



PERFORMANCE AUDIT

NORRISTOWN STATE HOSPITAL

**COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE**

SEPTEMBER 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





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EUGENE A. DePASQUALE
AUDITOR GENERAL

September 6, 2013

Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Dear Governor Corbett:

This report contains the results of a performance audit of Norristown State Hospital of the Department of Public Welfare for the period July 1, 2008, to June 30, 2011, with updates through June 5, 2012. The audit was conducted under authority provided in Section 402 of The Fiscal Code and in accordance with generally accepted government auditing standards.

The report contains five findings and four recommendations. The report indicates that Norristown:

- Complied with the Commonwealth's *Procurement Handbook* related to purchasing goods and services off statewide contracts;
- Followed applicable laws and policies when conducting abuse investigations;
- Maintained accurate computer inventory records; and
- Operated with adequate controls over deposits into client accounts.

However, the report also indicates that Norristown:

- Failed to conduct physical inventories of its fixed assets;
- Did not have adequate internal controls in place to account for fixed assets; and
- Did not ensure that required disbursement forms were completed when money was withdrawn from clients' accounts.

Finally, the report notes that the institution implemented our prior audit recommendations. We discussed the contents of the report with the management of the institution, and all appropriate comments are reflected in the report.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE
Auditor General

**Norristown State Hospital
Department of Public Welfare**

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**Norristown State Hospital
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**Background
Information**

*History, mission,
and operating
statistics*

Department of Public Welfare

The Office of Mental Health and Substance Abuse Services, under the Pennsylvania Department of Public Welfare (DPW), operates under the following mission and vision statement, according to the DPW's website:

Every individual served by the Mental Health and Substance Abuse Service system will have the opportunity for growth, recovery, and inclusion in their community, have access to culturally competent services and supports of their choice, and enjoy a quality of life that includes family members and friends.

The Office of Mental Health and Substance Abuse Services oversees behavioral health services, services provided to adults, and a wide range of services provided to children and adolescents. According to DPW's website, the current goals of the Office of Mental Health and Substance Abuse Services are to:

- Transform the children's behavioral health system to a system that is family driven and youth guided.
- Implement services and policies to support recovery and resiliency in the adult behavioral health system.
- Assure that behavioral health services and supports recognize and accommodate the unique needs of older adults.

DPW operates six state psychiatric hospitals for persons with serious mental illness. These hospitals provide special intensive treatment services for patients needing extended psychiatric inpatient services. Admission of persons committed under the Mental Health Procedures Act is made through county Mental Health/Mental Retardation programs after short-term treatment has been provided in the community.

Two of the hospitals, Torrance and Norristown, also operate maximum-security forensic units for persons with serious mental illness who are charged with or convicted of criminal offenses. Torrance State Hospital also operates the Sexual Responsibility and Treatment Program.

County Mental Health System

Community mental health services are administered through county Mental Health/Mental Retardation (MH/MR) program offices. These offices are part of county government and are overseen by a county

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MH/MR administrator. The county MH/MR offices serve as a referral source. Most actual mental health services are delivered by local provider agencies under contract with the county MH/MR office. The county MH/MR office determines a person's eligibility for service funding, assesses the need for treatment or other services, and makes referrals to appropriate programs to fit treatment and/or other service needs.

The Mental Health and Mental Retardation Act of 1966, as amended, requires the county MH/MR office to provide community mental health services, including short-term inpatient treatment, partial hospitalization, outpatient care, emergency services, specialized rehabilitation training, vocational rehabilitation, and residential arrangements. MH/MR offices can also provide information about any additional mental health services the county offers.

There are a wide variety of mental health services available to children and adults. The cost of these services varies depending upon the type of service. Pennsylvania's Medical Assistance Program, either through a managed care organization or the traditional fee-for-service system, pays for many of these services when rendered to eligible individuals. People who use services, but are not on Medical Assistance and are without access to other insurance, are assessed on their ability to pay for those services by the county MH/MR office.

Norristown State Hospital

Norristown State Hospital (Norristown) is located in Montgomery County. Currently, Norristown provides treatment for consumers with severe and persistent mental illness. The geographical service area of Norristown consists of the five counties of the southeast region of Pennsylvania: Bucks, Chester, Delaware, Montgomery, and Philadelphia.

