402 and 403 of the Fiscal Code and in accordance with generally accepted government auditing standards. The auditing standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Objective

Our audit objective was to evaluate how Torrance State Hospital of the Department of Public Welfare administered and monitored selected aspects of a statewide contract between the Commonwealth of Pennsylvania and Liberty Healthcare Corporation.

Scope

In this report, we present information on the temporary medical staffing provided under the contract with Liberty Healthcare Corporation for the period of July 1, 2009, to March 9, 2011, with updates through early December 2011, unless otherwise indicated.

Methodology

We performed the following procedures to accomplish our audit objectives:

- Reviewed the contract between the Commonwealth of Pennsylvania and the Liberty Healthcare Corporation for temporary medical services, originally effective March 27, 2009, through March 9, 2011, and later changed on October 27, 2010, to be valid through March 9, 2014.

- Interviewed Torrance State Hospital staff, including the chief executive officer, the chief operating officer, the facility financial manager, a senior human resource analyst, and a timekeeper on the clerical staff.

- Interviewed other Department of Public Welfare personnel, including the Harrisburg-based acting director of the Field Operations Division in the Bureau of Human Resources, as well as human resource personnel from the state hospitals at Clarks Summit, Norristown, Warren, and Wernersville.

- Interviewed professionals external to the Department of Public Welfare, including the regional program manager from Liberty Healthcare Corporation, the vice president of operations from Liberty Healthcare Corporation, a program coordinator from the Cambria-Somerset Council for Education of Health Professionals, Inc., and the executive director of the Pennsylvania Psychiatric Society.

- Conducted extensive Internet research related to referenced affiliations between Torrance and Psychiatrist A's private company.

- Analyzed all Liberty Healthcare Corporation invoices and the associated electronic time cards for all contracted medical professionals for the period from July 1, 2009, to March 9, 2011, as well as more recent invoices and time cards related to planning and conducting the September 9, 2011, conference titled *Medicine, Culture, and Spirituality.*

- Examined all Torrance State Hospital purchase orders and expenditure ledger entries related to the above invoices from Liberty Healthcare Corporation.

- Extended our examination of Torrance State Hospital purchase orders and expenditure ledger entries to include those related to the services of Psychiatrist A, the chief medical officer, and all other Liberty-contracted medical personnel through October 14, 2011.

- Reviewed email communications between hospital staff members and between the hospital and Liberty Healthcare Corporation from various dates in November and December 2005, as well as various dates from the 2009 and 2010 calendar years.

- Reviewed the promotional literature and available attendance rosters for training conferences sponsored by the hospital and/or conducted by contracted psychiatrists between September 18, 2009, and September 9, 2011.

- Examined the purchase order, invoice, receiving report, and payment documentation for the training manuals used for the October 2010 dialectical behavior therapy seminar held in the hospital's auditorium.

- Reviewed the hospital's summary of food costs for the October 2010 dialectical behavior therapy seminar.

- Compared the hospital's call logs to the time cards for 12 Liberty-contracted physicians for 12 weeks between January 1, 2010, and March 4, 2011.

- Examined the flyer for the dialectical behavior therapy training offered by the Western Psychiatric Institute and Clinic of UPMC (University of Pittsburgh Medical Center) in April 2011.

- Analyzed payroll records for the hospital's four staff psychiatrists for the fiscal years ended June 30, 2010, and 2011.

- Reviewed the hospital's six job postings for staff psychiatrist positions listed on JobNet (an online bulletin board for state employee job vacancies administered by the Pennsylvania State Civil Service Commission) between January 2009 and November 2010.

