

Commonwealth of Pennsylvania
Department of Public Welfare
Selinsgrove Center
July 1, 2004, to June 22, 2007
Performance Audit



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February 27, 2008

Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Dear Governor Rendell:

This report contains the results of a performance audit of Selinsgrove Center of the Department of Welfare for the period July 1, 2004, to June 22, 2007, except where we expanded the scope to assess all relevant information objectively. The audit was conducted pursuant to Section 402 of The Fiscal Code and in accordance with *Government Auditing Standards* as issued by the Comptroller General of the United States.

The report details the audit objectives, scope, methodology, findings, and recommendations. The report notes that Selinsgrove did not maximize Medicare Part B revenue. Auditors discussed the contents of the report with the officials of Selinsgrove Center and all appropriate comments are reflected in the report.

We appreciate the cooperation extended to us by the management and staff of Selinsgrove Center and by others who provided assistance during the audit.

Sincerely,

JACK WAGNER
Auditor General

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Background Information

Department of Public Welfare – Office of Developmental Programs

The Office of Mental Retardation (OMR) was established within the Department of Public Welfare (DPW) by an Executive Board order on December 8, 1972. In 2007, OMR became the Office of Developmental Programs and within that, the Bureau of Mental Retardation Program Operations. The Bureau directs the fiscal and program planning, management and oversight of all mental retardation program operations including state operated facilities, community mental retardation programs and early intervention programs. To provide care in the institutional setting, the Bureau is directly responsible for the operation of five mental retardation centers: Ebensburg/Altoona, Hamburg, Polk, Selinsgrove, and White Haven. The centers are physically separate institutions that provide residential care to individuals with severe and profound mental retardation.

Services provided in these programs are classified into four categories:

- Nonresidential community-based service
- Residential community-based service
- Intermediate care facilities
- Institution care

Selinsgrove Center

Selinsgrove Center (Selinsgrove) is located near the town of Selinsgrove in Penn Township, Snyder County, approximately five miles southwest of Sunbury, and was originally established in 1917 as the Eastern School for the Insane. Today, Selinsgrove provides a structured environment for persons with mental retardation, in order enhancing their skills and abilities for community and family living, and providing for their eventual placement into community settings.

Selinsgrove's physical plant consists of 51 buildings, located on 254 acres of land. Selinsgrove is licensed by the Pennsylvania Department of Health as a 584-bed intermediate care facility and receives cost of care reimbursements from the federal government through the Medical Assistance Program for services rendered to eligible clients.

A facility director manages the operations of Selinsgrove with the assistance of management personnel assigned to four primary divisions within Selinsgrove: clinical services, medical services, support services and planning, evaluation, and development. Additionally, a nine-

Background Information

member board of trustees, appointed by the Governor, with the advice and consent of the Senate, serves in an advisory capacity to Selinsgrove's management.

The following schedule presents selected unaudited Selinsgrove operating data compiled for the years ended June 30, 2005, and 2006:

	2005	2006
Operating expenditures (rounded in thousands) ¹		
State	\$31,557	\$33,848
Federal	<u>35,345</u>	<u>36,134</u>
Total	<u>\$66,902</u>	<u>\$69,982</u>
Employee complement at year- end	927	956
Bed capacity at year-end	579	584
Available days of care	211,335	213,160
Daily average census ²	370	378
Actual client days of care	135,108	137,858
Percent utilization (based on client days of care)	63.9%	64.7%
Daily average cost per client ³	\$495	\$508
Yearly average cost per client ⁴	\$180,739	\$185,289

¹ Operation expenditures were recorded net of fixed asset costs, an amount that would normally be recovered as part of depreciation. In addition, regional and department level direct and indirect charges are not allocated to the totals reported here.

² Daily average census was calculated by dividing the actual client days of care for the year by the number of calendar days in the year.

³ Daily average cost per client was calculated by dividing the total operating expenditures by the combined actual client days of care for nursing and domiciliary care. Note: This rate is not the same as a certified per diem rate since the total operating expenditures exclude depreciation and allocated direct and indirect costs from regional and department-level offices.

⁴ Yearly average cost per client was calculated by multiplying the daily average cost per client by the number of calendar days in the year.

Objectives, Scope and Methodology

We selected the objectives for the current audit from four general areas: Medicare Part B, client abuse, guardian operations, and maintenance work orders. In addition, we determined the status of the recommendations made during the prior audit of Selinsgrove. The specific objectives for this audit were:

- To determine whether Selinsgrove management has developed procedures to ensure Medicare Part B revenues were maximized. (Finding 1)
- To determine whether Selinsgrove complied with DPW policies for reporting and investigating client abuse. (Finding 2)
- To determine whether the Guardian Office funds were adequately safeguarded and invested in interest bearing accounts. (Finding 3)
- To determine whether work orders were processed in accordance with Selinsgrove's policy, and that the amount expended to complete the selected work orders was reasonable for the work completed. (Finding 4)
- To determine the status of management's corrective actions for prior audit findings that addressed the segregation of procurement duties and the physical inventory of fixed assets.