Norristown also provides specialized inpatient mental health services to criminal offenders in its forensic unit. The forensic care unit provides active psychiatric treatment and psychiatric evaluation to men and women in a medium security facility for those patients committed to psychiatric care by the criminal court system.

For the fiscal year ended June 30, 2012, Norristown had a psychiatric bed capacity of 395. These beds were certified for participation in the Medicare and Medical Assistance programs. The following table presents unaudited Norristown operating data compiled for the fiscal years ended June 30, 2009, through June 30, 2012.

A Performance Audit

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	2009	2010	2011	2012
Operating expenditures ¹				
State	\$79,584,532	\$74,578,953	\$77,211,386	\$75,381,706
Federal	<u>3,000,000</u>	<u>3,093,296</u>	<u>3,000,000</u>	<u>3,000,000</u>
Total operating expenditures	<u>\$82,584,532</u>	<u>\$77,672,249</u>	<u>\$80,211,386</u>	<u>\$78,381,706</u>
Employee complement at year end	769	769	775	663
Average daily patient population ²	375	364	351	338
Bed capacity at year end ³	394	394	395	395
Actual patient days of care	136,789	132,833	128,203	123,640
Available patient days of care	150,146	143,810	143,937	144,570
Percent utilization (based on days of care)	91.1%	92.4%	89.1%	85.5%
Average patient cost per day ⁴	\$604	\$585	\$626	\$634
Average patient cost per year ⁵	\$220,460	\$213,525	\$228,490	\$232,044

As the table above shows, Norristown's average daily population decreased 7.1% between 2010 and 2012 because more patients were admitted into residential facilities rather than into institutions. The decline in the average daily population resulted in an 8.4% increase in the average patient cost per day and an 8.7% increase in the average patient cost per year during that period.

¹ Operating expenses were recorded net of fixed assets, an amount that would normally be recovered as part of depreciation. In addition, regional level direct and indirect costs were not allocated to the totals reported here.

² 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.

³ Bed capacity was 442 from July 1, 2008, through November 9, 2008, and then changed to 394. It remained at 394 until February 23, 2011, when it changed to 395.

⁴ Average daily cost per patient was calculated by dividing the total operating expenses by the actual patient days of care. Note: this rate is not the same as a certified per diem rate since the total operating expenses excluded depreciation and allocated direct and indirect cost from region and department level offices.

⁵ Annual average cost per patient was calculated by multiplying the average daily cost per patient by the number of calendar days in the year.

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**Objectives,
Scope, and
Methodology**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those 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.

Our performance audit of Norristown had four objectives. We selected the objectives from the following areas: statewide purchasing contracts, fixed assets and computer inventories, Guardian Office, and patient complaints. The specific audit objectives were as follows:

- One: To determine the efficiency and cost-effectiveness of Norristown's use of selected statewide purchasing contracts. (Finding 1)
- Two: To evaluate Norristown's controls over patient abuse investigations and determine Norristown's compliance with applicable laws and policies. (Finding 2)
- Three: To determine if Norristown complied with applicable policies and if it established adequate management controls over its fixed assets and computer inventories. (Findings 3 & 4)
- Four: To evaluate the Guardian Office's controls over Norristown's client accounts and to determine if the Guardian Office complied with both DPW and internal policies and procedures. (Finding 5)

The scope of our audit was July 1, 2008, to June 30, 2011, with updates through June 5, 2012.

To accomplish our objectives, we obtained and reviewed records and analyzed pertinent policies, agreements, and guidelines of the Norristown State Hospital, DPW, and the Commonwealth of Pennsylvania. In the course of our audit work, we interviewed various facility management and staff. The audit results section of this report contains the specific inquiries, observations, tests, and analysis conducted for each audit objective.

We also performed inquiries and tests as part of, or in conjunction with, our current audit to determine the status of the implementation of the recommendations made during our prior audit. Those recommendations addressed employee training.

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Norristown management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that Norristown is in compliance with applicable laws, regulations, contracts, grant agreements, and administrative policies and procedures. In conducting our audit, we obtained an understanding of Norristown's internal controls, including any information systems controls, as they relate to those requirements and that we considered to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

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Audit Results

We organized our audit results into sections, one for each objective, as follows:

- Statement of the objective
- Relevant laws, policies, and agreements
- Audit scope in terms of period covered, types of transactions reviewed, and other parameters that define the limits of our audit
- Methodologies used to gather sufficient and appropriate evidence to meet the objective
- Finding(s)
- Recommendation(s), where applicable
- Response by Norristown State Hospital management, where applicable
- Our evaluation of Norristown State Hospital management's response, where applicable

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Audit Results
for
Objective
One

*Statewide
Contracts*

The objective

Objective one was to determine the efficiency and cost-effectiveness of Norristown’s use of selected statewide purchasing contracts.