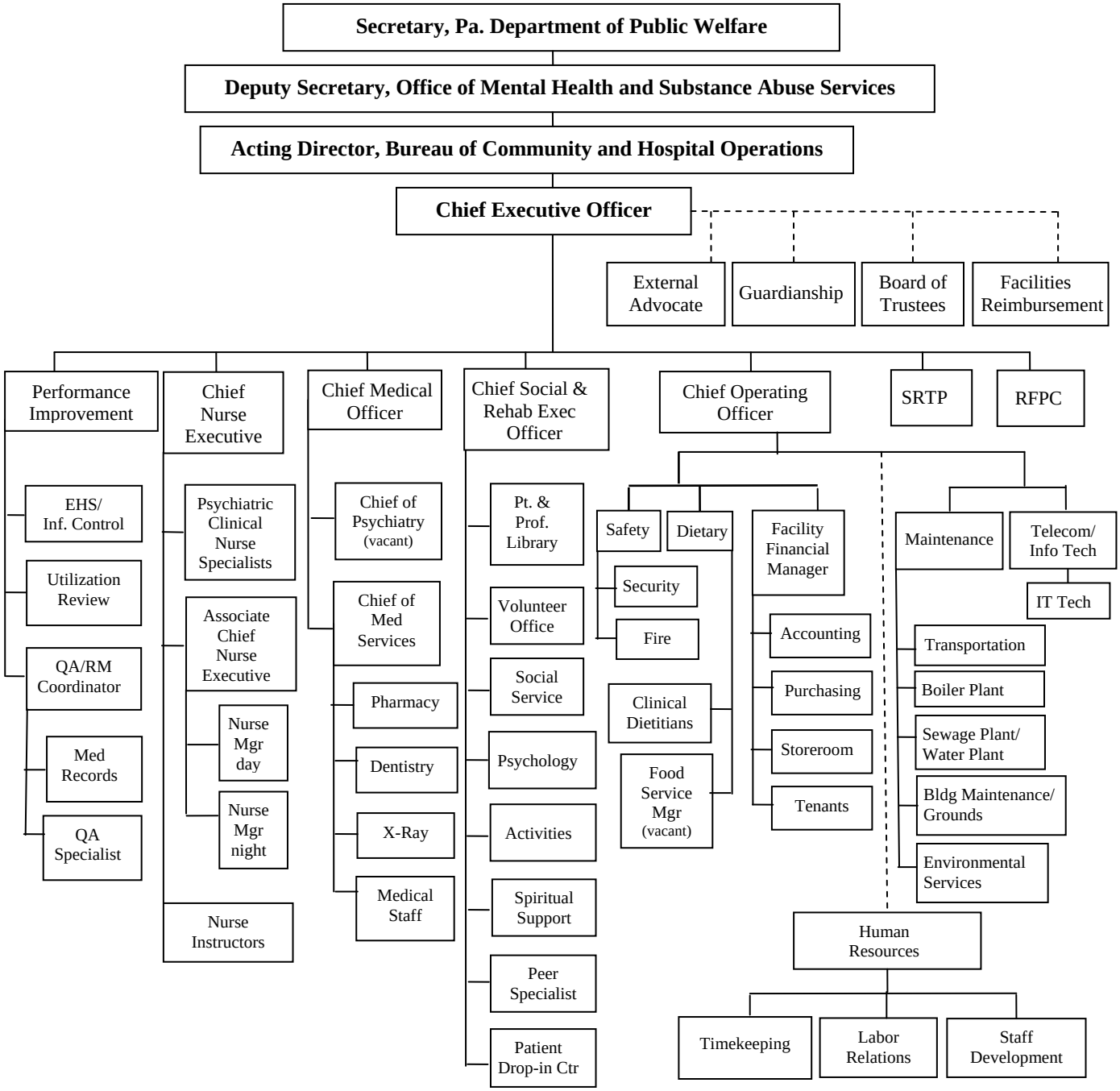
Findings and Recommendations

We developed 5 findings, and we present 18 recommendations.

Appendix B

Torrance State Hospital Organization Chart

(as of December 6, 2011)



Appendix C

Three fiscal years at Torrance State Hospital: Medical personnel contracted through Liberty Healthcare Corporation

Appendix C presents tables for each of three fiscal years:

- 2011-12, which we call fiscal year 3
- 2010-11, which we call fiscal year 2
- 2009-10, which we call fiscal year 1