The scope of the audit covered the period July 1, 2004, to June 22, 2007, unless indicated otherwise in the individual report areas.

To accomplish the audit objectives, the auditors reviewed: Medicare Part B policies and procedures; the Selinsgrove physician's license; DPW policies regarding the prevention, reporting, investigation, and management of abuse incidents; DPW Guardian Officer policies and procedures,⁵ and Selinsgrove's internal maintenance policy. They also reviewed DPW's written response dated December 22, 2006, replying to the Auditor General's prior audit report.

Auditors interviewed various DPW and Selinsgrove management and staff including, those employees responsible for the recording of the Medicare Part B revenue, the Director of Risk Management, the Guardian Officer, and the Facility Maintenance Manager. They also held discussions with Selinsgrove management and staff to obtain an updated understanding

⁵ Department of Public Welfare, Bureau of Administrative Services, Division of Guardian Programs, Policy and Procedures Manual – September 2005.

Objectives, Scope and Methodology

of the progress implementing the prior audit's recommendations and other corrective actions to resolve the prior findings.

For the examination of Medicare Part B revenue, auditors analyzed 48 medical charts and encounter forms for the two-year period from July 1, 2004, through June 30, 2006.

For the testing of compliance with client abuse policies, the auditors determined that all of the certified investigators at Selinsgrove were trained properly, and that Selinsgrove maintained current certifications for its investigators. The auditors also analyzed the documentation for quality, propriety, and timeliness for 40 of 195 reportable incidents from July 1, 2004, through June 30, 2006.

For the testing of Guardian Office compliance, the auditors: sampled 29 of 2,581 official receipts processed between July 1, 2004, and June 30, 2006, and verified that they were properly authorized and deposited to the correct account; sampled 29 of 2,152 disbursement checks processed between July 1, 2005, and June 30, 2006, and verified that checks were approved and met eligibility criteria; reviewed bank account reconciliations to determine accuracy and approval for April 2005 and June 2006; to maximize client funds, auditors determined that client funds were deposited in interest bearing accounts; and conducted a surprise petty cash account.

For testing compliance with Selinsgrove's internal maintenance policy, auditors selected and analyzed 37 of 1,036 work orders processed from July 1, 2004, to June 30, 2006.

Finally, auditors performed tests, as necessary, in prior audit areas to substantiate their understanding of Selinsgrove's progress in resolving the prior audit findings.

Audit Results

Medicare Part B

Selinsgrove residents who receive Social Security, Railroad Retirement, or similar retirement payments may be eligible to participate in the Medicare Part B insurance program.⁶ For each eligible resident, Selinsgrove can seek reimbursement for certain medical/psychiatric procedures performed. After services are performed, medical personnel need to document each procedure in the resident's medical chart and subsequently ensure eligible Medicare Part B procedures are listed on an encounter form, so that reimbursement can be achieved.

Finding 1 – Selinsgrove did not maximize Medicare Part B revenue.

Selinsgrove did not bill for eligible Medicare Part B podiatry procedures. As a result, Selinsgrove did not collect an estimated \$24,226 in Medicare revenue for the two-year period from July 1, 2004, through June 30, 2006.

According to Selinsgrove's medical records coordinator, approximately 840 Medicare Part B eligible podiatry procedures were performed on Selinsgrove residents from July 1, 2004, through June 30, 2006. Selinsgrove, however, never billed for these procedures. According to this official, Medicare had deactivated Selinsgrove's staff podiatrist Medicare provider number for the Center in April 2005 because of inactivity.

In addition to the lost podiatry services reimbursements, a review of 48 medical charts disclosed 12 other eligible medical procedures totaling \$534 were not billed.

Medicare regulations have established deadlines for billing eligibility ranging from 15 to 26 months depending on the date the procedure was performed. However, any procedure submitted for reimbursement 12 months after the month the procedure was performed is subject to a 10 percent penalty.

Selinsgrove management is responsible for ensuring all revenue is maximized. For Medicare Part B this entails ensuring that all eligible procedures are documented on an encounter form and submitted to Medicare for reimbursement. However, Selinsgrove had not established a formal medical chart review policy and procedure to ensure Medicare Part B revenue was maximized.

⁶ The most recent publication is entitled, Medicare Physicians Guide: A resource for residents practicing physicians, and other health care professionals – July 2007.

Audit Results

Recommendations:

Selinsgrove management should establish procedures to ensure that all doctors have an active Medicare provider number. Also, all billable Medicare procedures should be documented on encounter forms and the encounter forms should be submitted timely to the billing office for use in the preparation of the Medicare billing. In addition, to maximize Medicare Part B revenue, all eligible procedures less than two years old should be billed to Medicare regardless of whether a penalty will be incurred.