Relevant laws and policies

Under the authority of the Commonwealth Procurement Code,⁶ the Department of General Services (DGS) has issued the *Procurement Handbook*, which provides the policies, procedures, and guidelines for state agencies to use when procuring supplies, services, and construction. Included in the *Procurement Handbook* are the requirements an agency must follow with regard to statewide contracts.⁷ This handbook states the following:

A statewide requirements contract is a contract which is entered into by DGS and includes the annual, semi-annual, or quarterly contract requirements for the specified item to meet the requirements of all Commonwealth agencies. Agencies order needed materials or services directly from the contractor. When a statewide requirements contract is established by DGS, agencies are required to order their requirements for the specified items from the contractor(s) who holds the contract.

Through statewide contracts, the commonwealth leverages its buying power in an effort to get the best price possible on materials and services. At the same time, the use of statewide contracts reduces the need for individual state agencies to conduct repetitive bids for like items.

The *Procurement Handbook* provides both an exception and a waiver to the mandatory use of a statewide contract for procurement. If a needed item is not included in a statewide contract, an agency may be granted an exception from purchasing from the statewide contract vendor.

Likewise, an agency may procure an item from another source rather than from the statewide contractor—even though the item is covered by a statewide contract—when specific conditions are met. The conditions are:

⁶ 62 Pa.C.S. § 101 *et seq.* Hereafter, we refer to this law as the Procurement Code.

⁷ See the Department of General Services’ *Procurement Handbook*, Part I, Chapter 9, “Statewide Requirements Contracts.” We refer to a “statewide requirements contract” as a “statewide contract” throughout this report.

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- DGS deems it to be in the best interest of the commonwealth to procure items that are covered by a statewide contract through a separate competitive procedure.
- DGS determines that the non-contracted supplier's material or service is comparable to the material or service on the statewide contract.
- DGS determines that significant savings can be realized through a separate competitive procurement.
- DGS approves the separate competitive procurement in writing.
- The requested material or service is procured through an appropriate method of procurement.

When these conditions are met, DGS grants the agency a waiver from using the statewide contract.

Scope and methodology

Our audit period for this objective was July 1, 2008, through June 30, 2011, with updates through February 9, 2012.

To accomplish this objective, we interviewed Norristown's facility financial manager, purchasing agent, and facility maintenance manager.

We obtained a list of 55 statewide contracts from which Norristown made procurements during the audit period. From that list, we chose three contracts for detailed analysis. From the three contracts, we selected the 25 largest invoices (five from the first contract and ten each from the second and third contracts) processed between September 1, 2011, and November 30, 2011.

We then selected 33 items purchased from the 25 invoices for our analysis. We determined the amount Norristown paid for these items and, through Internet research, we determined if the items could have been purchased at a lower cost from another vendor. If the items could have been purchased at a lower cost, we determined if the savings were significant and if Norristown requested a waiver to purchase from a non-contracted vendor.

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Finding 1

Norristown complied with the requirements for use of statewide contracts and appropriately sought waivers from those requirements when savings were significant if items were purchased from a non-contracted vendor.

We found Norristown complied with the provisions of the *Procurement Handbook* that requires the use of statewide contracts to procure goods and services. The use of statewide contracts allowed Norristown to bypass the procurement process and to take advantage of the commonwealth's buying power to obtain goods and services at the best available prices.

We also found that Norristown had procedures in place to seek a waiver from the *Procurement Handbook* requirements when significant savings could be realized by purchasing items from a non-contracted vendor.

When we compared the price of items purchased from the three statewide contracts selected for testing, we found that the prices were comparable to the prices offered by non-contracted vendors. We compared prices for 18 items purchased off a medical supplies contract, 13 items from an office supplies contract, and 15 items from a maintenance supplies contract. While we did find non-contracted vendors who offered a few items at a lower cost, the savings were not significant enough to request a waiver. Overall, purchasing items from the statewide contract was more cost-effective than researching prices from non-contracted vendors and then seeking a waiver.