2011-12: Fiscal year 3

Contracted professional + *3,2,1*= fiscal year(s) served + **Bold**= discussed in report*	**Contract hourly rate**	**Projected pay and hours for the fiscal year**	**Hours reported to date**	**Total paid to Liberty to date**	**Comments**
			for work 7/1/11 – 10/14/11		
Chief Medical Officer *3,2,1*	$234.26	$409,955 for 1,750 hrs.	389	$91,186	
Psychiatrist A *3,2,1*	$171.21	$342,420 for 2,000 hrs.	621	$106,236	
Psychiatrist B ***3,2,1***	$171.21	$299,618 for 1,750 hrs.	438	$75,074	
Psychiatrist C *3,2,1*	$171.21	$299,618 for 1,750 hrs.	647	$110,816	
Psychiatrist D *3,2,1*	$171.21	$299,618 for 1,750 hrs.	543	$92,900	
Psychiatrist E *3,2,1*	$171.21	$299,618 for 1,750 hrs.	388	$66,472	
Psychiatrist F *3*	$171.21	$333,860 for 1,950 hrs.	263	$44,956	
Psychiatrist G *3,2* *Forensic/SRTP*	$258.82	$258,820 for 1,000 hrs.	277	$71,797	
Neurologist A *3,2,1*	$212.39	$20,389 for 96 hrs.	23	$4,885	
Podiatrist *3,2, 1*	$126.88	$72,575 for 572 hrs.	165	$20,935	
Physical Therapist A *3,2*	$73.37	$44,022 for 600 hrs.	205	$15,023	
Clinical Director *3,2,1* *SRTP*	$69.02	$129,758 for 1,880 hrs.	318	$21,925	
Psychologist *3,2,1* *SRTP*	$66.53	$125,076 for 1,880 hrs.	237	$15,790	
Clinical Therapist A *3,2,1* Clinical Therapist B *3,2* *SRTP*	$40.19	$151,114 for 3,760 hrs.	1,135	$45,606	two positions
Rehab Specialist *3,2,1* *SRTP*	$39.58	$74,410 for 1,880 hrs.	585	$23,164	
	Totals	**$3,160,871** for **24,368 hrs.**	**6,234**	**$806,765**	

SRTP = Sexual Responsibility and Treatment Program
**No bold type means the professional did not come to our attention or was not mentioned prominently in our report.*

Appendix C

Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
February 2012

2010-11: Fiscal year 2

Contracted professional + *3,2,1*= fiscal year(s) served + **Bold**= discussed in report*	**Contract hourly rate**	**Projected pay and hours for the fiscal year per original contract/purchase order**	**Actual hrs. reported for year** *for work 7/1/10 – 6/30/11*	**Total paid to Liberty for year** *for work 7/1/10 – 6/30/11*	**Comments**
Chief Medical Officer [3,2,1]	$230.80	$403,900 for 1,750 hrs.	1,524	$351,658	
Psychiatrist A [3,2,1]	$168.68	$295,190 for 1,750 hrs.	2,454	$413,941	Add'l hours per change order
Psychiatrist B [3,2,1]	$168.68	$295,190 for 1,750 hrs.	1,716	$289,495	
Psychiatrist C [3,2,1] **Psychiatrist H** [2] *Shared position*	$168.68	$295,190 for 1,750 hrs.	1,517	$255,845	Psych H works for Psych A's private co.
Psychiatrist C [2] *Short-term position*	$168.68	$17,711 for 105 hrs.	105	$17,711	3-week contract
Psychiatrist C [2] *Forensic; short-term position*	$168.68	$82,653 for 490 hrs.	473	$79,743	March to June 2011
Psychiatrist D [3,2,1]	$168.68	$295,190 for 1,750 hrs.	1,843	$310,798	
Psychiatrist E [3,2,1]	$168.68	$295,190 for 1,750 hrs.	1,398	$235,772	
Psychiatrist I [2,1] *Forensic; short-term position*	$168.68	$295,190 for 1,750 hrs.	90	$15,181	July to Oct 2010
Psychiatrist J [2] *Forensic; short-term position*	$233.33	$228,663 for 980 hrs.	102	$23,683	Dec 2010 to Jan 2011
Psychiatrist K [2,1] *SRTP*	$300.00	$213,000 for 710 hrs.	209	$62,775	
Psychiatrist K [2,1] *Forensic; short-term position*	$255.00	$191,250 for 750 hrs.	194	$49,470	July to Dec 2010
Psychiatrist G [3,2] *Forensic; short-term position*	$255.00	$122,400 for 480 hrs.	439	$111,976	Jan to June 2011
Neurologist A [3,2,1]	$209.25	$20,088 for 96 hrs.	85	$17,839	
Podiatrist [3,2,1]	$125.00	$71,875 for 575 hrs.	572	$71,500	
Physical Therapist A [3,2] Physical Therapist B [2]	$72.29	$43,374 for 600 hrs.	261	$18,892	Shared position
Clinical Director [3,2,1] *SRTP*	$68.00	$127,840 for 1,880 hrs.	1,869	$127,058	
Psychologist [3,2,1] *SRTP*	$65.55	$123,234 for 1,880 hrs.	1,852	$121,399	
Clinical Therapist A [3,2,1] Clinical Therapist B [3,2] **Clinical Therapist C** [2,1] *SRTP*	$39.60	$148,896 for 3,760 hrs.	3,244	$128,479	Two positions; Therapists B and C shared one position.
Rehab Specialist [3,2,1] *SRTP*	$39.00	$73,320 for 1,880 hrs.	1,779	$69,371	
	Totals	**$3,639,344** for **26,436 hrs**	**21,726**	**$2,772,586**	