Management Comments:

At the exit conference, Selinsgrove management stated that continued efforts are being made to get the podiatrist an active Medicare provider number and also bill for all current and past eligible Medicare procedures. In addition, management has implemented oversight and monitoring procedures including updating forms so that all Medicare billable procedures and revenues are maximized.

Client Abuse

Department of Public Welfare policy⁷ requires incidents of abuse to be reported within 24 hours of the occurrence. Abuse includes the allegation or actual occurrence of injury, unreasonable confinement, intimidation, punishment, mental anguish, and sexual abuse or exploration. In addition, DPW has established a formal investigation process with certified investigators.⁸

Finding 2 – Selinsgrove investigated alleged abuse, injuries, and deaths adequately.

The review of the 40 incident reports sampled disclosed that Selinsgrove performed timely and comprehensive investigations for all 40 incidents. The resultant reports included summaries of investigative procedures, evidence gathered, and any corrective disciplinary or procedural actions. Further, Selinsgrove had 36 employees classified as Certified Investigators. All 36 employees were properly trained and certified.

⁷ Department of Public Welfare, Mental Retardation Bulletin No. 6000-04-01 – Incident Management – February 2004.

⁸ Department of Public Welfare, Mental Retardation Bulletin No. 00-04-11 – Certified Investigations – September 2004.

Guardian Office

Guardian Officers serve as representative payee and/or court appointed financial guardians for incompetent patients when no family or outside agency is available. With written consent, competent patients can open accounts and receive assistance with money management. DPW has established policies and procedures to ensure each Guardian Officer operates consistently.⁹

Monies come into the Guardian Office from various sources on behalf of the client. These sources include social security or railroad retirement payments, payroll from the workshop, and gifts from family members or friends. These monies are deposited into the Guardian Office checking account with a local bank. Monies not immediately needed are transferred into an interest bearing money market account and certificates of deposit. Interest is prorated to each client account at the end of each month.

Payments are made from the checking account or petty cash for client personal expenses, trips, and incidental shopping.

Finding 3 – Selinsgrove safeguarded Guardian Office accounts and invested the funds in interest bearing accounts.

The results of our testing revealed that all tested receipt transactions were appropriately signed, recorded, and deposited. In addition, all tested disbursement transactions were properly approved, documented, and met eligibility criteria. Checks associated with disbursements were traced to bank statements without exception and each check was properly authorized. Client funds were deposited in interest-bearing accounts. The interest rate received was competitive with current market conditions. Bank accounts were reconciled by the guardian officer. These accounts were subsequently reviewed by central office personnel. Finally, the surprise count of petty cash funds revealed that the petty cash balance was accurate and agreed to the financial reports without exception.

Maintenance Work Orders

Selinsgrove management is responsible for maintaining the safety, efficiency, and décor of the facility. To accomplish this goal, maintenance personnel perform general repairs and work as reported by Selinsgrove employees, or initiated by management. To ensure work orders are processed efficiently, Selinsgrove has established an in-house work order policy. The policy requires each work order to be justified, approved, and completed timely.

⁹ Department of Public Welfare, Bureau of Administrative Services, Division of Guardian Programs, Policy and Procedures Manual – September 2005.

Audit Results

Finding 4 – Selinsgrove’s maintenance department complied with work order policies.

All examined work orders were processed according to Selinsgrove’s established policies and procedures. Each work order was properly approved, prioritized, justified, and assigned to the appropriate maintenance shop.

Status of Prior Audit Findings and Recommendations

The following is a summary of the findings and recommendations presented in our audit report for July 1, 2002, to November 24, 2004, along with a description of the Center's disposition of the recommendations.

Prior Audit Results

Prior Finding I-2 – Procurement duties were not properly segregated.

Our prior audit reported that Selinsgrove did not adequately segregate duties to employees who had access to the SAP R/3 material management module. We recommended that Selinsgrove management eliminate incompatible duties.

Status:

The current audit disclosed that Selinsgrove complied with the recommendation made in the prior audit. Our review of the current role mapping duties indicated the six employees found in our prior audit as having inappropriate duties were now assigned job functions consistent with proper segregation of duties. In addition, SAP R/3 system changes were made to ensure that the purchasing agent could no longer change the 'ship to' address on purchase orders potentially allowing delivery to an offsite location.

Prior Finding II-1 – Fixed asset physical inventories were not conducted timely.

Our prior audit reported that physical inventories of fixed assets were not completed quarterly as required. We recommended that Selinsgrove management comply with DPW guidelines.

Status:

The current audit disclosed that Selinsgrove has complied with the recommendations made in the prior audit. Interviews with institution personnel responsible for fixed asset verification and a review of their physical inventory working papers indicated that fixed asset physical inventories were completed on a quarterly basis in accordance with Management Directive 310.

Audit Report Distribution List

This report was initially distributed to the following:

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