When we discussed the use of waivers with Norristown's facility financial manager, he stated that Norristown typically seeks waivers only for larger priced items when the savings realized are balanced with the time and resources expended to seek a waiver. For example, we found that during our audit period, Norristown researched prices from other vendors for an item that was offered by the statewide maintenance supply contract for \$13,125. Norristown found a local non-contracted vendor offered the same item for \$5,415, which would result in savings of more than \$7,700. Norristown appropriately requested and received a waiver from DGS to purchase the item from the non-contracted vendor.

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**Audit Results
for
Objective
Two**

The objective

Objective two was to evaluate Norristown's controls over patient abuse investigations and determine the hospital's compliance with applicable laws and policies.

*Patient
Complaints*

Relevant laws, policies, and procedures

Norristown is required to investigate reports of abuse against patients. Specific state laws that Norristown must comply with include those related to mental health procedures, abuse of patients, and protective services for older adults. Legally, individuals who have reasonable cause to believe that a patient is a victim of abuse are required to report the abuse. Further, state law provides details on who should be contacted regarding patient abuse and the procedures that should be followed when investigating the abuse allegation.

In addition to legal requirements, DPW has established several policies related to patient abuse, complaints of abuse, and the investigation of alleged abuse. Norristown has also developed its own policy on reporting and investigating allegations of abuse. Both DPW's policies and Norristown's policy provide further detail on the procedures that should be followed when conducting abuse investigations, the reports that must be prepared to document the allegations and investigation, and the agencies that must be notified of the abuse allegation.

At Norristown, all reports of patient abuse are to be made to the hospital's chief executive officer. The chief executive officer assigns cases to investigators who are Norristown employees. An investigation includes a review of the abuse report and any available physical evidence as well as interviews with any witnesses.

The results of the investigations are reviewed by Norristown's patient care coordinator, the chief executive officer, and a patient advocate⁸ in order to determine if a complete and thorough investigation was conducted. If additional work is needed, the chief executive officer will instruct the investigator to continue the investigation. Once an investigation is completed, the chief executive officer decides whether the abuse allegation is substantiated or not. All parties named in the abuse allegation must be notified of the results of the investigation.

⁸ Patient advocates are not employees of Norristown, thus they do not report to the chief executive officer. Their participation in the investigation adds an additional level of review to the process and helps to ensure that the patients' rights are maintained.

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In addition to conducting an investigation, Norristown is also required to contact the local Area Agency on Aging to report any abuse allegations.⁹ Finally, Norristown is also required to notify the Disability Rights Network and, in some cases, the Pennsylvania State Police¹⁰ of any abuse allegations.

Scope and methodology

The scope of our work related to this objective covered the period July 1, 2008, through June 5, 2012.

To accomplish this objective, we obtained and reviewed applicable commonwealth laws along with DPW and Norristown policies regarding patient abuse allegations.

We interviewed Norristown management who are responsible for participating in or overseeing abuse investigations to obtain an understanding of the procedures that Norristown follows when abuse allegations are reported.

We also interviewed two patient advocates who have offices on the grounds at Norristown in order to obtain an understanding of their level of participation in abuse investigations. One advocate is employed by the Mental Health Association of Southeastern Pennsylvania, and the other is employed by the National Alliance for the Mentally Ill.

We analyzed the hospital's report of the 221 patient abuse allegations made during the audit period and we selected 25 patient abuse allegations for detailed examination.

Finding 2

Norristown conducted patient abuse investigations in accordance with applicable laws and policies.

We conducted a detailed examination of 25 patient abuse allegations to determine if Norristown conducted investigations of those abuse allegations in compliance with applicable commonwealth laws and DPW and Norristown policies.

⁹ We contacted the local Area Agency on Aging which confirmed that it received reports from Norristown regarding abuse allegations.

¹⁰ The Pennsylvania State Police are notified in cases where the allegations involve alleged or suspected abuse involving death, serious bodily injury, serious physical injury, or sexual abuse.