SRTP = Sexual Responsibility and Treatment Program
**No bold type means the professional did not come to our attention or was not mentioned prominently in our report.*

2009-10: Fiscal year 1

Contracted professional + *3,2,1*= fiscal year(s) served + **Bold**= discussed in report*	**Contract hourly rate**	**Projected pay and hours for the fiscal year per original contract/purchase order**	**Actual hrs. reported for year**	**Total paid to Liberty for year**	**Comments**
			for work 7/1/09 – 6/30/10		
Chief Medical Officer [3,2,1]	$230.80	$480,064 for 2,080 hrs.	1,547	$356,953	
Psychiatrist A [3,2,1]	$168.68	$350,854 for 2,080 hrs.	1,968	$331,962	
Psychiatrist B [3,2,1] Psychiatrist L [1]	$168.68	$350,854 for 2,080 hrs.	706	$119,135	Shared position
Psychiatrist C [3,2,1]	$168.68	$350,854 for 2,080 hrs.	1,879	$316,950	
Psychiatrist D [3,2,1]	$168.68	$350,854 for 2,080 hrs.	1,823	$307,429	
Psychiatrist E [3,2,1] Psychiatrist M [1]	$168.68	$350,854 for 2,080 hrs.	1,547	$260,945	Shared position
Psychiatrist I [2,1] *Forensic*	$168.68	$350,854 for 2,080 hrs.	1,642	$276,973	
Psychiatrist K [2,1] *Forensic*	$255.00	$145,350 for 570 hrs.	89	$22,738	
Psychiatrist K [2,1] *SRTP*	$300.00	$90,000 for 300 hrs.	467	$140,007	Purchase order added
Neurologist A [3,2,1] Neurologist B [1]	$209.25	$20,925 for 100 hrs.	83	$17,332	Shared position
Podiatrist [3,2,1]	$125.00	$78,000 for 624 hrs.	586	$73,281	
Physical Therapist C [1] Physical Therapist D [1]	$72.29	$11,277 for 156 hrs.	31	$2,205	Shared position
Clinical Director [3,2,1] *SRTP*	$68.00	$127,840 for 1,880 hrs.	1,903	$129,419	
Psychologist [3,2,1] *SRTP*	$62.13	$116,804 for 1,880 hrs.	1,890	$117,411	
Clinical Therapist A [3,2,1] **Clinical Therapist C** [2,1] *SRTP*	$39.60	$148,896 for 3,760 hrs.	3,760	$148,896	Two positions
Rehab Specialist [3,2,1] *SRTP*	$39.00	$73,320 for 1,880 hrs.	1,840	$71,741	
	Totals	**$3,397,600** for **25,710 hrs**	**21,761**	**$2,693,377**	

SRTP = Sexual Responsibility and Treatment Program
**No bold type means the professional did not come to our attention or was not mentioned prominently in our report.*

Appendix D

Response to audit from DPW and Torrance State Hospital

The ten pages that follow include the scanned response from DPW/Torrance.

COMMONWEALTH OF PENNSYLVANIA

January 24, 2012

The Honorable Jack Wagner
Auditor General
Department of the Auditor General
229 Finance Building
Harrisburg, Pennsylvania 17120

Dear Mr. Wagner:

This is in response to the draft special performance audit report dated January 2012 to the Department of Public Welfare (DPW) regarding Torrance State Hospital monitoring of contracted medical professionals.

The DPW and Torrance State Hospital response to the report is enclosed.

Thank you for the opportunity to respond to this audit report. Please contact Linda Swick, Bureau of Financial Operations, Audit Resolution Section, at 783-7218, or via e-mail at lswick@pa.gov, if you have any questions regarding this matter.

Sincerely,

Karen K. Deklinski
Deputy Secretary for Administration

RECEIVED
AUDITOR GENERAL
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AUDIT RESOLUTION

Enclosure

c: Mr. John Kaschak
Ms. Kenya Mann Faulkner

Attachment D

FACILITY RESPONSE

TORRANCE STATE HOSPITAL
of the
Pennsylvania Department of Public Welfare:
Lax monitoring of contracted medical professionals

Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
January, 2012

As noted in the preceding content of the Special Performance Audit report, the review was narrowly focused on the monitoring by Torrance State Hospital of selected aspects of the certain purchase orders issued from the statewide contract with Liberty Healthcare Corporation. Torrance State Hospital places high value on the opportunity to receive feedback from regulatory and auditing entities in furtherance of continuous performance improvement which is integral to the culture, administration and operation of the hospital. The opportunity to provide a response to identify enacted and planned corrective action steps is appreciated.

The audit identifies that at various times concerns were noted by Torrance staff. When issues were conveyed, administrative staff did not ignore the issues but rather conducted further investigation or consultation internally as well as externally with relevant oversight agencies such as the Office of Mental Health and Substance Abuse Services, Department of General Services and the Comptroller. The hospital administration takes the obligation of compliance with established policies and regulations very seriously. At times for identified issues, there was not a clearly established or articulated policy related to specific contract language interpretation. For example, the Hospital has received different interpretations as to the contract requirements for services under the statewide contract than provided by the Auditor General Report. Further details will be offered later within this response.

The provision of public psychiatric services as noted in the audit report, assures services are available for individuals who continue to require inpatient services after having received services in community inpatient settings. Many have experienced lifelong trauma and persistent symptoms of serious mental illnesses. In order to ensure that these critically necessary services are provided, Torrance State Hospital needed to use contracted professional personnel. The Performance Audit has been helpful in its observation that certain boundaries may have been blurred; thereby potentially creating a perception that objective oversight has been compromised. Torrance State Hospital has been and remains committed to providing the most effective psychiatric services in a cost effective and accountable manner. In response to the Auditor General Report, the following action steps are either already implemented or planned with target completion dates identified.

Finding One

Torrance State Hospital paid almost $414,000 a year to contract for a psychiatrist while inappropriately collaborating with him and the private company he owns. Torrance also paid $351,000 a year for a contracted chief medical officer who supervised the psychiatrist's work but who himself is employed by the psychiatrist's private company, thus creating an apparent conflict of interest.

Recommendations:

1. Torrance State Hospital, in cooperation with the Department of Public Welfare's legal staff, should take the necessary steps to ensure that any real, apparent, or potential conflicts are eliminated that compromise Torrance's role in supervising its contracted doctors. Such issues include those we reported in this finding regarding the role/activities of Psychiatrist A, the clinical supervisory role/activities of the chief medical officer, and the administrative supervisor role/activities of the hospital's top executives.

Facility Response:

- Hospital administration at Torrance State Hospital has been and will remain actively involved in monitoring and supervising contracted psychiatrists, and will follow the recommendation to the extent possible in order to limit and eliminate conflicts of interests. The Chief Medical Officer (CMO) has conducted supervisory sessions with Psychiatrist A as well as other contracted psychiatrists which have been co-supervised and monitored by the Chief Executive Officer (CEO) as well as the Chief Operations Officer (COO). During these monitored sessions, the Chief Medical Officer has been direct, with attention highlighted to concerns. Corrective actions specific to the issue(s) being addressed were also identified and monitored by the Chief Medical Officer. Supervision by the Chief Medical Officer has been appropriate and does not show evidence of conflict of interest. Neither the CEO nor COO has observed any compromise of the professional standards of the CMO in carrying out his contractual duties.
- The Regional Program Manager of Liberty Healthcare is informed of identified concerns as they occur and has been an active monitor of contracted staff performance and needed corrective action. As appropriate, the Regional Program Manager of Liberty Healthcare participates in meetings to discuss situations and to assure corrective action is taken.
- Ongoing attention to assuring elimination of the potential perception of conflict of interest will occur.
  Target date for completion: March 1, 2012

2. Torrance State Hospital, in cooperation with the Department of Public Welfare's legal staff, should ensure that the hospital and its contracted personnel disclose their contracted relationship in public documents if Torrance's name is used in conjunction with the contracted personnel and/or if contractors reference their own involvement or affiliation with Torrance.