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For each of the 25 patient abuse allegations, we examined the case files and supporting documentation to determine the following:

- Did Norristown conduct an investigation?
- Did Norristown notify the appropriate agencies (Area Agency on Aging, Disability Rights Network, and, when required, the Pennsylvania State Police)?
- Did a patient advocate review the investigation report?
- Did the patient advocate agree with the results of the investigation?
- Did Norristown notify the patient and employee of the results of the investigation?
- Did Norristown take appropriate follow-up actions if the allegation was substantiated (e.g., disciplinary action or employee training)?

We found documentation to adequately support responses to each of the questions above. Based on our audit work, we concluded that Norristown complied with applicable laws, policies, and procedures to conduct investigations related to patient abuse incidents and to report abuse allegations to appropriate officials.

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**Audit Results
for
Objective
Three**

*Fixed Assets and
Computer
Inventories*

The objective

Objective three was to determine if Norristown complied with applicable policies and if it established adequate management controls over its fixed assets and computer inventories.

Relevant policies

Norristown management is responsible for ensuring that all fixed assets and computers are safeguarded, utilized, and maintained throughout their useful life. Both the commonwealth and DPW have established policies and procedures to assist facility management in meeting these responsibilities.

According to DPW's policy, fixed assets are defined as:

Tangible items that are relatively fixed or permanent in nature, with a cumulative cost of more than \$5,000 and have an expected useful life of more than one year.

DPW's policy requires that all fixed assets and property control items be physically inventoried on an annual basis.¹¹ The policy also states that the results of the physical inventory are to be reconciled with fixed asset inventory records.

In addition to fixed assets, DPW has a property control policy in place for computers and related equipment. This policy states the following:

All personal computers and peripherals (e.g., external modems and document scanners/reader, but not keyboard or mouse), regardless of cost, are considered an item for property control on the Fixed Asset Inventory Database if not already on the Fixed Asset Inventory Database as a fixed asset.

¹¹ Department of Public Welfare, Administrative Policy, "Fixed Assets for State Facilities," Section K, dated September 1, 2004, and reissued March 11, 2011.

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Scope and methodology

Our audit period for fixed assets was July 1, 2008, through October 6, 2011. The audit period for computers and computer-related equipment was July 1, 2008, through November 1, 2011.

We interviewed the information technologist and the facility financial manager to gain an understanding of how Norristown purchased fixed assets and computers and to learn about Norristown's implementation of commonwealth and DPW policies.

We reviewed purchase orders and reports from Norristown's accounting system to identify fixed assets purchased for the fiscal years ended June 30, 2009, 2010, and 2011. We also reviewed purchasing documents and noted that Norristown purchased 100 computers during the months of March and April 2010. Using these purchasing reports and documents, we traced the purchased fixed assets and computers back to Norristown's fixed asset inventory and computer inventory reports to ensure that Norristown added the purchased items to its inventory reports.

In addition, we reviewed the list of Norristown's 811 fixed assets as of October 6, 2011. We selected 46 of the 811 fixed assets to confirm existence and determine inventory accuracy.

Further, we reviewed Norristown's computer and computer-related items report as of November 1, 2011. We selected 40 of the 401 items on the report for more detailed testing to confirm existence and determine inventory accuracy.

Finally, while conducting existence testing of computers and computer-related items, we randomly chose an additional 10 fixed assets, 16 computers, and 18 printers that were observed in various hospital buildings to verify that these items had been recorded on their respective inventory reports.

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Finding 3

Norristown implemented adequate controls over its computer and peripheral equipment and it maintained accurate computer inventory records.

We found that Norristown maintained adequate inventory reports of computers and related items during our audit period. The November 2011 inventory report listed 401 items and included the following information for each item: location, model name, serial number, identification number, and the name of the employee assigned the item.

We also found that each of the 40 items we selected for existence testing was located in the building and room as reported on Norristown's inventory report. Furthermore, we were able to trace the 16 computers and 18 printers observed in various buildings back to Norristown's computer inventory reports leading us to conclude that Norristown officials had properly recorded each of these items on its computer inventory reports.

In addition, when we examined the extent to which Norristown added newly-acquired computers to its inventory records, we found that Norristown adjusted its records for these new computers. Specifically, we examined accounting records and purchasing documents that showed Norristown spent approximately \$79,000 on 100 new computers in March and April 2010. Norristown had included each of the new computers on its computer inventory records.

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Finding 4 Norristown did not implement adequate internal control procedures over its fixed asset inventory.