   Facility Response:

   - The work statements for contracted positions will be revised to require that prior approval be obtained before referencing Torrance State Hospital in any information that will be publicly distributed.
   - All current references to Torrance State Hospital in conjunction with contracted personnel or private affiliations will be eliminated.
   - All current references to private entities contained in Torrance information will be eliminated.
     Target date for completion: March 1, 2012

3. Torrance State Hospital should not contract for a chief medical officer but should instead have a chief medical officer who is actually on Torrance's staff.

   Facility Response:

   - The position of Chief Medical Officer is critical to ensure the delivery of the highest quality medical services at Torrance State Hospital, and accordingly, a priority is placed on selecting the best available candidate for the position. In this instance efforts were made to hire a staff Chief Medical Officer to no avail. It should be noted that no contracted professional staff may be hired without exhausting opportunities to hire personnel. As determined appropriate, efforts to hire a staff Chief Medical Officer will be made.
   - The current Chief Medical Officer is highly qualified for the position and chose to serve in a contracted capacity. He did not consider and would not have taken the position as staff Chief Medical Officer due to his individual circumstances. The Chief Medical Officer position has been a contracted position for over ten years following the retirement of a staff Chief Medical Officer and the inability to hire a staff CMO following efforts to do so.

4. Torrance State Hospital should avoid any actual or apparent endorsement of Psychiatrist A's private company, whether or not the hospital continues to use the services of Psychiatrist A.

   Facility Response:

   - As previously noted, all current references to Torrance State Hospital in conjunction with contracted personnel will be eliminated and all current references to private entities will be eliminated. All administrative staff will be trained regarding this issue to assure future avoidance of any actual or perceived endorsement of Psychiatrist A or anyone's private businesses.

Target date for completion: March 1, 2012

Finding Two

Torrance State Hospital spent at least $30,000 for contracted doctors to conduct training that was not part of the contract. Conducting the training took time away from patient care, often promoted one doctor's private business, and was not cost effective.

Recommendations:

5. Torrance State Hospital should immediately cease using its contracted psychiatrists to conduct training events and should instead ensure that the psychiatrists provide direct patient care as the contract requires.
   Facility Response:
   - The Statement of Work incorporated into the Purchase Order did not limit the services to be provided solely to direct patient care as stated. Specifically, the work statement provides "(p)sychiatric services include … other consultant functions which may arise in the performance of the contractor's service".
   - Torrance State Hospital is committed to providing the highest quality of inpatient services including direct patient treatment. A vital aspect of patient treatment is assuring that staff, whether commonwealth employee or contracted personnel, are trained in the most current best and evidenced based practice interventions. In turn, staff trained in specialized treatment approaches, whether contracted or state employed, is expected to share the knowledge and training with others working with the individuals treated by the hospital to assure continuity of care.
   - Dialectical Behavioral Therapy (DBT) is a highly effective treatment modality which has only recently begun to be incorporated into professional training curricula; therefore, a statewide sole source contract was developed by the Office of Mental Health and Substance Abuse Services with Behavioral Tech, LLC. Each state hospital was required to identify eight clinical staff to participate in the statewide training to provide a group of staff representing various treatment team member expertise. Psychiatrist A was the only psychiatrist willing and able to attend and complete the training.
   - Psychiatrist A was trained along with other Torrance Staff and representatives from all of the Commonwealth state hospitals with the expectation, as delineated in the DBT contract, that those trained would train additional mental health staff to assure that more hospital as well as receiving community staff would have the DBT skills to provide effective treatment for specific behavioral health disorders across the continuum of care. It is essential that specialized services that result in the recovery of patients be available upon discharge of the individual to a less restrictive setting.