According to Norristown’s fixed asset listing, as of October 6, 2011, Norristown had over 800 fixed assets with a total value of more than \$7.1 million.¹² Our audit disclosed that Norristown did not implement adequate controls and safeguards over its fixed assets, and the hospital did not comply with DPW policies regarding annual physical inventories and accurate record keeping.

Norristown staff had not conducted a physical inventory for at least seven years. Norristown’s financial manager stated that he was hired in 2005, and an inventory had not been conducted since he was hired. Further, there were no records to show when Norristown conducted a physical inventory of fixed assets prior to 2005. The financial manager stated that the annual physical inventory had not been conducted due to the lack of available staff. In addition, Norristown did not conduct inventory spot checks and did not keep track of assets that were relocated to other buildings, disposed of, or surplused.

When we asked Norristown management why it did not implement such procedures, officials told us that they relied on staff to inform management when assets were “missing” and when items were no longer used and should be surplused. Officials further stated that when items are reported as missing, Norristown will conduct an investigation, which includes a review of security camera footage.

To assess the effect of these inadequate internal controls, we selected 46 fixed assets listed on Norristown’s inventory report and attempted to locate those assets at the hospital. We found that 14 of the 46 items could not be located. The remaining items in our test group were located in the buildings and rooms as reported on Norristown’s inventory report.

The missing items included: washing machines, clothes dryers, air conditioning units, televisions, laundry equipment, and one piece of physical therapy equipment acquired in January 2011 when Allentown State Hospital closed.

When we asked Norristown management why these items could not be located, officials could not provide a definitive answer. Norristown officials suggested that since 12 of the 14 assets were “old,” the assets

¹² This list includes at least \$2.8 million in items such as roof, road, and sallyport renovations.

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may have been disposed of or surplus. ¹³ According to the inventory report, those 12 items were put into service approximately 20 years ago—in either 1992 or 1993—so that explanation is plausible, but Norristown could not provide documentation that the items were actually disposed of or surplus.

A more detailed review of the October 2011 inventory report showed approximately 280 items that were more than 20 years old and far below the current \$5,000 threshold to be defined as a fixed asset. Items still listed on the inventory report included:

- 21 color televisions put into service in 1992
- 25 clothes dryers put into service in 1992
- 24 washing machines put into service in 1992
- 14 computers put into service in 1994
- 27 window air conditioners put into service in 1993

The inventory report listed more than 600 items with service dates of 1995 or earlier. As a result, we concluded that Norristown officials did not remove obsolete items from its inventory records which impacted Norristown's ability to accurately track its fixed assets.

We did find, however, that Norristown had implemented adequate procedures to ensure that newly acquired fixed assets were properly tagged and added to the inventory report. Specifically, we examined accounting records and purchasing documents that showed Norristown purchased approximately \$570,000 in fixed assets from July 1, 2008, through June 30, 2011. Norristown had included each of the fixed assets on its fixed asset inventory records.

Even though we found that Norristown ensured that new assets were correctly added to the inventory records, that procedure alone was not sufficient to ensure that all fixed assets were properly accounted for and appropriately safeguarded. Norristown should take immediate action to improve its controls over fixed assets.

**Recommendations
for Finding 4**

To comply with DPW policies and to ensure that assets are safeguarded:

1. Norristown staff must comply with DPW policy by conducting an annual fixed asset physical inventory and reconciling the results of

¹³ A surplus item is one that is owned by the institution and is still useable; however, it is no longer needed by the institution. These items are either offered for use at other government run facilities or sold to the general public.

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the physical inventory with its fixed asset inventory records. Furthermore, Norristown should consider conducting periodic spot checks of items.

2. Norristown management should implement procedures to identify items that are no longer used at the institution. Further, Norristown should ensure that when the hospital disposes of or surpluses fixed assets that the fixed asset inventory records are adjusted accordingly.
3. Norristown management should develop and implement procedures, such as the use of a fixed asset transfer form, to help ensure that the fixed asset inventory records are adjusted whenever fixed assets are relocated within the hospital. This step will help speed up the amount of time needed to conduct the physical inventory.

**Management
Response**

**Written comments provided by Norristown State Hospital
management:**

The Hospital concurs with this finding and recommendations. Procedures are being developed that will include an annual physical inventory of fixed assets, spot checks of items, identification of items no longer used and appropriate adjustments of the inventory to remove items surplused.