6. Torrance State Hospital should find sources of specialized training for its employees other than its contracted doctors, thus avoiding questions of impropriety and allowing the doctors to provide direct patient care as required.
   Facility Response:
   - As previously discussed, the scope of work under the Purchase Orders was not limited to direct patient care.
   - Other sources of training will be pursued for specialized training when possible.
   - For future training needs, if resources are not available in house, Torrance State Hospital will use the appropriate procurement method to select the training contractor.
   - The DBT training must be more than one day to maintain the fidelity of the model developed by Behavioral Tech. A one day seminar as referenced in the audit would certainly provide a general overview; however staff would not be able to
     use the therapy as a treatment modality without the intensive training such as that attended and subsequently provided at Torrance. DBT is especially effective in the treatment of specific serious psychiatric disorders.

7. Torrance State Hospital should seek reimbursement from Liberty Healthcare Corporation for any time that Liberty-contracted personnel spent planning and/or conducting and/or attending training sessions.
   Facility Response:
   - Torrance State Hospital's initial response to the above recommendation reflected action already taken to cease payment for training expenses incurred by contracted staff effective December 1, 2011. Further evaluation including interpretation from the Department of General Services supports that should the Department of Public Welfare, the Office of Mental Health and Substance Abuse Services and/or hospital determine that specialized training is needed, it may require staff participation with the expectation that time and associated expenses will be paid.
   - It is agreed that any planning for training that occurs off site from the hospital is not reimbursable.
     Target date for completion: April 1, 2012

8. Torrance State Hospital should seek reimbursement (from the registration fees paid by non-Torrance attendees) for the approximately $7,500 spent to provide food and training materials for the October 2010 training sessions.
   Facility Response:
   - Torrance State Hospital evaluated the cited costs and determined that the actual food cost is about $ 700 less than originally calculated. This resulted in a modified amount of $6,750 being

reflected in the final Audit. The training materials costs are being evaluated and once finalized, reimbursement from Liberty will be requested.
Target date for completion: April 1, 2012

Finding Three

Torrance State Hospital did not effectively monitor the working hours of its contracted doctors and likely paid for hours they did not work.

Recommendations:

9. Torrance State Hospital must implement all necessary measures to ensure it pays only for hours in which contracted personnel actually work for the hospital. As part of such measures, Torrance should immediately stop using the call-in/call-out system and instead use—and monitor the effectiveness of—sign-in/sign-out sheets for contracted personnel.
   Facility Response:
   - On January 5, 2012, Torrance State Hospital provided written notice to, Liberty Health Care that effective January 23, 2012 all Liberty contracted personnel will be required to sign in and out in person at a 24 hour staffed Security station at SRTP located in the Wiseman Building of Torrance State Hospital. Torrance provided the January 5, 2012 letter, the written confirmation of receipt by Liberty and the Daily Attendance Record to be used to the Department of Auditor General staff during their appointment with the CEO and COO on January 13, 2012 as evidence of action taken. The observed sign in and out sheets must exactly match the electronic billing statement for payment to occur.
     Target date for completion: January 23, 2012

10. Torrance State Hospital should document in writing its procedures to verify the work hours of its contracted personnel.
    Facility Response:
    - Torrance State Hospital will develop a policy and procedure reflective of the previously described sign in and out procedure annotated in the facility response to Recommendation # 9
      Target date for completion: February 15, 2012

11. Torrance State Hospital should immediately cease approving and paying for hours that physicians submit on their time cards *unless* those physicians have followed procedures to show they have actually been on site at Torrance and performing their required duties.
    Facility Response:

- As described in the facility response to Recommendation #9, the sign in and out sheets must exactly match the electronic billing statement for payment to be approved. The sign in and out sheets will be matched to the electronic billing submissions by the designated Torrance monitors. Should any discrepancies or omissions be noted, Torrance will not approve payment until acceptable documentation is provided.
  Target date for completion: January 31, 2012

12. Torrance State Hospital should obtain a refund from Liberty for the $1,349 paid for the services of Psychiatrist A on October 2, 2010, when he was reportedly conducting a retreat at his private company.
    Facility Response:
    - Following completion of further investigation a refund of $1,349 seems indicated. A written request for the reimbursement will be made to Liberty Healthcare.
      Target date for completion: March 31, 2012

13. Torrance State Hospital should determine the propriety of continuing to contract for Psychiatrist A in view of the numerous questions raised by Torrance staff and discussed in this report.
    Facility Response:
    - As previously identified, all efforts to hire Commonwealth employed staff must be exhausted prior to proceeding to contracting individuals.
    - Further expanded actions being taken to hire commonwealth psychiatrists are detailed in the facility's response to Recommendation # 17.
    - As noted in the body of the Audit, there is a shortage of individuals entering the field of psychiatry especially in rural areas and in public psychiatric hospitals.
    - Should adequate numbers of psychiatrists be able to be hired, contract psychiatrists will not be needed.

Finding Four

Torrance State Hospital spent at least $42,000 in taxpayer dollars for Liberty-contracted professionals to travel to conferences when it was not Torrance's responsibility to pay. Some of the conferences were out of state or in Canada.

Recommendations:

14. Torrance State Hospital should immediately cease paying all expenses, including time and travel, for the unallowed continuing education courses of Liberty-contracted professionals.
    Facility Response:

- As noted previously, further evaluation including interpretation from the Department of General Services support that should the Department of Public Welfare, the Office of Mental Health and Substance Abuse Services and /or hospital determine that specialized training is needed, it may require staff participation with the expectation that time and associated expenses will be paid.
- The prohibition of travel out of the state will continue to be enforced.

15. Torrance State Hospital should obtain a refund from Liberty for the more than $42,000 in continuing education and travel expenses identified in this audit.
Facility Response:
    - Further evaluation of the $42,000 cited expenditure will occur to determine what training attendance was required by the facility versus what the staff requested to attend. A request for reimbursement may be made to Liberty Healthcare following the completion of the evaluation.
    Target date for completion: April 1, 2012

16. Torrance State Hospital should conduct a thorough review to determine and collect from Liberty any other inappropriately paid education and/or travel expenses incurred by Liberty-contracted professionals.
Facility Response:
    - As noted previously, further evaluation including interpretation from the Department of General Services support that should the Department of Public Welfare, the Office of Mental Health and Substance Abuse Services and /or hospital determine that specialized training is needed, it may require staff participation with the expectation that time and associated expenses will be paid.
    - Torrance State Hospital will continue to review any costs associated with training provided to Liberty contracted professionals and will seek reimbursement for any payments made that are deemed inappropriate.

Finding Five

Torrance State Hospital paid more for contracted psychiatrists because it had difficulty recruiting its own psychiatrists. Part of the problem was that Torrance's lax monitoring and special treatment of contract doctors made the contracted job more attractive than staff jobs.

Recommendations:

17. Torrance State Hospital should work with the Department of Public Welfare to research and analyze recruitment methods and compensation packages, both in Pennsylvania and in other states, and develop a long-term solution to its psychiatric vacancies.
Facility Response:

- Even prior to the Audit, barriers to hiring staff psychiatrists were identified and options explored for increasing staff psychiatric resources. Discussions had occurred with Central Human Resources to identify enhanced and more widespread advertising for psychiatrists.
- By March 1, 2012, a statewide mailing will occur to recruit in anticipation of a staff psychiatrist's planned retirement. Torrance State Hospital collaborated with the Department of State to obtain a listing of all licensed psychiatrists in the Commonwealth and will be sending a mailing to each licensed psychiatrist's mailing address regarding Commonwealth employment opportunities at Torrance State Hospital.
- As previously noted, before contracted services may be considered, all efforts must be exhausted to hire a commonwealth staff psychiatrist.
- Statewide, civil service specifications are being developed for psychiatric nurse practitioners who will greatly expand the availability of psychiatric services in the commonwealth in a cost effective manner. At least two universities currently have psychiatric nurse practitioner programs with one being the University of Pittsburgh. TSH will explore the use of this new civil service classification as a means to lessen its use of contracted psychiatrists.
- Consideration is being given to resuming collaboration with the University of Pittsburgh Psychiatry Residency program which once was occurring at Torrance following the transfer of the Forensic Program from Mayview. Such an affiliation, however, requires that the program's residents receive psychiatric supervision from the hospital and psychiatric staffing levels precluded its continuation. The feasibility of resuming the program will be explored.

18. Torrance State Hospital must monitor the Liberty contract much more closely and strictly until a long-term solution is found for the hospital's recruitment difficulties.

Facility Response:

- As delineated throughout Torrance State Hospital's response, increased contract monitoring has begun and will continue.

Audit Report Distribution

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Torrance State Hospital

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