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Audit Results

**for
Objective
Four**

*Guardian
Office*

The objective

Objective four was to evaluate the Guardian Office's controls over Norristown's client accounts and to determine if the Guardian Office complied with both DPW and internal policies and procedures.

Relevant policies and procedures

Each state mental hospital and state mental retardation center is required to have an independent Guardian Office. The mission of the Guardian Office is to manage the financial affairs, act as a fiscal advocate, and protect the fiscal rights of clients. All guardian officers, who report to and are supervised by DPW, serve as a representative payee and/or court appointed financial guardian for incompetent clients when no family or outside agency (such as advocacy groups for those with mental illnesses) is available.

Each Guardian Office is required to follow DPW's policies and procedures for managing the financial affairs of clients. DPW developed the following form for use when clients want to withdraw money from their accounts for shopping or activities:

Client Account Withdrawal Orders – A form that is used by a staff member on behalf of a client to request a withdrawal from the client's account. The client signs the form, which is then submitted to the guardian officer to be processed.

DPW mandates the use of the client account withdrawal order form¹⁴ for obtaining cash. DPW's Guardian Office manual states that each Guardian Office needs to establish its own procedures regarding the weekly disbursement of cash (i.e., minimal spending money) to clients.

The Guardian Office at Norristown established procedures and developed two forms to be used for disbursing weekly cash to clients. However, the guardian officer did not develop a written policy requiring the use of these forms. The proper use of these forms has only been verbally communicated to Norristown employees who handle client money.

The two forms to be used as part of the disbursement process are:

¹⁴ Norristown staff also completes a client account withdrawal order each week when processing weekly cash withdrawals for all clients.

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Client Cash Request Form – A form that is signed either by a client acknowledging his/her receipt of money disbursed by the guardian or signed by an employee authorized to pick up money for a client who is unable to do so for themselves.

Client Signature Form – A form that is signed by a client acknowledging his/her receipt of money picked up for them by an authorized employee.

Each time a client requests a weekly disbursement of cash, a *Client Cash Request Form* must be used and signed to show that the Guardian Office disbursed the money. If an employee signs the *Client Cash Request Form* on behalf of the client, that employee is required to have the client sign the *Client Signature Form* to show that the client received the cash.

Scope and methodology

The audit period for this objective was July 1, 2008, through December 9, 2011.

In order to establish our understanding of Guardian Office operations, we interviewed staff assigned to Norristown's Guardian Office as well as Norristown management responsible for the employees authorized to obtain cash for clients.

In addition, we obtained and reviewed applicable DPW and Norristown Guardian Office policies and procedures related to the management of client money and property.

Further, we selected 25 of the 315 Norristown patient accounts with the Guardian Office as of November 8, 2011, for detailed examination. We obtained and reviewed account activity reports showing both receipts and withdrawals. These 25 client accounts had a total of 2,962 transactions (both receipts and withdrawals) during the audit period. We reviewed supporting documentation for these transactions to ensure that the amounts posted were accurate, reasonable, and justified.

Our testing of deposits included a review of Guardian Office-prepared receipts showing the payee, payer, and amount of checks received for a client; reports provided by the Social Security Office listing the clients'

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names and social security amounts received; and payroll reports listing client names and wages paid for those clients who work at the hospital.

Our disbursements testing included a review of the client account withdrawal orders, which noted the amount and purpose for the withdrawals, as well as store receipts for personal items purchased for clients. We also reviewed the weekly cash disbursements records including the client cash request forms and the client signature forms, when applicable.

Finding 5 While Norristown’s Guardian Office implemented adequate controls over deposits into client accounts, the Guardian Office did not ensure required forms were completed for all disbursements made during our audit period.

Our examination of the deposit transactions selected for detailed testing disclosed that the Guardian Office processed all of the receipts and the *Client Account Withdrawal Orders* in accordance with policies and procedures.

However, our testing of disbursement transactions disclosed instances of noncompliance with policies and procedures. We found that the Guardian Office failed to ensure the *Client Cash Request Form* was properly signed in two transactions, and the *Client Signature Form* was not properly signed in 52 transactions. These 54 transactions totaled \$320, and the majority of these 54 transactions were for withdrawals of \$5.

While we did not find evidence that the Guardian Office and hospital staff failed to disburse the cash to the clients, there was no evidence to prove that the clients actually received the money. Further, the failure to properly complete the disbursement forms properly left clients at the hospital vulnerable to mismanagement of their money. It also left hospital staff, who accepted cash disbursements for clients, without proof that they actually gave the cash to the clients.

According to Norristown’s guardian officer, instructions for the use of the forms were verbally communicated to hospital staff. However, these instructions were not formalized in a written policy.

When we discussed the results of our testing with the guardian officer and other Norristown management, these officials stated that they were in agreement with the need for the disbursement forms to be properly used

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and for the verbal policy to be documented in writing. While the guardian officer was aware that the *Client Signature Form* was not always returned to the Guardian Office with a patient signature, the guardian officer was unaware of the scope of the problem because the officer did not develop procedures to track how often it occurred. However, when we pointed out that we found 52 instances in which the *Client Signature Form* was not signed, Norristown officials agreed that they needed to address this issue.

**Recommendation
for Finding 5**

4. Norristown's Guardian Office should develop, and then enforce, a written policy that includes the procedures on the proper use of *Client Cash Request Forms* and *Client Signature Forms* when disbursements are made from client accounts.

**Management
Response**

**Written comments provided by Norristown State Hospital
management:**

A policy is being drafted to be implemented for the proper use of Client Account Withdrawal Order Forms and the Client Signature Forms when disbursements are made from the client accounts.

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**Status of
Prior Audit**

The prior audit of Norristown covered the period of July 1, 2006, to November 26, 2008, and contained six findings. Five of the findings (Findings 1, 2, 3, 4, and 5) were positive and thus had no recommendations. The remaining finding (Finding 6), its accompanying recommendations, and the status of Norristown's implementation of the recommendations are presented below.

Scope and methodology

To determine the status of the implementation of the recommendations made during the prior audit, we held discussions with appropriate hospital personnel and performed tests as part of, or in conjunction with, the current audit.

Prior Finding 6 Norristown employees did not receive required continuing education training. (Resolved)

Norristown is responsible for providing employees with required training and we found that 34 employees did not receive all the mandated training in calendar year 2006. In calendar year 2007, we found that 21 employees failed to obtain all required training and the problem continued in 2008 when we found that 19 employees did not obtain the mandated number of training hours.

Norristown management stated that part of the reason training was not provided was because the training coordinator position was vacant from June 2006 through January 2007 and again during the month of July 2008.

We recommended that Norristown management should develop and enforce written policies and procedures to ensure that all direct care employees receive the required annual training. We also recommended that when a key position such as a training coordinator is vacant, the duties of that position should be reassigned to other positions within the hospital.

In its November 23, 2010, response to our finding, DPW management stated the following:

The DPW concurs with this finding. A training policy is being developed and will be completed by January 14, 2011. The policy will clearly define "required" training and which segment of staff is required to take specified training. Norristown State Hospital management also

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agrees to assign the duties of the training coordinator to other staff if that position becomes vacant.

Status as of this audit. During our current audit, we found that Norristown created and instituted a policy for staff development and training that clearly defined “required” training and denoted which staff was required to take specified training. Further, this policy states: “The measure of success for mandatory training is that a minimum of 90 percent of full-time, regular staff will have completed this training within one calendar year from the month it is offered.” In other words, if 90 percent or more of all staff required to attend a training course actually completed that course, then Norristown considered its training goal to have been met.

In addition, Norristown developed a procedures manual that contained a section that outlined the specific assignment for secondary personnel to ensure that the duties of the training coordinator were performed in the event that the coordinator is absent for an extended period of time.

To determine the extent to which Norristown employees received training during calendar year 2011, we examined training records and documents that summarized employee attendance at three training sessions: annual required training, CPR training, and hospital-wide response training.

Our review showed that of the 745 hospital employees required to receive the annual required training, 716 completed the training which was a 96.1 percent completion rate.

During that same year, 520 direct care employees were required to take the biennial CPR recertification training course. Of that number, 471 employees completed the training, resulting in a 90.6 percent completion rate.

Finally, 593 employees were required to take the hospital-wide response training in 2011. Of that number, all but one completed that course. In all three training sessions, Norristown State Hospital exceeded its goals and met the 90 percent completion rate set as the measure of success.

As a result of our work in the current audit, we concluded that Norristown implemented our prior audit recommendations.

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